



Deutsche Wohnen AG

(incorporated in Germany as a stock corporation)

€500,000,000 1.375% Fixed Rate Standalone Notes due 2020

ISIN XS1250867642, Common Code 125086764 and German Securities Code (WKN) A161MH
Issue Price: 99.689%

Deutsche Wohnen AG, Frankfurt am Main, Germany (the “**Issuer**” or the “**Company**”, and together with its fully consolidated subsidiaries, the “**Group**”, “**Deutsche Wohnen**” or “**Deutsche Wohnen Group**”) will issue on July 24, 2015 Notes in the aggregate principal amount of €500,000,000 due 2020 (the “**Notes**”). The Notes will bear interest at a rate of 1.375% per year. The Issuer will pay interest on the Notes annually in arrears on July 24, commencing on July 24, 2016. The Notes, which are governed by the laws of the Federal Republic of Germany (“**Germany**”), will be issued in a denomination of €1,000 and will be offered only in minimum offered amounts of €100,000 and integral multiples of €1,000 in excess thereof.

The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

Unless previously redeemed or purchased and cancelled in accordance with the terms and conditions of the Notes (“**Terms and Conditions**”), the Notes will be redeemed at par on July 24, 2020 (the “**Maturity Date**”). The Notes may be redeemed before this date, in whole but not in part, at their principal amount, together with, if applicable, accrued interest, notably in the event of any change in taxation or in an event of default, see “*Terms and Conditions of the Notes—§6 Redemption—(2) Early Redemption for Reasons of Taxation*” and “*Terms and Conditions of the Notes—§10 Events of Default*”. The Issuer will have the option to redeem the Notes prior to maturity, in whole but not in part, at their principal amount, together with accrued interest, if applicable, and a premium, see “*Terms and Conditions of the Notes—§6 Redemption—(3) Early Redemption at the Option of the Issuer*”. If a change of control occurs, each Holder will have the option to require the Issuer to redeem or, at the Issuer’s option, repurchase all or part of the Notes held by such Holder at their principal amount together with, if applicable, accrued interest, see “*Terms and Conditions of the Notes—§6 Redemption—(4) Early Redemption at the Option of the Holders upon a Change of Control*”.

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange’s Regulated Market (the “**Listing**”). The Luxembourg Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on Markets in Financial Instruments, as amended.

On issue the Notes are expected to be rated BBB+ by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies Inc. (“**S&P**”) and A3 by Moody’s Investors Service Limited (“**Moody’s**”). At the date of this Offering Memorandum (the “**Offering Memorandum**”), the Issuer has a long-term corporate rating of A- (stable outlook) assigned by S&P and A3 (stable outlook) assigned by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. At the date of this Offering Memorandum, S&P and Moody’s are established in the European Union, registered under Regulation (EC) no. 1060/2009 of the European Parliament and of the Council dated 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”) and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with the CRA Regulation.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and are being offered and sold in transactions outside the United States of America (“United States”) to non-U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) in reliance on Regulation S under the Securities Act.

The Notes will initially be represented by a temporary global bearer note (the “**Temporary Global Note**”), without interest coupons. The Notes are issued in new global note (“**NGN**”) form and will be delivered on or around the issue date (the “**Issue Date**”) to a common safekeeper (“**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**CBL**”, and, together with Euroclear, the “**Clearing System**”). The Temporary Global Note will be exchangeable in whole or in part for a permanent global bearer note (the “**Permanent Global Note**” and, together with the Temporary Global Note, the “**Global Notes**”) without interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. The Global Notes are intended to be eligible collateral for Eurosystems monetary policy. Whether NGNs are recognisable as eligible collateral for Eurosystem monetary policy and intra-day credit operations will depend upon satisfaction of the Eurosystem eligibility criteria.

Prospective investors should be aware that an investment in the Notes involves risks and that if certain risks, in particular those described under “Risk Factors”, occur, the investors may lose all or a very substantial part of their investment.

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under European Union’s Directive 2003/71/EC, as amended (“**Prospectus Directive**”), from the requirement to produce a prospectus in connection with offers of the Notes and is thus, for the purposes of the offering of the Notes, not a prospectus within the meaning of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the European Economic Area (“**EEA**”) of the Notes which are the subject of the offering contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for the Issuer or the Joint Bookrunners to produce a prospectus for such offers. None of the Issuer or the Joint Bookrunners has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Joint Bookrunners which constitute the final placement of the Notes contemplated in this Offering Memorandum.

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange’s Regulated Market. The Luxembourg Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments, as amended. Only for purposes of the Listing, this Offering Memorandum constitutes a prospectus within the meaning of the Prospectus Directive, *i.e.* a listing prospectus according to Article 3.3 of the Prospectus Directive. By approving a prospectus, the Commission de Surveillance du Secteur Financier (the “**CSSF**”) shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the issuer pursuant to Article 7(7) *Loi relative aux prospectus pour valeurs mobilières*.

This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy Notes in any jurisdiction where such offer or solicitation is unlawful. The Notes are subject to U.S. tax law requirements and may, subject to certain exceptions, not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this Offering Memorandum, see “*Subscription and Sale—Selling Restrictions*” below.

Active Bookrunners

Deutsche Bank

**Société Générale
Corporate &
Investment Banking**

UBS Investment Bank

UniCredit Bank

Passive Bookrunner

Goldman Sachs International

The date of this Offering Memorandum is July 23, 2015

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RESPONSIBILITY STATEMENT

The Issuer is solely responsible for the information given in this Offering Memorandum. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum for which it is responsible, is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This Offering Memorandum should be read and understood in conjunction with all documents incorporated herein by reference.

NOTICE

This Offering Memorandum should be read and construed with any supplement thereto and with any other documents incorporated by reference in relation to the Notes.

This Offering Memorandum is confidential and is being furnished by Deutsche Bank AG, London Branch (“**Deutsche Bank**”), Société Générale Corporate and Investment Banking (“**Société Générale**”), UBS Limited (“**UBS**”), and UniCredit Bank AG (“**UniCredit**”) (together the “**Active Bookrunners**”, and Goldman Sachs International (“**Goldman Sachs**”, the “**Passive Bookrunner**”, and together with the Active Bookrunners, the “**Joint Bookrunners**”) solely for the purpose of enabling prospective investors to consider the purchase of the Notes described herein. The information contained in this Offering Memorandum has been provided by Deutsche Wohnen and other sources identified herein. To the fullest extent permitted by law, no representation or warranty is made or implied by the Joint Bookrunners or any of its affiliates, and neither the Joint Bookrunners nor any of its affiliates make any representation or warranty or accept any responsibility, as to the accuracy or completeness of the information contained in this Offering Memorandum or for any statement purported to be made by or on behalf of the Joint Bookrunners. Investors in the Notes must rely only on the information contained in this Offering Memorandum.

No person has been authorized to give any information or to make any representation concerning Deutsche Wohnen or the Notes (other than as contained in this Offering Memorandum) and, if given or made, any such other information or representation should not be relied upon as having been authorized by Deutsche Wohnen or the Joint Bookrunners. In making an investment decision, investors must rely on their own examination of the Issuer, Deutsche Wohnen, and the terms of the offering, including the merits and risks involved. Any decision to purchase Notes should be based solely on this Offering Memorandum.

Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Memorandum, agrees to the foregoing.

The Issuer has confirmed to the Joint Bookrunners that this Offering Memorandum is true and accurate in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer the omission of which would make this Offering Memorandum as a whole or any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

To the fullest extent permitted by law, the Joint Bookrunners do not accept any responsibility for the contents of this Offering Memorandum or for any other statements made or purported to be made by the Joint Bookrunners or on their behalf in connection with the Issuer or the Notes. The Joint Bookrunners accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement.

The Joint Bookrunners are acting exclusively for the Issuer and no one else in connection with the offering of the Notes. It will not regard any other person (whether or not a recipient of this document) as its client in relation to the offering of the Notes and will not be responsible to anyone

other than the Issuer for providing the protections afforded to their respective clients or for giving advice in relation to the offering or any transaction or arrangement referred to herein.

Neither the delivery of this Offering Memorandum nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Offering Memorandum is true subsequent to the date upon which this Offering Memorandum has been published or most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or, as the case may be, the date upon which this Offering Memorandum has been most recently supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Memorandum by reference or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer or the Joint Bookrunners, or any of their respective representatives, is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should not construe anything in this Offering Memorandum as legal, tax, business or financial advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

This document may only be communicated or caused to be communicated in circumstances in which Section 21 para. 1 of the Financial Services and Markets Act 2000, as amended (“FSMA”) does not apply.

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons; see “*Subscription and Sale—Selling Restrictions*”.

The distribution of this Offering Memorandum as well as the offering, sale, and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer, exercise or invitation would be unlawful. None of the Issuer or the Joint Bookrunners accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Memorandum and other offering material relating to the Notes, see “*Subscription and Sale—Selling Restrictions*”.

This Offering Memorandum may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

This Offering Memorandum constitutes not an offer or an invitation to subscribe for or purchase the Notes and should not be considered as a recommendation by the Issuer or the Joint Bookrunners that any recipient of this Offering Memorandum should subscribe for or purchase Notes. Each recipient of this Offering Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE JOINT BOOKRUNNERS (OR PERSONS ACTING ON BEHALF OF THE JOINT BOOKRUNNERS) MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE JOINT BOOKRUNNERS (OR PERSONS ACTING ON BEHALF OF THE JOINT BOOKRUNNERS)

WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE JOINT BOOKRUNNERS (OR PERSON(S) ACTING ON BEHALF OF THE JOINT BOOKRUNNERS) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Memorandum contains assessments of market data and information derived therefrom which could not be obtained from any independent sources. Such information is based on the Issuer's own internal assessments and may therefore deviate from the assessments of competitors of Deutsche Wohnen or future statistics by independent sources. As regards the market positions of Deutsche Wohnen, Deutsche Wohnen's own estimations are mainly based on company data which is either derived from information by competitors or from data provided by independent research companies.

The language of this Offering Memorandum is English. The German text of the Terms and Conditions is controlling and binding; the English-language text of the Terms and Conditions constitutes a translation. The financial statements listed in the section "*Documents Incorporated by Reference*" under (A)(1) to (5) are translations of the respective German-language financial statements. The auditor's reports listed in this section under (A)(2) to (5) are translations of the respective German-language auditor's reports issued on the respective German-language financial statements and refer to the respective financial statements and the corresponding management report as a whole in each case.

NOTICE TO CERTAIN EUROPEAN INVESTORS

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes and is thus, for the purposes of the offering of the Notes, not a prospectus within the meaning of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the offering contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for the Issuer or the Joint Bookrunners to produce a prospectus for such offers. None of the Issuer or the Joint Bookrunners has authorized, nor does it or do they authorize, the making of any offer of the Notes through any financial intermediary other than offers made by the Joint Bookrunners which constitute the final placement of the Notes contemplated in this Offering Memorandum.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this Offering Memorandum is for distribution only to persons (i) who are investment professionals falling within Article 19(5) of Financial Services and Markets Act 2000 (as amended, the "**Financial Promotion Order**") or (ii) falling within Article 49(2)(a) to (d) of the Financial Promotion Order (high net worth companies, unincorporated associations, etc.) or (iii) other persons to whom it may be lawfully communicated in accordance with the Financial Promotion Order (all such persons falling within (i) – (iii) together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “predict”, “project” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Offering Memorandum containing information on future earning capacity, plans and expectations regarding Deutsche Wohnen’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Offering Memorandum are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including Deutsche Wohnen’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. Deutsche Wohnen’s business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Offering Memorandum to become inaccurate. Accordingly, investors are strongly advised to read the section “*Description of the Issuer*”. This section includes more detailed descriptions of factors that might have an impact on Deutsche Wohnen’s business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Offering Memorandum may not occur. In addition, neither the Issuer nor the Joint Bookrunners assumes any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

SOURCES OF MARKET DATA

To the extent not otherwise indicated, the information contained in this Offering Memorandum on the market environment, market developments, growth rates, market trends and competition in the markets in which Deutsche Wohnen operates are based on the Issuer’s assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies.

The following sources were used in the preparation of this Offering Memorandum:

- Association of German Mortgage Banks (*Verband Deutscher Pfandbriefbanken*), dated May 15, 2014, VDP Property Indices: Further Rise in German Property Market Prices in the First Quarter of 2014 (*vdp-Immobilienindizes: Weiter steigende Preise auf den deutschen Immobilienmärkten im ersten Quartal 2014*) (“**Association of German Mortgage Banks, Press Release 2014 No. 5**”);
- Association of German Mortgage Banks (*Verband Deutscher Pfandbriefbanken*), Residential Property Price Index Q3 2014 (“**Association of German Mortgage Banks, Residential Property Price Index Q4 2014**”);
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*) database, www.statistik-berlin-brandenburg.de, Population Register Statistics – Berlin, as of December 31, 2013 (*Einwohnerregisterstatistik Berlin*) (“**Berlin-Brandenburg Statistical Office**”);
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*) database, www.statistik-berlin-brandenburg.de, Statistics – Employment Market and Labor Force, August 2013 (*Statistiken – Arbeitsmarkt and Erwerbstätige, August 2013*) (“**Berlin-Brandenburg Statistical Office, Employment Market**”);

- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), Statistisches Jahrbuch 2014 (“**Statistical Yearbook Berlin**”);
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), Pressemitteilung Nr. 30 vom 12. Februar 2015, Zahl der Einwohnerinnen und Einwohner stieg 2014 in Berlin um 44 700 (“**Berlin-Brandenburg Statistical Office, Press Release February 2015**”);
- Berlin Senate for the Economy, Technology and Women’s Affairs (*Berliner Senat für Wirtschaft, Technologie und Frauen*); Economic Data – Number of Employed in Berlin (*Konjunkturdaten – Zahl der Erwerbstätigen in Berlin*) as of March 31, 2011 (“**Berlin Senate**”);
- CBRE GmbH, press releases: CBRE on the Residential Market in Germany (*CBRE zum Markt für Wohnungsportfolios in Deutschland*) 2011, dated January 20, 2012 and CBRE on the Residential Market in Germany (*CBRE zum Markt für Wohnungsportfolios in Deutschland*) 2012 dated January 7, 2013 (“**CBRE Press Releases**”);
- CBRE GmbH, Housing Market Report Berlin (*Wohnungsmarkt Berlin*) 2014 (“**CBRE Housing Market Report Berlin 2014**”);
- CBRE GmbH, Residential Portfolio Investment MarketView Q4 2013 (“**CBRE Residential Investment Germany MarketView 2013**”);
- CBRE GmbH, Residential Portfolio Investment MarketView Q4 2014 (“**CBRE Residential Investment Germany MarketView 2014 Q4**”);
- CBRE GmbH, Special Report, Residential Property Market Germany (*Special Report, Wohnimmobilienmarkt Deutschland*) 2010/2011 (“**CBRE Residential Property Market Germany, 2010/2011**”);
- CBRE GmbH, Special Report, Residential Market Germany 2013 (“**CBRE Residential Market Germany 2013**”);
- City of Braunschweig, Population Forecast 2012 to 2030, dated June 26, 2013 (*Stadt Braunschweig, Bevölkerungsvorausschätzung 2012 bis 2030*) (“**City of Braunschweig – Population Forecast 2012 to 2030**”);
- City of Hanover, script on urban development No. 107, Small-scale Development of the Residential Market in the Capital City Hanover (*Schriften zu Stadtentwicklung Nr. 107, Kleinräumige Entwicklung des Wohnungsmarktes in der Landeshauptstadt Hannover*) (“**Hanover, Script on Urban Development**”);
- City of Magdeburg, Business & Economy, Science, www.magdeburg.de (“**City of Magdeburg**”);
- Deutsche Annington Immobilien SE (“**Deutsche Annington Immobilien SE**”), company website and 2014 annual report;
- Deutsche Bundesbank, Monthly Report, March 2015;
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Berlin (Commercial Marktreport Wohn- & Geschäftshäuser Berlin) 2012/2013 (“**Engel & Völkers Berlin 2012**”);
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Berlin (Commercial Marktreport Wohn- & Geschäftshäuser Berlin) 2013/2014 (“**Engel & Völkers Berlin 2013**”);
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Frankfurt (Commercial Marktreport Wohn- & Geschäftshäuser in Frankfurt) 2012/2013 (“**Engel & Völkers Frankfurt 2012**”);

- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Frankfurt (*Commercial Marktreport Wohn- & Geschäftshäuser in Frankfurt*) 2013/2014 (“**Engel & Völkers Frankfurt 2013**”);
- F+B Market rent monitor 2010, Even Low-demand Regions Have Above-average Rent Increases (*Selbst nachfrageschwache Regionen mit überdurchschnittlichen Mietsteigerungen*), (“**F+B Marktmietenmonitor 2010**”);
- Federal and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), selected regional data for Germany, 2012;
- Federal and State Statistical Offices, Macroeconomic data of the states, GDP;
- Federal and State Statistical Offices, Macroeconomic data of the states, disposable income;
- GAGFAH S.A. (“**GAGFAH**”), company website and 2014 annual report;
- German Federal Employment Agency (*Bundesagentur für Arbeit*), Employment Market Statistics by Region and Monthly Reports (*Arbeitsmarktstatistik, Statistik nach Regionen und Monatsberichte*), April 2014 (“**Employment Agency**”);
- German Federal Office for Building, Urban and Regional Planning – BBSR (*Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR*), BBSR Housing Market Forecast 2025 (*BBSR-Wohnungsmarktprognose 2025*) (“**BBSR Housing Market Forecast 2025**”);
- German Federal Office for Building, Urban and Regional Planning – BBSR (*Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR*), BBSR Regional Planning Forecast 2030 (*BBSR-Raumordnungsprognose 2030*) (“**BBSR Regional Planning Forecast 2030**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Facts & Figures, Subject: Economic Sectors – Construction – Building activity (“**Federal Statistical Office, Building Activity**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Facts & Figures, Subject: National economy & environment – National accounts – Domestic product, updated January 2015 (“**Federal Statistical Office, Domestic Product**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Facts & Figures, Subject: Society & state – Income, consumption, living conditions, housing – Housing (“**Federal Statistical Office, Housing**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Facts & Figures, Subject: Society & state – Population, updated 10 April 2014 (“**Federal Statistical Office, Population**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Facts & Figures, Subject: National economy & environment – Labour market – Unemployment, updated December 2014 (“**Federal Statistical Office, Unemployment**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Publications, Foreign Trade: Overall development in foreign trade since 1950 (*Gesamtentwicklung des deutschen Außenhandels ab 1950*), dated October 29, 2014, (“**Federal Statistical Office, 2013 Foreign Trade Report**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Publications, Population, Families and Living Arrangements in Germany (*Bevölkerungs- und Haushaltsentwicklung in Bund und Ländern*), Edition 2011;

- German Federal Statistical Office, Population and Household Development (*Bevölkerungs- und Haushaltsentwicklung im Bund und in den Ländern*) 2011 (“**German Federal Statistical Office, Population and Household Development 2011**”);
- German Federal Statistical Office, Press release No. 016, dated January 15, 2015, German economy in solid shape in 2014 (*Deutsche Wirtschaft im Jahr 2014 in solider Verfassung*) (“**German Federal Statistical Office, 2015 Press Release No. 016**”);
- German Federal Statistical Office, Press release No. 038, dated February 9, 2015, German exports in 2014: +3.7% compared with 2013 (*Deutsche Exporte im Jahr 2014: + 3,7 % zum Jahr 2013*) (“**German Federal Statistical Office, Press Release 2015 No. 038**”);
- German Federal Statistical Office, Press release No. 179, dated May 22, 2014, 2013: Highest Level of Immigration to Germany for 20 years (*2013: Höchste Zuwanderung nach Deutschland seit 20 Jahren*) (“**German Federal Statistical Office, Press Release 2014 No. 179**”);
- German Federal Statistical Office, Press release No. 233, dated July 11, 2013, Two People at Most Live in Three-Quarters of All Households (*In drei Viertel der Haushalte leben höchstens zwei Personen*) (“**German Federal Statistical Office, Press Release 2013 No. 233**”);
- German Federal Statistical Office, Publications, Statistical Yearbook 2012 (*Statistisches Jahrbuch 2012*) (“**German Federal Statistical Yearbook 2012**”);
- German Federal Statistical Office, Publications, Statistical Yearbook 2013 (*Statistisches Jahrbuch 2013*) (“**German Federal Statistical Yearbook 2013**”);
- German Federal Statistical Office, Publications, Statistical Yearbook 2014 (*Statistisches Jahrbuch 2014*) (“**German Federal Statistical Yearbook 2014**”);
- German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*), Annual Report 2013, January 30, 2014 (“**DPR Annual Report 2013**”);
- German Office for Political Education (*Bundeszentrale für politische Bildung*), Facts & Figures, Population, September 26, 2012 (*Zahlen und Fakten, Soziale Situation in Deutschland, Bevölkerung, 26. September 2012*) (“**German Office 2012**”);
- GfK GeoMarketing GmbH, database, press release dated October 22, 2014 (“**GfK Press Release**”);
- GfK GeoMarketing GmbH, GfK Estimate (*GfK Schätzung*) (“**GfK Estimate**”);
- HWWI/Berenberg, City Ranking (*Städteranking*) 2010 (“**HWWI**”);
- IMF, World Economic Outlook, April 2015;
- Initiative European Metropolitan Regions in Germany (*Initiativkreis Europäische Metropolregionen in Deutschland*) (IKM), Regional Monitoring 2012;
- Investitionsbank Berlin, IBB Residential Market Report 2011 (*Wohnungsmarktbericht 2011*) (“**IBB 2011**”);
- Investitionsbank Berlin, IBB Residential Market Report 2012 (*Wohnungsmarktbericht 2012*) (“**IBB 2012**”);
- Investitionsbank Berlin, IBB Residential Market Report 2013 (*Wohnungsmarktbericht 2013*) (“**IBB 2013**”);
- Jones Lang LaSalle, Residential City Profile – Berlin, second half 2013 (“**JLL-Report Berlin 2013**”);

- Jones Lang LaSalle, Residential City Profile – Berlin, second half 2014 (“**JLL-Report Berlin 2014**”);
- Jones Lang LaSalle, Residential City Profile – Frankfurt am Main, second half 2013 (“**JLL-Report Frankfurt am Main 2013**”);
- Jones Lang LaSalle, Residential City Profile – Frankfurt am Main, second half 2014 (“**JLL-Report Frankfurt am Main 2014**”);
- LEG Immobilien AG, company website and 2014 annual report (“**LEG Immobilien AG**”);
- Stadt Frankfurt, Statistisches Jahrbuch Frankfurt am Main, 2014 (“**Statistics City of Frankfurt a.M.**”); and
- TAG Immobilien AG, company website and 2014 annual report (“**TAG Immobilien AG**”).

It should be noted in particular that reference has been made in this Offering Memorandum to information concerning markets and market trends. Such information was obtained from the above-mentioned market studies and other sources. The Issuer has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Offering Memorandum by the Issuer, the Issuer has not independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Issuer makes no representation or warranty as to the accuracy of any such information from third-party studies included or incorporated by reference in this Offering Memorandum. Prospective investors should note that the Issuer’s own estimates and statements of opinion and belief are not always based on studies of third parties.

Appraiser

The independent, external appraiser CBRE GmbH, Hausvogteiplatz 10, 10117 Berlin, Germany (“**CBRE**”), has prepared a report on the fair value of the Deutsche Wohnen Group’s entire residential and commercial real estate portfolio as of December 31, 2014 and the real estate portfolio of Deutsche Wohnen Group’s nursing and assisted living facilities as of June 30, 2014 pursuant to IAS 40 in conjunction with IFRS 13 of the International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) (the “**Property Appraisal Report**”), which is incorporated in this Offering Memorandum by reference. All other statements regarding fair values of Deutsche Wohnen’s properties set forth in this Offering Memorandum are based on internal valuations. For more information on CBRE’s independence, see the “*Declaration of Independence*” in the Property Appraisal Report. CBRE employs a publicly appointed and sworn expert, members of the Royal Institution of Chartered Surveyors (RICS), and real estate experts certified in the area of valuations by HypZert GmbH. CBRE has consented to the incorporation of the Property Appraisal Report in this Offering Memorandum by reference in the form and context in which it is included.

CBRE’s valuations were carried out as of December 31, 2014 with respect to Deutsche Wohnen Group’s entire residential and commercial real estate portfolio and as of June 30, 2014 with respect to the real estate portfolio of Deutsche Wohnen Group’s nursing and assisted living facilities. CBRE has not been engaged to update their valuations for purposes of this Offering Memorandum, has no obligation so to do and has not updated their valuations after these valuation dates. The Issuer affirms that, as of the date of this Offering Memorandum, no material change in the value of the properties appraised in the Property Appraisal Report has occurred since the valuation dates of December 31, 2014 and June 30, 2014 relating to Deutsche Wohnen Group’s entire residential and commercial real estate portfolio and nursing and assisted living facilities, respectively.

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SUMMARY

*Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

A. – Introduction and Warnings

A.1 Warnings.

This summary should be read as an introduction to this offering memorandum (the “**Offering Memorandum**”).

Any decision to invest in the securities should be based on consideration of the Offering Memorandum as a whole by the investor.

If any claims are asserted before a court of law based on the information contained in this Offering Memorandum, the investor appearing as plaintiff may have to bear the costs of translating the Offering Memorandum prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the EEA.

Civil liability attaches only to the Issuer who has tabled this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Memorandum or if it does not provide, when read together with the other parts of this Offering Memorandum, all necessary key information.

A.2 Consent to the use of the Offering Memorandum.

Not applicable. The Issuer does not consent to the use of the Offering Memorandum for the subsequent resale or final placement of the Notes.

B. – The Issuer

B.1 Legal and commercial name

The legal name of the Company is Deutsche Wohnen AG (the “**Issuer**” or the “**Company**” and together with its fully consolidated subsidiaries, the “**Group**”, “**Deutsche Wohnen**” or “**Deutsche Wohnen Group**”).

The Company is the holding company of Deutsche Wohnen Group. The Company primarily operates under the commercial name “Deutsche Wohnen”.

B.2 Domicile, legal form, legislation under which the issuer operates, country of incorporation.

The Company has its registered office at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany. The Company is a German stock corporation incorporated in the Federal Republic of Germany (“**Germany**”) and governed by German law.

B.4b Description of any known trends affecting the issuer and the industries in which it operates.

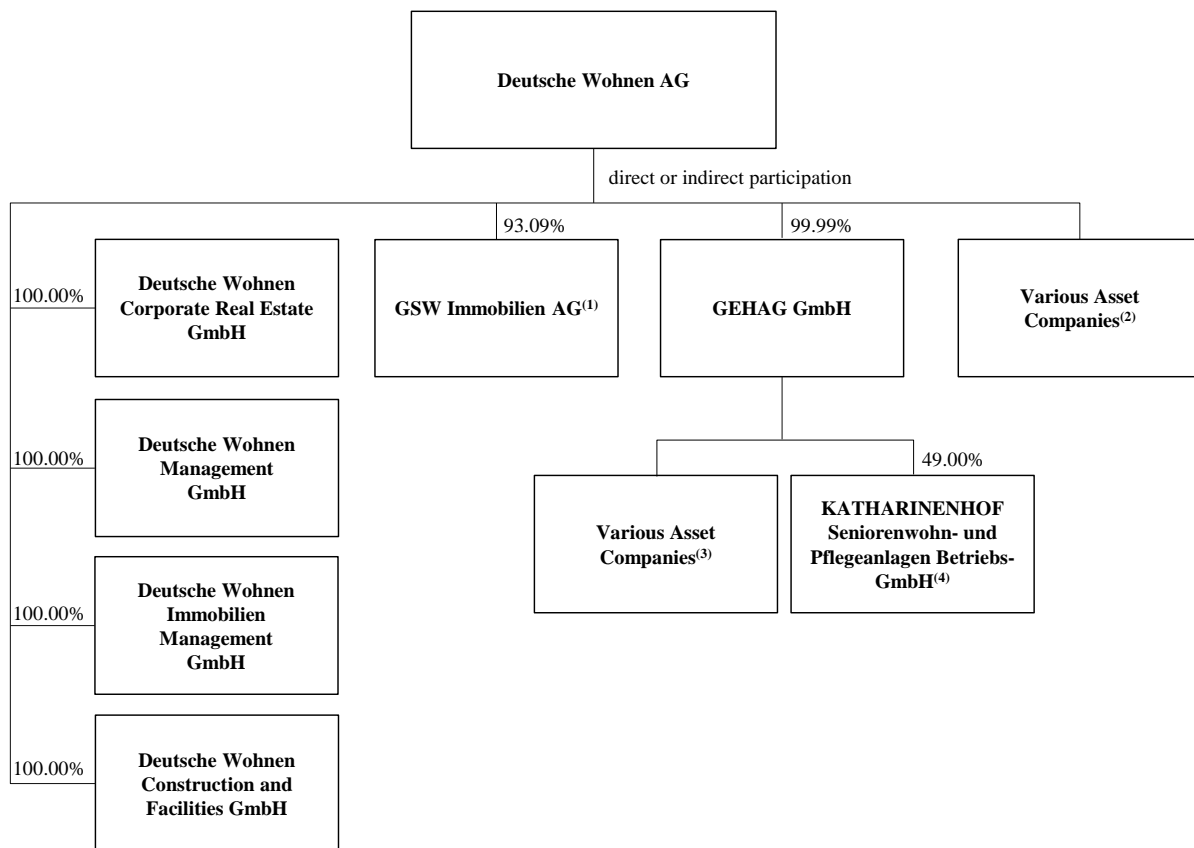
The Deutsche Wohnen Group as well as the entire German real estate industry depend on the current and projected demographic trends, in particular, a declining population, an increase in the number of households with a lower than average household size and an aging population. Most of these trends have led and will likely continue to lead to increased demand for residential units adaptable to one- or two-person households and/or for senior citi-

zens in particular in metropolitan areas. The Company anticipates rising in-place rents and new in-place rents in the Core+ letting portfolios in 2015. Accordingly, Deutsche Wohnen Group projects additional growth in the Residential Property Management segment.

The Deutsche Wohnen Group and the industry are also affected predominantly by the economic developments in Germany. Notably, the development of market prices and market rents for real estate in specific micro locations is relevant. This development is driven by demand for specific locations, vacancy rates and other factors, including market expectations. The German real estate industry and the results of Deutsche Wohnen Group have been positively affected by the developments in the German real estate market since 2010.

B.5 Description of the group and the issuer’s position within the group.

Deutsche Wohnen AG is the holding company of the Deutsche Wohnen Group. The following diagram sets forth a summary (in simplified form) of the Company’s significant subsidiaries as of March 31, 2015:



- (1) Major subsidiaries of GSW Immobilien AG (“GSW”) are: GSW Grundvermögens- und Vertriebsgesellschaft mbH, Grundstücksgesellschaft Karower Damm mbH, GSW Wohnwert GmbH, GSW Corona GmbH, GSW Pegasus GmbH, Wohnanlage Leonberger Ring GmbH, GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, and GSW Fonds Weinmeisterhornweg 170-178 GbR.
- (2) Major other subsidiaries of Deutsche Wohnen AG are: Rhein-Main Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Deutsche Wohnen Reisholz GmbH, Main-Taunus Wohnen GmbH & Co. KG, Rhein-Pfalz Wohnen GmbH, DB Immobilien Fonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Larry Group (consisting of the companies Larry Condo S.à r.l., Larry Condo Holdco S.à r.l., Larry Berlin I S.à r.l., Larry Berlin II S.à r.l., Larry Berlin Lichtenberg S.à r.l., Larry II Berlin Marzahn S.à r.l., Larry II Berlin Hellersdorf S.à r.l., Larry II Greater Berlin S.à r.l., Larry II Potsdam S.à r.l.).
- (3) Major subsidiaries are: Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, BauBeCon group (BauBeCon Assets GmbH, BauBeCon Immobilien GmbH, BauBeCon Wohnwert GmbH, BauBeCon Bio GmbH, Hamnes Investments B.V., Alga-

robo Holding B.V., Intermetro GmbH, the “**BauBeCon Group**”), DWRE Group (consisting of eight companies, formerly owned by Kristensen), GEHAG Erste Beteiligungs GmbH, GEHAG Dritte Beteiligungs GmbH, GEHAG Vierte Beteiligung S.E., Fortimo GmbH, Aufbau-Gesellschaft der GEHAG GmbH, Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, SGG Scharnweberstraße Grundstücks GmbH, AGG Auguste-Viktoria-Allee Grundstücks GmbH, GGR Group (consisting of the companies GGR Wohnparks Alte Hellersdorfer Straße GmbH, GGR Wohnparks Kastanienallee GmbH, GGR Wohnparks Nord Leipziger Tor GmbH, GGR Wohnparks Süd Leipziger Tor GmbH), Deutsche Wohnen Dresden I GmbH and Deutsche Wohnen Dresden II GmbH.

- (4) Effective January 1, 2015, GEHAG GmbH’s stake in KATHARINENHOF Seniorenwohn- und Pflegeanlagen Betriebs-GmbH decreased to 49%. Major subsidiaries of KATHARINENHOF Seniorenwohn- und Pflegeanlagen Betriebs-GmbH are: Katharinenhof Service GmbH, Seniorenresidenz Am Lunapark GmbH, LebensWerk GmbH.

B.9 Profit forecast and estimate. On the basis of developments to date, the Company currently anticipates that Deutsche Wohnen Group’s FFO (without disposals) will be approximately EUR 250 million in the fiscal year 2015.

B.10 Qualifications in the audit report on the historical information. Not applicable. The auditor’s reports on the unconsolidated annual financial statements (HGB) as of and for the fiscal year ended December 31, 2014 and the consolidated financial statements (IFRS) as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 of the Company incorporated by reference in this Offering Memorandum have been issued without any qualifications.

B.12 Selected key historical financial and business information. The following tables contain key consolidated financial information of Deutsche Wohnen Group as of and for the three months ended March 31, 2015 and March 31, 2014, and as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The financial information contained in the following tables has been taken or derived from the Company’s unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 and the Company’s consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The Company’s consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) and the additional requirements of German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (*Handelsgesetzbuch* (“**HGB**”)) and were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (“**EY**”) who issued an unqualified auditor’s report in each case. The Company’s unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 have been prepared in accordance with IFRS for interim financial reporting (IAS 34).

Where the financial information stated in the following tables is labeled as “audited”, this means that it has been taken from Deutsche Wohnen AG’s audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. Financial information which has not been taken from the aforementioned consolidated financial statements but, instead, is taken or derived from the Company’s unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015, is labeled in the following tables as “unaudited”.

In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013, pursuant to IFRS 3, the allocation of the purchase price for the acquisition of GSW on November 30, 2013 was undertaken on a provisional basis. Due to new findings, the allocation of the purchase price was adjusted pursuant to IFRS 3. Accordingly, certain line items in the comparative financial information as of December 31, 2013 in the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014 were affected by this adjustment and were adjusted retrospectively. Therefore, in principle, financial information as of December 31, 2013, labelled as "audited" was extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Unless otherwise indicated, all the financial information presented in the text and the tables of this section of the Offering Memorandum is shown in millions of euros (EUR million) and is commercially rounded to one digit after the decimal point. Unless otherwise stated, all percentage changes in the text and the tables are rounded to the first digit after the decimal point. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown and the aggregated percentages may not exactly equal 100.0%. Parentheses around any figures in the tables indicate negative values. A dash ("–") means that the relevant figure is not available or not existent, while a zero ("0") means that the relevant figure has been rounded to zero.

Selected Data from the Consolidated Profit and Loss Statement

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)	(unaudited) (in EUR million)	(audited)	(audited) (in EUR million)	(audited)
Income from Residential Property					
Management.....	158.9	157.0	626.3	372.9	240.1
Expenses from Residential					
Property Management	(26.4)	(25.3)	(120.5)	(80.6)	(45.6)
Earnings from Residential					
Property Management	132.5	131.7	505.8	292.3	194.4
Sales proceeds	49.7	86.4	257.4	169.7	167.8
Cost of sales.....	(3.4)	(3.0)	(12.1)	(10.3)	(11.8)
Carrying amounts of assets sold	(36.9)	(67.6)	(192.9)	(136.3)	(136.1)
Earnings from Disposals	9.3	15.8	52.4	23.0	19.9
Income from Nursing and Assisted					
Living	16.3	16.7	68.2	59.9	42.0
Expenses from Nursing and					
Assisted Living.....	(12.5)	(12.6)	(51.9)	(46.7)	(32.1)
Earnings from Nursing and					
Assisted Living.....	3.8	4.2	16.3	13.2	9.9
Corporate expenses.....	(18.7)	(22.8)	(90.5)	(52.9)	(40.4)
Other expenses/income.....	(7.9)	(4.3)	(29.6)	(22.7)	12.7
Subtotal.....	119.0	124.5	454.4	252.9	196.5
Gains from the fair value					
adjustments of investment					
properties.....	–	–	952.7	101.3	119.2
Depreciation and amortization	(1.3)	(1.6)	(6.1)	(5.5)	(3.1)
Earnings before interest and					
taxes (EBIT).....	117.7	122.9	1,401.0	348.7	312.6
Finance income.....	0.2	0.3	1.0	1.0	2.0

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)	(unaudited) (in EUR million)	(audited)	(audited) (in EUR million)	(audited)
Gains/Losses from fair value adjustments of derivative financial instruments and convertible bonds ¹⁾	(109.9)	(16.7)	(111.5)	10.6	(0.2)
Gains/losses from companies valued at equity	0.4	–	(0.5)	–	–
Finance expense.....	(35.7)	(52.4)	(268.5)	(142.4)	(108.7)
Profit before taxes.....	(27.3)	54.2	1,021.4	217.9	205.6
Income taxes.....	(17.0)	(8.6)	(132.2)	(5.2)	(60.1)
Profit for the period.....	(44.2)	45.5	889.3	212.7	145.5

1) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "Gains/losses from fair value adjustments of derivative financial instruments".

Selected Data from the Consolidated Balance Sheet

	March 31, 2015	December 31, 2014	December 31, 2013 ¹⁾	December 31, 2012
	(unaudited) (in EUR million)	(audited)	(audited) (in EUR million)	(audited)
Assets				
Non-current assets	10,710.8	10,563.3	9,725.8	4,719.4
of which:				
Investment properties	9,757.1	9,611.0	8,937.1	4,614.6
Property, plant and equipment	25.1	26.0	26.8	20.3
Intangible assets	545.6	546.1	547.1	3.3
Deferred tax assets	354.6	351.7	190.4	80.7
Current assets	1,108.5	882.9	401.2	188.5
of which:				
Land and buildings held for sale	60.4	58.1	97.1	39.1
Cash and cash equivalents.....	562.4	396.4	196.4	90.6
Total assets	11,819.4	11,446.2	10,127.0	4,907.8
Equity and liabilities				
Total equity	4,846.0	4,876.1	3,944.3	1,609.7
Total non-current liabilities	6,088.7	6,025.9	5,654.6	2,989.5
of which:				
Non-current financial liabilities	4,458.0	4,509.3	4,903.3	2,634.3
Convertible bonds	860.5	747.4	247.9	–
Employee benefit liability	73.0	67.7	55.3	54.5
Tax liabilities.....	–	–	27.9	36.5
Derivative financial instruments	112.0	126.4	124.8	113.7
Deferred tax liabilities.....	568.6	557.9	288.9	143.3
Total current liabilities	884.7	544.2	528.2	308.7
Total equity and liabilities	11,819.4	11,446.2	10,127.0	4,907.8

1) Figures extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Selected Data from the Consolidated Statement of Cash Flows

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)	(unaudited)	(audited)	(audited) (in EUR million)	(audited)
Net cash flows from operating activities	22.2	44.6	189.4	61.1	59.2
Net cash flows from investing activities	238.8	74.3	37.3	(655.1)	(1,238.0)
Net cash flows from financing activities	(94.9)	(135.3)	(26.8)	699.8	1,101.5
Net change in cash and cash equivalents	166.0	(16.4)	200.0	105.9	(77.3)
Closing balance of cash and cash equivalents.....	562.4	180.1	396.4	196.4	90.6

Statement of no material adverse change; Significant changes in the financial or trading position of the Issuer.

Recent Developments

On February 15, 2015, the Company announced a voluntary public tender offer in cash for all outstanding shares in and convertible bonds issued by conwert Immobilien Invest SE as well as an anticipatory mandatory public offer for free float shares in ECO Business Immobilien AG not already owned by conwert Immobilien Invest SE. The acceptance period ended on April 15, 2015. The minimum acceptance threshold was not reached and, accordingly, the offers were terminated.

Deutsche Wohnen signed purchase agreements concerning the acquisition of approximately 6,500 residential units, predominantly located in Berlin, for an aggregate purchase price of approximately EUR 500 million or approximately EUR 1,180 per square meter. Closing for the vast majority of these acquisitions is expected to take place at the end of the first half of 2015. The annual net cold rent for these acquisitions is approximately EUR 25.6 million. The average vacancy rate is approximately 2.6%. Deutsche Wohnen expects, based on historical numbers, that these acquisitions will make a positive EBITDA contribution of more than EUR 20 million on an annualized basis.

By resolution of the Company's management board dated May 20, 2015, with approval of the supervisory board on the same day, the management board resolved to increase the registered share capital of the Company by up to EUR 42,166,532 to up to EUR 336,426,511 against contribution in cash, by issuing up to 42,166,532 new no par value bearer shares (*Stückaktien*), each with a notional value of EUR 1.00, with subscription rights for existing shareholders. The implementation of the capital increase was entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on June 5, 2015. Of the net proceeds of approximately EUR 885 million raised in the course of the capital increase, Deutsche Wohnen intends to use approximately EUR 500 million to finance the aggregate purchase price for the acquisitions of approximately 6,500 residential units, predominantly located in Berlin and the remaining net proceeds are intended to be used for potential future acquisitions and to repay financial liabilities.

Deutsche Wohnen aims, markets permitting, to refinance parts of its financial liabilities that mature predominantly in 2018 and 2019 with new bank loans of approximately EUR 650 million and the net proceeds of the issuance of the Notes of approximately EUR 496.5 million. The financial liabilities earmarked for refinancing have an average remaining maturity of approximately 4 years and currently have an average interest rate of approximately 3.4%. The aggregate refinancing volume in the banking and bond market is anticipated to amount to up to EUR 1.2 billion. In addition, Deutsche Wohnen intends to redeem selected,

high margin bank loans of approximately EUR 350 million with existing cash. In aggregate, Deutsche Wohnen intends to address financial liabilities amounting to up to EUR 1.5 billion thereby aiming to reduce the Loan-to-Value Ratio to between 45% and 40% for the Group, to reduce the average interest rate to less than 1.9% and to increase the average maturity of Deutsche Wohnen's financial liabilities to about 10 years after the refinancing and the debt pay down. As a result of these measures the Company expects, subject to stable market conditions, to significantly reduce current interest expenses, thereby significantly increasing the FFO as well as the free cash flow with full effect as of 2016. The expected non-recurring financing costs as well as the expected upfront interest payments in connection with the planned termination of swap arrangements are expected to pay off in approximately 3 years by the envisaged interest savings.

Except as described above, between March 31, 2015 and the date of this Offering Memorandum, there has been no material adverse change in the prospects of Deutsche Wohnen AG or the Group, and there have been no significant changes to Deutsche Wohnen AG's or the Group's financial position, financial performance, cash flows or trading position.

B.13 Recent events in the business activities of the Issuer Not applicable. There have been no recent events particular to the Issuer which are relevant to the evaluation of the Issuer's solvency.

B.14 Dependence upon other entities within the group See Element B.5.
Not applicable. The Issuer acts as the holding company for the Deutsche Wohnen Group and is not dependent on other entities within the Deutsche Wohnen Group.

B.15 Principal activities Deutsche Wohnen AG is one of the largest publicly listed German residential real estate companies. The Company's real estate portfolio includes approximately 149,000 residential and commercial properties, as well as approximately 2,050 nursing and assisted care units/apartments (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships). The fair value of Deutsche Wohnen's investment properties and properties held for sale amounts to approximately EUR 10 billion (as of December 31, 2014). Deutsche Wohnen's investment strategy focuses on residential real estate and nursing and assisted care facilities in German metropolitan areas with strong growth, including the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and Dresden, as well as stable urban areas such as Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. As of May 31, 2015, Deutsche Wohnen had 762 employees (excluding 1,380 employees in the Nursing and Assisted Living segment and 100 trainees).

The Company has organized its business into the following business segments: Residential Property Management, Disposals as well as Nursing and Assisted Living.

B.16 Major shareholders. The Issuer is not controlled by any of its shareholders.
As of the date of this Offering Memorandum, the following shareholders hold a notifiable direct or indirect interest in the Company's ordinary shares and voting rights:

Shareholders	Stake/Share of Voting Rights
Sun Life Financial Inc. ¹⁾ /Massachusetts Financial Services Company (MFS)	9.94%
BlackRock, Inc. ¹⁾²⁾	7.99%
Norges Bank (Central Bank of Norway) ²⁾	6.71%
APG Asset Management N.V.	3.01%
Total	27.65%

- 1) Attribution pursuant to section 22 paragraph 1, sentence 1, No. 6 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with section 22 paragraph 1, sentence 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).
- 2) Attribution pursuant to section 22 paragraph 1, sentence 1, No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

B.17 Credit ratings assigned to the Issuer or its debt securities

S&P has assigned the long-term credit rating “A-” (stable outlook) to the Issuer.

Moody’s has assigned the long-term credit rating “A3” (stable outlook) to the Issuer.

The Notes are expected to be rated “BBB+” by S&P and “A3” by Moody’s.

C. – Securities

C.1 Type and the class of the securities offered and being admitted to trading.

The fixed interest bearing Notes are bearer securities and are unsecured and unsubordinated.

Security identification number.

Security codes: ISIN: XS1250867642, Common Code: 125086764 and WKN: A161MH.

C.2 Currency of the Notes.

Euro.

C.5 Description of any restrictions on the free transferability of the securities.

Not applicable. There are no restrictions on the free transferability of the Notes.

C.8 Rights attached to securities/ranking of the securities/limitations to the rights attached to the securities.

The Notes shall bear interest on their principal amount and unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their principal amount on July 24, 2020 (the “**Maturity Date**”).

Early Redemption:

The Notes may be redeemed before their stated maturity for reasons of taxation upon the occurrence of a change of control in respect of the Issuer in case of an event of default and in case of minimal outstanding aggregate principal amount of the Notes or at the option of the Issuer.

Change of Control:

The Notes provide for a change of control clause.

Cross Default:

The Notes provide for a cross-default provision.

Negative Pledge:

The Notes contain a negative pledge provision that is subject to exceptions and carve-outs.

Events of Default:

The Notes provide for events of default entitling Holders to demand immediate redemption of the Notes. However, the Notes provide that the effectiveness of

such right of a Holder in some cases is subject to the receipt of default notices from Holders representing at least 15 per cent of the aggregate principal amount of the Notes then outstanding. Each Holder is entitled to declare his Notes due and demand immediate redemption thereof at par plus accrued interest (if any) accrued to (but excluding) the date of repayment, if an event of default occurs and is continuing.

Covenants:

The Notes restrict Deutsche Wohnen Group's ability to incur additional indebtedness by requiring certain loan-to-value, cash interest cover and unencumbered-assets-to-unsecured-financial-indebtedness ratios to be met.

Resolutions of Holders:

In accordance with the Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* - "SchVG"), the Notes contain provisions pursuant to which Holders may consent to amend the terms and conditions of the Notes (with the consent of the Issuer) and to decide upon certain other matters regarding the Notes. Resolutions of Holders properly adopted are binding upon all Holders. Resolutions which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 of the SchVG, require a majority of at least 75% of the voting rights participating in the vote. Resolutions regarding other amendments are passed by a simple majority of the votes cast.

Holdings' Representative:

The Holders may by majority resolution provide for the appointment or dismissal of a joint representative (the "**Holdings' Representative**"), the duties and responsibilities and the powers of such Holdings' Representative, the transfer of the rights of the Holders to the Holdings' Representative and a limitation of liability of the Holdings' Representative. Appointment of a Holdings' Representative may only be passed by a Qualified Majority if such Holdings' Representative is to be authorized to consent to a material change in the substance of the Terms and Conditions.

Status of the Notes (Ranking):

The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

Early Redemption at the Option of the Issuer:

The Notes can be redeemed in whole but not in part at the option of the Issuer at any time upon giving notice within a specified notice period to the Holders of the Notes at the call redemption amount.

C.9 Interest Rate/Due dates/Yield.

See Element C.8.

The Notes shall bear interest from (and including) July 24, 2015 to (but excluding) July 24, 2020 at a rate of 1.375% *per annum*, payable annually in arrears on July 24 of each year, commencing on July 24, 2016.

The yield of the Notes is 1.44% *per annum*.

C.10 Derivative component in interest payment. See Element C.9. Not applicable. The Notes have no derivative component when paying interest.

C.11 Admission to trading of securities. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (as amended).

D. – Risks

The following contains a summary of certain risks, which may materially adversely affect the business, financial position, cash flows and results of operations of the Issuer and its ability to meet its obligations under the Notes:

D.2 Information on the key risks that are specific to the issuer.

Risks Related to Deutsche Wohnen's Business

- The loss of in-place rents, rent reductions, higher vacancy rates and the inability to charge economically attractive in-place rent levels may have a detrimental effect on revenue and earnings in the Residential Property Management segment.
- Deutsche Wohnen Group is exposed to risks related to the structural condition of the properties and their maintenance and modernization.
- Deutsche Wohnen's ability to refinance existing debt with loans and other debt instruments could be limited. It may be difficult or expensive to obtain new sources of financing, in particular following a downgrade of its ratings.
- If any of Deutsche Wohnen Group's companies breach their obligations under Deutsche Wohnen Group's loan agreements, they may be required to repay the loans before they would ordinarily become due. If Deutsche Wohnen fails to make payments on its loans when due, the Group's creditors may dispose of the significant collateral which the Group's companies furnished to the creditors to secure the loans.
- A rise in general interest rate levels could increase Deutsche Wohnen's financing costs for both the Group's existing portfolio as well as for newly acquired properties or properties potentially to be acquired in the future.
- In the event of a downturn in the real estate market, the fair value model may require Deutsche Wohnen to adjust current fair values of its investment properties (such as in the case of a change in interest rate levels or a deterioration of the market), which may lead to adverse effects on the Group's net assets and results of operations.
- The Property Appraisal Report incorporated in this Offering Memorandum by reference and/or existing or future financial information may incorrectly assess the value of Deutsche Wohnen's properties.
- Any inability to sell residential or commercial units intended for sale in a timely manner and at economically attractive prices may have a negative impact on Deutsche Wohnen's financial condition and results of operations.
- If Deutsche Wohnen is unable to generate positive cash flows from its operating activities, the Group may be forced to sell properties. Due to the potentially illiquid nature of the real estate market, Deutsche Wohnen may not be able to sell portions of its portfolio on favorable terms or even at all.

- Deutsche Wohnen may be subject to liability claims for several years after selling properties.
- Deutsche Wohnen may be exposed to risks from residual pollution, including wartime munitions, soil pollution and contaminants in building materials, as well as from possible building code violations.
- Deutsche Wohnen's business is subject to the general legal and regulatory environment in Germany. Any disadvantageous changes to the legal environment, such as an expansion of tenant protection laws or more restrictive environmental laws, may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.
- Deutsche Wohnen is subject to numerous legal requirements that limit its discretion in connection with the acquisition and management of real estate portfolios and companies previously held by government entities.
- Deutsche Wohnen's ability to increase certain rents may be limited by rent restrictions or regulations concerning permissible rent increases. Deutsche Wohnen may be forced to partially reverse effected increases.
- The forecast with respect to funds from operations (FFO) for Deutsche Wohnen Group may differ materially from actual future cash flows, revenue, earnings and sales proceeds of Deutsche Wohnen Group.
- Any disadvantageous changes in the tax environment may have a material adverse effect on Deutsche Wohnen's net assets, financial condition and results of operations.
- Deutsche Wohnen Group may be required to pay additional taxes following tax audits of the Group and Group companies.
- There are risks with respect to the amount of tax-loss carry-forwards as well as Real Estate Transfer Tax ("**RETT**").
- Deutsche Wohnen Group may not be in a position to take tax deductions for its interest payments, which may result in a higher tax burden.
- Deutsche Wohnen's inability to increase prices as commercially necessary in the Nursing and Assisted Living segment may have an adverse effect on the revenue and earnings of that segment.
- The Nursing and Assisted Living segment may be subject to greater regulatory constraints as a consequence of legal reforms.
- It is not assured that Deutsche Wohnen's Nursing and Assisted Living segment will be able to recruit qualified employees at a reasonable cost in the future and to retain current qualified employees.
- As a recipient of public subsidies, Deutsche Wohnen undertook to comply with numerous restrictions on the rental management of subsidized residential units. Any failure to comply with these restrictions may result in fines, contractual penalties and an obligation to refund subsidies.
- The Company's ability to dispose of certain retirement homes is constrained by conditions imposed as a consequence of having received public subsidies.
- Deutsche Wohnen's lean organizational structure, particularly at the management level, may adversely impact the development of its business and the

effectiveness of its risk management.

- Deutsche Wohnen is exposed to the risk that counterparties may not perform their obligations under agreements between them and Deutsche Wohnen.
- Deutsche Wohnen's use of standardized contracts may multiply the risks as compared with the use of individual contracts.
- Deutsche Wohnen may be subject to additional claims for pension and benefits obligations.
- Deutsche Wohnen may sustain substantial losses from damage not covered by, or exceeding the coverage limits of, its insurance policies.
- The IT systems may malfunction or become impaired. In addition, the integration of IT systems of newly acquired portfolios may lead to significant expense and impairment of the existing IT systems.
- An impairment of Deutsche Wohnen's goodwill may adversely affect its net assets and results of operations.
- The acquisition of real estate involves risks such as missing building permits, licenses and certificates that cannot be avoided on the basis of legal, tax and economic due diligence.
- Deutsche Wohnen may be exposed to risks in connection with possible acquisitions and investments. These risks include unexpected liabilities, greater indebtedness, higher interest expenses and challenges with respect to the integration of newly acquired businesses and achieving anticipated synergies

D.3 Information on the key risks that are specific to the securities.

Risks Related to the Notes

- The Notes may not be a suitable investment for all investors.
 - If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.
 - An investment in the Notes may be subject to inflation risks.
 - The Holders are subject to exchange rate risks and exchange controls.
 - The Holders are exposed to risks relating to fixed interest notes.
 - Holders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments.
 - The Holders' only remedy against the Issuer is the institution of legal proceedings to enforce payment or to file an application for insolvency proceedings.
 - The Notes will be effectively subordinated to the Issuer's debt to the extent such debt is secured by assets that are not also securing the Notes.
 - The Notes may not, or may cease to satisfy the criteria to be recognized as eligible collateral for the Eurosystem.
 - If the Notes are redeemed, a Holder of such Notes is exposed to the risk of a lower yield than expected.

- The Issuer's ability to redeem or repurchase such Notes upon the occurrence of change of control events may be limited by its access to funds.
- There is no active public trading market for the Notes.
- Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.
- The development of market prices of the Notes depends on various factors.
- The trading market for debt securities may be volatile and may be adversely impacted by many events.
- Ratings may not reflect all risks and are subject to change.
- Incidental costs related in particular to the purchase and sale of Notes may have a significant impact on the profit potential of the Notes.
- Because the Global Notes are held by or on behalf of Euroclear Bank SA/NV and Clearstream, société anonyme, Luxembourg, potential investors will have to rely on their procedures for transfer, payment and communication with the Issuer.
- No assurance can be given as to the impact of any possible judicial decision or change of laws or administrative practices after the date of this Offering Memorandum.
- A potential investor may not rely on the Issuer, the Joint Bookrunners or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.
- The Terms and Conditions, including the terms of payment of principal and interest, can be amended by a Holders' resolution and any such resolution will be binding for all Holders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the Notes outstanding.
- The insolvency laws of Germany may not be as favorable to Holders as the laws of other jurisdictions. Further, the Issuer may shift its center of main interest to jurisdictions that are less favorable to Holders and thereby preclude or limit the chances of Holders to recover payments due on the Notes.
- In case of certain events of default, the Notes will only be redeemable if Holders of at least 15% of the aggregate principal amount of the Notes then outstanding declare the Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Holders.
- Since no Holders' Representative will be appointed as from the Issue Date, it will be more difficult for Holders to take collective action with respect to the Notes.
- The Holders have no voting rights in shareholders' meetings.

- Changes in Accounting Standards.
- The income under the Notes may be reduced by taxes.
- There may be withholding from payments under the Notes under the European Union Savings Directive.
- The Financial Transactions Tax could apply to certain dealings in the Notes.

E. – Offer

E.2b	Reasons for the offering and use of proceeds.	The net proceeds from the issuance of the Notes, estimated by the Issuer to be approximately EUR 496.5 million will be used to refinance existing indebtedness.
E.3	Terms and conditions of the offer.	<p>The Notes have been placed with qualified investors only. There will be no public offer of the Notes.</p> <p>The issue price of the Notes is 99.689% of their principal amount.</p> <p>The aggregate principal amount of the Notes is EUR 500,000,000.</p>
E.4	Description of any interest that is material to the offer and the listing including conflicting interests.	<p>The Joint Bookrunners have entered into a contractual relationship with the Company in connection with the offering and admission to trading of the Notes.</p> <p>The Joint Bookrunners may from time to time enter into other business relationships with companies of the Group or perform services on their behalf as part of their normal course of business. Accordingly, the Joint Bookrunners may in the future face conflicts of interests with shareholders in the Company.</p>
E.7	Estimated expenses charged to the investor by the issuer.	Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes. Each investor has, however, to inform itself about taxes or expenses it may be subject to, <i>e.g.</i> deposit fees.

RISK FACTORS

Below is a description of risk factors that are material for the assessment of the market risk associated with the notes (“Notes”) and risk factors that may affect the ability of Deutsche Wohnen AG (the “Company” or the “Issuer” and together with its subsidiaries, the “Group”, “Deutsche Wohnen” or “Deutsche Wohnen Group”) to fulfil its obligations under the Notes. Any of these risks could have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen. The market price of the Notes could decline due to any of these risks, and investors could lose all or part of their investments.

Potential investors should carefully consider the specific risk factors outlined below in addition to all other information in this offering memorandum (“Offering Memorandum”) and consult with their own professional advisors should they deem it necessary before deciding upon the purchase of Notes. In addition, investors should bear in mind that several of the described risks can occur simultaneously and thus have, possibly together with other circumstances, a stronger impact. The order in which the risks are described neither indicates the probability of their occurrence nor the gravity or significance of the individual risks nor the scope of their financial consequences. Additional risks of which Deutsche Wohnen is not presently aware could also affect the business operations of Deutsche Wohnen and have material adverse effects on Deutsche Wohnen’s net assets, business activities, financial condition and results of operations.

Words and terms that are defined in the Terms and Conditions below or elsewhere in this Offering Memorandum have the same meaning in this section “Risk Factors”.

Potential investors should, among other things, consider the following:

Risk Factors Relating to the Issuer

Market and Competition Risks

The German real estate market and Deutsche Wohnen’s business may be negatively affected by changes in general economic and business conditions. The continued economic uncertainty regarding sovereign debt, the cohesion of the eurozone and its economic development may negatively impact the economic development in Germany and may have a detrimental effect on the German real estate market and on Deutsche Wohnen’s business.

Deutsche Wohnen’s core business is the management of residential properties and the sale of individual apartments in the Federal Republic of Germany (“**Germany**”). The Group relies significantly on rental income. Therefore, Deutsche Wohnen’s performance depends largely on the in-place rents currently generated and its ability to generate these in-place rents in the future, the expenses the Group incurs in generating such rents, the generated or achievable proceeds from disposals, and the value of its properties. These performance factors and the value of the properties are subject to general economic and business conditions.

The economic development in the eurozone has been negatively impacted by, among other things, concerns over the level of sovereign debt in many developed countries, particularly in the eurozone and the United States of America (“**United States**”) and high levels of unemployment in many eurozone countries. The response of the European Union (“**EU**”), the countries of the eurozone and the European Central Bank to the recent sovereign debt crisis has also raised a number of questions regarding the stability and overall state of the eurozone, resulting in concerns about the potential reintroduction of national currencies in one or more eurozone countries. In particular, Greece faces uncertainty regarding its continuance as part of the European Monetary Union. A Greek exit from the European Monetary Union may entail adverse spill-over effects in the rest of the eurozone including the deterioration of sovereign debt credit ratings. In particularly extreme circumstances, the European Monetary Union may be dissolved.

Persistent issues with the pace of economic growth, instability in the credit and financial markets and weak consumer confidence in many markets may continue to put pressure on global economic

conditions. In addition, the current geopolitical crises in the Ukraine, the economic sanctions being imposed on the Russian Federation as well as retaliatory actions by the Russian Federation and threats from terrorist activities may continue to have negative repercussions for the European economy as a whole. Such instability and the resulting market volatility may also create contagion risks for economically relatively strong countries like Germany and may spread to the German financial sector as well as to the German residential and commercial real estate market.

Given Deutsche Wohnen's dependence on its ability to access financial markets for the refinancing of its debt liabilities, the continued instability or a further deterioration of the economic environment or the capital markets may reduce Deutsche Wohnen's ability to refinance its existing and future liabilities. Furthermore, Deutsche Wohnen's counterparties, in particular its hedging counterparties, may not be able to fulfill their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons (see below "*Risks Related to Deutsche Wohnen's Business—Deutsche Wohnen is exposed to the risk that counterparties may not perform their obligations under agreements between them and Deutsche Wohnen.*"). Furthermore, the creditworthiness of tenants and potential real estate purchasers could deteriorate. When tenants' creditworthiness deteriorates, if they lose their jobs, for example, tenants may be unable to meet their payment obligations under the agreed rent and the agreed incidental costs, and/or they might be forced to terminate their leases with Deutsche Wohnen, which may result in a decline of rental income. Moreover, due to the factors described above, it is possible that lower demand from potential tenants and purchasers of residential properties could follow if the economy in Germany faces another downturn, or, if a slowdown in economic growth occurs, causing higher unemployment and stagnation or even a decline in real incomes due to additional pressure from increases in taxes, energy prices and the cost of living. Additionally, demographic developments or local employment conditions in certain regions where Deutsche Wohnen's portfolio is concentrated may affect the real estate market, particularly the demand for housing. In addition to the loss of agreed rents, vacancies may increase. In that case, it is possible that the apartments may not be re-let on the original terms, or that this is only possible after making additional investments to maintain or re-establish the attractiveness of the property.

Worsening business and general economic conditions could impair the future performance of Deutsche Wohnen Group with regard to the real estate management business, single-unit sales (residential unit privatizations), block sales (institutional sales) and acquisitions, and may have a material adverse effect on the Group's net assets, financial condition and results of operations.

The current macroeconomic environment is characterized by low interest rates and any rise in interest rates could have material adverse effects on the real estate market and on Deutsche Wohnen.

The interest rate level is currently very low. It is possible that the interest rate for real estate loans in Germany will increase significantly in the future. Any such development will result in higher discount and capitalization rates and have a negative impact on the fair value of Deutsche Wohnen's real estate portfolio. It can also negatively affect the willingness of potential buyers to make real estate purchases and therefore constrain Deutsche Wohnen's disposal business. Additionally, due to the current market environment, financial institutions may require that borrowers meet more stringent requirements with regard to creditworthiness. This could lead potential buyers of residential properties to refrain from purchasing real estate due to worse financing terms or restricted availability of credit. A significant increase in real estate loan interest rates and more stringent borrower qualification requirements may also require Deutsche Wohnen to postpone scheduled investments and delay, due to market conditions, planned disposals. Besides this, any such increase in the interest rate levels may permanently impair Deutsche Wohnen's ability to finance real estate portfolio acquisitions through debt and may generally impact the Group's ability to refinance its liabilities. Consequently, Deutsche Wohnen may be forced to sell real estate portfolios at substantial discounts, due in large part to difficult financing conditions experienced by buyers, which may be further exacerbated by an increase in persons selling real estate assets, including Deutsche Wohnen's competitors. As a result, Deutsche Wohnen may be exposed to the risk of a reduction in the fair value of its total real estate portfolio and may be required to recognize the corresponding losses from the resulting fair value adjustments of the Group's investment properties in its consolidated profit and loss statement. The realization of any of these risks

could have a material adverse effect on the Group's net assets, financial condition and results of operations.

Deutsche Wohnen is dependent on developments in regional markets where its portfolio is concentrated, particularly in the Greater Berlin area.

As of March 31, 2015, around 98% of Deutsche Wohnen's total residential real estate portfolio, based on the Group's fair value, was concentrated in selected regions: the "Core+" and "Core" regions. The "Core+" regions comprise what company management believes are the most dynamic rental markets within Deutsche Wohnen's portfolio with considerable rental growth. The Core+ regions include the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and Dresden. The Core regions include Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. One Core+ Region of particular importance for Deutsche Wohnen is the Greater Berlin area where, as of March 31, 2015, approximately 73% of Deutsche Wohnen's total residential real estate portfolio, based on the Group's fair value, were located. The "Core" regions comprise markets with moderately rising rents and stable rent development forecasts. The general demographic and economic conditions and the development of such conditions in these core and growth regions are of significant importance for Deutsche Wohnen's business and future prospects. The key factors in this respect include demand, demographic structure, tenant creditworthiness, purchasing power of the population, attractiveness of the particular locations, the labor market situation, infrastructure, social structure and other factors influencing supply and demand for real estate in the respective locations and markets. In particular, economic studies forecast that demographic change, including a shrinking and aging population, will cause the nationwide demand in Germany for accommodation to fall in the long term, although the total number of households is expected to grow by 2.9% between 2010 and 2025, due to a trend towards smaller household sizes (Source: BBSR – Regional Planning 2030). These factors significantly impact, among other things, the rents Deutsche Wohnen is able to charge as well as the payment behavior of Deutsche Wohnen's tenants and have further a significant effect on vacancy rates, Deutsche Wohnen's earnings and the valuation of Deutsche Wohnen's properties. Accordingly, Deutsche Wohnen is subject to economic and demographic developments in the Greater Berlin Area and its other core and growth regions.

Since regional markets within Germany do not develop uniformly, Deutsche Wohnen's dependence on a few particular regional markets could adversely affect the Group's earnings targets if the attractiveness of the respective markets declines; the Group may thereby experience a disadvantage when compared with some competitors with more regionally diversified real estate portfolios. In addition, negative developments in the strategic core and growth regions of Deutsche Wohnen would not only impact individual properties, but would also affect the entire portfolio in the given strategic core and growth regions.

Unfavorable developments in the real estate market of the Greater Berlin area and the other regional markets where Deutsche Wohnen's portfolio is located may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen.

For various reasons it may become more difficult for Deutsche Wohnen to acquire properties on attractive terms, which would impair the future performance and, above all, the growth of its business.

Deutsche Wohnen's business success depends, among other things, on the Group's ability to continue acquiring residential real estate portfolios and properties with appreciation and/or rent-increase potential in economically attractive regions at reasonable prices, with good tenant structure, in high-quality locations and at favorable occupancy rates. Additionally, the success of the Group's business model depends on its ability to efficiently integrate and manage newly acquired properties in its total residential portfolio.

The management board of the Company (the "**Management Board**") believes that current market conditions make it difficult to conclude real estate transactions at conditions similar to those in the past. For one thing, the German real estate market is characterized by a high level of demand as

German property prices in recent years were considered relatively attractive when compared to properties in other countries. Therefore, investors have been able to achieve relatively attractive returns. As a result, many investors, including numerous foreign investors, have increasingly purchased German residential real estate. Foreign investors, in particular, often have considerable financial resources that allow them to submit high bids for real estate portfolios. The stronger presence of foreign investors, as well as the generally high level of investor interest in German real estate partially as a consequence of the perceived security in investing in real estate assets and the ongoing low level of interest rates have caused residential real estate prices to increase in the past. In addition, the number of ongoing privatization processes by German municipal and federal state governments has declined, due to decreased public acceptance, which has led to a shortage in supply and an overall increase in prices of residential properties in the German market. As a consequence, the Group expects that there will be fewer properties for Deutsche Wohnen to acquire in the future at attractive prices.

If Deutsche Wohnen is unable to acquire suitable properties at attractive terms in the future, the Group's growth potential may be limited. If there are only a few or no new properties available for acquisition, Deutsche Wohnen's earnings from the disposals of a decreasing number of properties earmarked for disposal and/or the Group's earnings from residential property management of a lower number of residential properties would decline.

If Deutsche Wohnen is unable to obtain the necessary capital on the capital markets at attractive terms, the Group might be unable to make further acquisitions, or might be able to do so only to a limited extent or, if debt financing is available, may only be able to do so by taking on additional debt. Moreover, any additional debt raised in connection with future acquisitions may have a significant negative effect on the Group's loan-to-value ratio ("**Loan-to-Value Ratio**"), *i.e.*, the ratio of net financial liabilities to the value of the total real estate holdings. If Deutsche Wohnen Group is no longer able to obtain the debt or equity financing that is necessary to acquire additional real estate portfolios, or if the Group is able to do so only on onerous terms, its business development and competitiveness may be severely constrained in the future.

The materialization of one or more of these risks may have a material adverse effect on Deutsche Wohnen's net assets, financial condition and results of operations.

Sales prices of Deutsche Wohnen residential properties may come under pressure from competition and other factors.

The success of Deutsche Wohnen's Disposals segment depends on its ability to sell residential units earmarked for disposal prices that exceed their respective book values. The profit from such disposals is influenced primarily by the prices the Group is able to realize in the residential real estate market, which are affected by various supply and demand factors.

Government bodies or industrial companies that own residential real estate may increasingly seek to sell apartments to tenants, owner-occupiers and investors. For example, a considerable number of residential units have been privatized in Germany in recent years. Should the supply of residential properties increase, such increase could put pressure on sales prices, particularly in the local markets in which Deutsche Wohnen owns residential real estate. In addition to increased supply, pressure on sales prices may also result from a decline in demand or a combination of these two factors. As private individuals in Germany frequently purchase real estate as a component of retirement planning, their investment in residential properties in Germany has become an increasingly important part of the market. But if real estate is considered to be less attractive as a component of retirement planning in the future, or if it becomes less favorable economically due to, for example, changes in taxation, the legal framework or economic conditions, demand for residential properties among potential purchasers may decrease, and, consequently, it might only be possible to sell residential properties at lower prices. For instance, recent legislative reforms to limit rent increases and to regulate the rent for new contracts may reduce the economic attractiveness of investing in residential properties (see also "*Risks Related to Deutsche Wohnen's Business—Deutsche Wohnen's business is subject to the general legal and regulatory environment in Germany. Any disadvantageous changes to the legal environment, such as an expansion of tenant protection laws or more restrictive environmental laws, may have a material*

adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.”). Overall, lower sales prices for Deutsche Wohnen’s residential properties would reduce the Group’s earnings or may even cause the Group to incur losses.

Lower sales prices may also require the Company to adjust the fair value of its total real estate portfolio on its consolidated balance sheet, and to record losses from the resulting fair value adjustments of its investment properties in its consolidated profit-and-loss statement for the respective accounting period.

Moreover, the absence of a liquid real estate market may temporarily make the sale of properties in some locations entirely impossible. Further increases in real estate transfer tax (“**RETT**”) rates beyond the current levels of 5% in most states, 6% in Berlin and Hesse and 6.5% in North Rhine-Westphalia, Saarland and Schleswig-Holstein may likewise have a negative impact on liquidity and demand for real estate. In addition, lower sales prices for real estate or a decline in sales would also lead to lower cash inflows, which may adversely affect net assets, financial condition and results of operations of Deutsche Wohnen.

Deutsche Wohnen operates in a highly competitive market in Germany in residential real estate, and to a lesser extent in commercial real estate and nursing and assisted living facilities. While most of the Group’s competitors are domestic, foreign competitors may also increasingly enter the German real estate market and may therefore intensify competition. The consequences of increased competition may be lower sales proceeds, lower margins, lower in-place rents and higher acquisition prices for real estate portfolios. Some of Deutsche Wohnen’s current competitors may have a broader customer base to which they can sell properties or significantly greater financial resources than the Group does, and may build on these strengths by engaging in more aggressive pricing.

All of these factors may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Risks Related to Deutsche Wohnen’s Business

The loss of in-place rents, rent reductions, higher vacancy rates and the inability to charge economically attractive in-place rent levels may have a detrimental effect on revenue and earnings in the Residential Property Management segment.

Deutsche Wohnen’s commercial success depends significantly on the Group’s ability to maintain and increase its rental income. This entails several risks regarding a variety of aspects.

Lower demand for housing in general, or in a particular area due to the economic, social or other conditions prevailing there, may lead to higher vacancies and result in lower in-place rents. Vacancies resulting in reduced in-place rents also occur when apartments must or should be refurbished and thus cannot be rented out. Lower demand for housing may also force the Group to lease its apartments on less favorable terms or to tenants who pose a greater risk of rent losses due to reduced creditworthiness.

If tenants fail to meet their rent payment obligations in whole or in part (*e.g.*, due to a deterioration of their economic situation because of a job loss), or if larger numbers of tenants terminate their rental agreements without the Group being able to re-let the property within a reasonably short period of time, it would sustain losses in current gross rental income, which may have a material adverse effect on the funds from operations (“**FFO**”). To the extent that the Company is in fact able to re-let an apartment, there is a risk that it might no longer be able to do so on the original terms, or might be able to do so only after making an additional investment to maintain or re-establish the attractiveness of the property.

The amount of current gross rental income Deutsche Wohnen can generate and the Group’s ability to increase its in-place rents from existing tenants depend on several factors. These factors include the demand for residential and commercial properties, the customary local market rent, the condition and location of the property, modernization measures undertaken, including their scope, as well as tenant turnover. Moreover, when setting the in-place rent levels for its residential properties,

Deutsche Wohnen is subject to the restrictions of German landlord-tenant laws, as well as, where applicable, conditions imposed as a consequence of the Group having received public subsidies, or restrictions under privatization agreements. As a consequence, Deutsche Wohnen might not be able to maintain or increase in-place rents in a manner or to the extent that would be in its economic interest or reflect market prices. Even if increased modernization costs were to merit higher in-place rents from a commercial perspective, the Group may not be able to impose such increases in the in-place rents. Based on current legislation, only up to 11% of the costs incurred for modernization measures (minus the costs that would be necessary for maintenance measures) may be charged to the annual rent, and the current legislature intends to further reduce that amount to a maximum of 10%.

The Company may also experience a loss of in-place rents, rent reductions and increased vacancies in situations where, for example, the properties are situated in undesirable locations (either as a result of social or economic conditions) or where there is only limited demand for housing given the local market conditions, resulting in a decline in total current gross rental income. Deutsche Wohnen is required to conduct its real estate management business in such a manner that the properties are maintained in the condition as required by the leases and by law. If this is not possible and if the required maintenance measures are not performed on time or at all, in-place rents may decline. Additionally, Deutsche Wohnen may experience a shortfall in income through a planned vacancy if it decides to refurbish or sell a property.

All of these factors, individually or collectively, may have a material adverse effect on revenue and earnings, and thus have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen Group is exposed to risks related to the structural condition of the properties and their maintenance and modernization.

Deutsche Wohnen Group companies own many properties that are over 40 years old. Many of Deutsche Wohnen's real estate portfolios have been inspected prior to purchase in the course of a due diligence investigation with respect to their structural condition and, to the extent necessary, the existence of harmful environmental impacts. It is possible, however, that damage or quality defects may remain entirely undiscovered, or that the scope of such problems is not fully apparent in the course of the due diligence investigation, and/or that defects become apparent only at a later point in time. In general, sellers exclude all liability for concealed defects. If liability for such concealed defects has not been fully excluded, it is possible that the representations and warranties made in the purchase agreement with respect to the property failed to cover all risks relating to the acquisition. Regarding older property in the overall portfolio, no comprehensive investigation or review was undertaken as to the existence of harmful environmental contamination. As a result, it is possible that significant environmental contamination, *e.g.*, resulting from the use of construction materials containing asbestos, was inherited and yet not recognized in the older property. Deutsche Wohnen may be exposed to financial liability for any required remediation measures.

Additionally, the Group may be exposed to unexpected problems or unrecognized risks, such as delays in the implementation of maintenance, refurbishment or modernization measures in connection with acquired real estate portfolios, against which it might not have been contractually protected. As a result, Deutsche Wohnen may be unable to lease a property as planned, effectuate increases in the rent or sell residential units. The Group's financial condition may deteriorate, and the value of the acquired assets may decline.

After acquiring properties, Deutsche Wohnen strives to maintain rented properties in a good condition. For this reason, and also to avoid the loss of value, the Group has to undertake maintenance and modernization measures. In addition, modernization of properties may be necessary to increase their appeal or to meet changing legal requirements (such as the intensification of the Energy Saving Ordinance (*Energieeinsparverordnung*)). Such measures can be large-scale and expensive. As a result, risks may arise in the form of higher-than-planned costs or unforeseen additional expenses for maintenance or modernization that cannot be passed on to the property's respective tenants. Moreover, the

actual corresponding work may be delayed, for example, by reason of bad weather, poor performance or insolvency of contractors, or the discovery of unforeseen structural defects.

The occurrence of one or more of these risks may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen's ability to refinance existing debt with loans and other debt instruments could be limited. It may be difficult or expensive to obtain new sources of financing, in particular following a downgrade of its ratings.

As of March 31, 2015, the Group's Loan-to-Value Ratio stood at 50.4%. The carrying amount of Deutsche Wohnen's outstanding (current and non-current) financial liabilities as well as financial liabilities relating to non-current assets held for sale and (current and non-current) convertible bonds placed in 2013 and 2014 was EUR 5,530.7 million as of March 31, 2015. Deutsche Wohnen is dependent on refinancing debt that will become due over the next few years. As of March 31, 2015, the nominal value of Deutsche Wohnen's outstanding financial liabilities, becoming due in 2015 was EUR 78.7 million, and EUR 42.8 million becoming due in 2016 as well as EUR 66.0 million becoming due in 2017. Deutsche Wohnen cannot rule out that its current level of debt may adversely affect its ability to refinance financial obligations by taking on new debt or by extending existing loans. In addition, any increase in the Group's Loan-to-Value Ratio may negatively impact its ratings and may have a negative impact on its financing cost or its ability to obtain financing at all. No assurance can be given that Deutsche Wohnen will be able to refinance its debt at all or at comparable costs and terms in the future.

Deutsche Wohnen obtained corporate ratings from Standard & Poor's Credit Market Services ("S&P") and Moody's Investors Service Limited ("Moody's"). These ratings depend, among other factors, on the development of the industry, Deutsche Wohnen's performance and the development of certain key credit ratios, such as its Loan-to-Value Ratio and interest coverage ratio. In addition, macro-economic developments such as the development of Germany's gross domestic product ("GDP") and changes in interest rate levels may have an impact on Deutsche Wohnen's performance and, accordingly, on its ratings. The rating agencies review the factors that influence Deutsche Wohnen's ratings on a regular basis. Deutsche Wohnen cannot rule out that its ratings may be downgraded in the future. Any downgrade or negative outlook could negatively impact Deutsche Wohnen's reputation, its share price and its ability to raise funds at attractive terms.

Additionally, Deutsche Wohnen may find it difficult or expensive to obtain new sources of financing. Banks may refuse to grant Deutsche Wohnen new loans, or they may only make new loans available to the Group at unfavorable financial terms, and refuse to extend existing credit lines or only extend them on unfavorable terms. Moreover, it is conceivable that banks may no longer be able or willing to extend expiring loans and that future contract negotiations will take more time to complete. Further, it may not be possible for Deutsche Wohnen to raise capital in the debt capital markets either.

The occurrence of one or more of these risks may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

If any of Deutsche Wohnen Group's companies breach their obligations under Deutsche Wohnen Group's loan agreements, they may be required to repay the loans before they would ordinarily become due. If Deutsche Wohnen fails to make payments on its loans when due, the Group's creditors may dispose of the significant collateral which the Group's companies furnished to the creditors to secure the loans.

In the past, Deutsche Wohnen has taken on debt in the form of loans, convertible bonds and other instruments to refinance existing obligations, as well as to finance acquisitions, and the Group also intends to do so in the future. If Deutsche Wohnen breaches certain obligations under these loan agreements or debt instruments and is unable to cure such breaches within the relevant time frame stipulated in each respective agreement, and if the creditors under such loan agreements or debt instruments do not waive the Group's compliance with such obligations, such creditors may be entitled to terminate the respective financing agreements. In particular, several financing agreements require

Deutsche Wohnen to comply with certain specific financial covenants, such as the maintenance of certain maximum Loan-to-Value Ratios and the compliance with certain other key financial figure ranges which relate, among others, to the debt servicing ability (Debt Service Cover Ratio (“DSCR”), the Interest Service Cover Ratio (“ISCR”) and the ratio of debt in relation to the rental income at the level of the Group and/or the financed portfolio. The Group’s failure to comply with such financial covenants may have severe consequences.

A breach of its financial covenants would restrict Deutsche Wohnen’s right to dispose of the rental income arising from the properties securing the respective loan agreement. Several of the Group’s loan agreements contain provisions that might require the Group, upon breach of a financial covenant, to make certain monthly payments, based on its rental income less certain specified debt service payments, into specified blocked accounts. The amounts in such blocked accounts are regularly pledged to the benefit of the respective lender. Deutsche Wohnen may therefore not use these amounts to make certain payments without the prior consent of the respective lender, including for the debt service of other loan agreements. This may result in the Group’s failure to fulfill payment obligations under other loan agreements.

Moreover, a breach of financial covenants may trigger creditors’ right to terminate the financing arrangement. Such termination right by the Company’s creditors may have serious negative implications for the Group. For instance, all outstanding debt under the respective loan agreement may become due immediately and may severely affect the liquidity position of the Group. In addition, grounds for termination of one loan agreement may entitle creditors under other loan agreements to terminate their agreements with the Company with immediate effect. If one or more loans should become due as a result of an early termination, Deutsche Wohnen might be unable to refinance its loans as they become due, or might only be able to refinance them on significantly less favorable terms. If Deutsche Wohnen were unable to obtain refinancing in such a scenario, in the worst case, the Group may become insolvent.

To secure the Company’s loans or those of its subsidiaries, Deutsche Wohnen has pledged the shares of various Deutsche Wohnen Group companies to creditors, as well as claims under rental and leasing agreements, purchase agreements and real estate sales agreements, and has taken out mortgages secured by properties held by Deutsche Wohnen Group companies. If the Company or its subsidiaries are unable to fulfill its or their obligations under such financing agreements, the Group’s creditors may seize collateral, including real property and pledged shares of Deutsche Wohnen Group companies, without further negotiations. A breach of obligations under Deutsche Wohnen’s financing agreements may thus result in the loss of portions of the Group’s real estate portfolio or individual Deutsche Wohnen Group companies on economically unfavorable terms.

The occurrence of one or more of these risks may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

A rise in general interest rate levels could increase Deutsche Wohnen’s financing costs for both the Group’s existing portfolio as well as for newly acquired properties or properties potentially to be acquired in the future.

Extensive financial resources are required to implement Deutsche Wohnen’s business concept and growth strategy. The Company allocates a significant portion of these resources to finance its existing real estate portfolio as well as its newly acquired and potentially to-be-acquired properties. Both, the conclusion of financing agreements and the extension of such agreements at attractive terms, are crucial for the Group’s continued commercial success and its ability to pay dividends. A rise in interest rates could result from an improvement in the economic environment and may adversely impact Deutsche Wohnen’s business.

Interest rates may increase from their currently low levels and thereby develop during the term of the Group’s financing agreements contrary to the Group’s expectations. The hedging instruments that Deutsche Wohnen uses may not counterbalance this effect, or the Group may be unable to successfully conclude the necessary extensions or renegotiations of financing agreements or hedging instruments at their current interest rate terms, including the associated costs. This and any failure on

Deutsche Wohnen's part to obtain financing on the terms that the Management Board's planning anticipates, or to obtain one or more of the hedging instruments it currently uses, may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

In the event of a downturn in the real estate market, the fair value model may require Deutsche Wohnen to adjust current fair values of its investment properties (such as in the case of a change in interest rate levels or a deterioration of the market), which may lead to adverse effects on the Group's net assets and results of operations.

Deutsche Wohnen accounts for investment properties (that is, real estate held to generate rental income and/or for capital appreciation) at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, other than in a forced or liquidation sale. The recording of investment properties at acquisition cost occurs only at the time the property is initially recognized in the balance sheet. On the balance sheet, the fair value of the property is used for dates following the initial recognition of the property. Fair value is primarily based on the trend in the real estate market, including regional market developments, as well as on general economic conditions and, to a lesser extent, on interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, Deutsche Wohnen will need to revise the values of its total portfolio on the consolidated balance sheet downward. The same would apply if competitors were forced to sell their real estate portfolios at lower prices due to financial difficulties. Any change in fair value must be recognized in the consolidated profit or loss statement as a gain or loss from fair value adjustments. For example, an increase of 0.1 percentage points in the capitalization and discount rates that Deutsche Wohnen uses for its investment properties in the Core+ regions would have resulted in a decrease of the book value of these investment properties by 1.35% (capitalization rate) and 0.88% (discount rate) as of December 31, 2014 (excluding nursing and assisted living facilities). All material fair value adjustments that the Group must undertake could have a material adverse effect on the net assets, results of operations of Deutsche Wohnen Group, and on the Group's share price. Furthermore, there would be a negative impact on financial metrics, particularly the NAV and Loan-to-Value Ratio.

The Property Appraisal Report incorporated in this Offering Memorandum by reference and/or existing or future financial information may incorrectly assess the value of Deutsche Wohnen's properties.

The property appraisal report (the "**Property Appraisal Report**"), which is incorporated in this Offering Memorandum by reference was prepared by the independent external appraisers CBRE GmbH. It is based on standard valuation principles and represents the opinion of the independent external appraiser CBRE which prepared the report. The Property Appraisal Report is based on assumptions that in retrospect may turn out to be incorrect. The information provided to CBRE and underlying the appraisals is tested merely through random sampling, as is customary in such appraisals. Additionally, the valuation of real estate is based on a multitude of factors that also involve subjective judgments by the appraiser. These factors include, for example, the general market environment, the creditworthiness of tenants, the rental market and the quality and potential development of the location. The valuation of real estate contained in the Property Appraisal Report is therefore subject to numerous assumptions that may later be determined to have been erroneous. Moreover, appraisal methods that are currently generally accepted and that were used for the purpose of developing the Property Appraisal Report may in hindsight turn out to be unsuitable. The Property Appraisal Report only speaks as of the relevant valuation dates and has not been updated to reflect the value as of a more recent date.

The values assigned to the appraised properties in the Property Appraisal Report and/or Deutsche Wohnen Group's financial information (consolidated financial statements and consolidated interim financial statements) already published or yet to be published may exceed the proceeds that the Group can generate from the sale of the appraised properties. This may also apply to sales that occur on or shortly after the respective valuation date. Accordingly, the Property Appraisal Report may not

represent the future or current actually achievable sales prices of Deutsche Wohnen's individual properties or of its real estate portfolio as a whole.

A change in the factors underlying the appraisal and/or its assumptions may also cause the fair value determined for the respective valuation date to fall short of the carrying amount of a property, which would result in losses from fair value adjustments. Under these circumstances, Deutsche Wohnen would be required to immediately recognize the negative change in value as a loss resulting from the fair value adjustment of investment properties for the relevant accounting period. If such losses are material, they may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Any inability to sell residential or commercial units intended for sale in a timely manner and at economically attractive prices may have a negative impact on Deutsche Wohnen's financial condition and results of operations.

In addition to residential real estate management, Deutsche Wohnen also engages in the sale of residential properties. In this respect, the Group distinguishes between single-unit sales (residential unit sales to current tenants) and block sales (institutional sales) of entire real estate portfolios. Block sales are often the result of an intended streamlining of Deutsche Wohnen's portfolio on the basis of a portfolio analysis. Deutsche Wohnen cannot ensure that sales will be carried out in the projected numbers, within the projected time frame or on favorable terms. In particular, for block sales aimed at streamlining Deutsche Wohnen's portfolio, Deutsche Wohnen may not be able to sell the units at their book value and, accordingly, may record a loss from the transaction. The factors that may affect a possible sale include, among other things, the demand for real estate, the creditworthiness of the purchasers and the number of competitors.

If Deutsche Wohnen is unsuccessful in selling residential or commercial properties to the extent planned in the future, the Group's management of unsold or especially partially sold properties would consume greater administrative resources because, for example, the management of residential housing units would become necessary and the management of the individual remaining residential units would be less efficient. Moreover, maintenance and/or refurbishment measures may extend over a longer period of time than originally planned which, among other things, may lead to higher costs and lower sales prices and, consequently, increase the risk of a decline in value during such time. Significant price reductions in the course of further sales may reduce the profit margin on apartment sales, or even cause that margin to turn negative. These developments may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

If Deutsche Wohnen is unable to generate positive cash flows from its operating activities, the Group may be forced to sell properties. Due to the potentially illiquid nature of the real estate market, Deutsche Wohnen may not be able to sell portions of its portfolio on favorable terms or even at all.

Deutsche Wohnen invests predominantly in real estate for which there is a market with limited liquidity. In principle, the ability to sell portions of the total portfolio depends on the liquidity of the investment markets. In order to service its debt (amortization and interest), Deutsche Wohnen must generate positive cash flows from operating and investing activities. The Group generally generates such cash flows from in-place rents, through proceeds from disposals, and from its nursing and assisted living business. If Deutsche Wohnen is unable to generate positive cash flows from its operating activities in the future, the Group may be forced to sell apartments irrespective of the market situation. If Deutsche Wohnen were forced to sell portions of the total portfolio, the Group may only be able to conclude the sale at unfavorable terms, if at all. In the case of a forced sale, there would likely be a significant shortfall between the fair value of a property or a property portfolio and the price that the Group would be able to realize in the sale of such property or property portfolio, and there can be no guarantee that the price thus obtained would even cover the book value of the property sold. These differences in value may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen may be subject to liability claims for several years after selling properties.

In connection with the sale of real estate, Deutsche Wohnen makes representations and warranties to the purchasers with respect to certain property characteristics. The resulting obligations regularly persist for several years after the sale. In particular, Deutsche Wohnen may be subject to claims for damages from purchasers who assert that the representations and warranties the Group made to them were incorrect, or that it failed to meet its obligations. This may lead to legal disputes or litigation with the purchasers, as a consequence of which Deutsche Wohnen may be required to make a payment to the purchasers without being able to take recourse against the predecessor in title or other third parties in each case. To the extent the Company made warranties to third parties in connection with refurbishment measures and claims are asserted against it because of defects, it is not always certain that it will have recourse against the companies that performed the work and that its recourse claims would be enforceable.

As a seller of properties, Deutsche Wohnen remains liable to existing tenants at the time of sale for any breach of lease agreements by the buyer. This applies also and specifically where Deutsche Wohnen no longer has any control over the property. Moreover, the Group continues to be exposed to liability for breach of contract even in the event that the buyer resells the property and the subsequent buyer breaches lease agreements. However, if a seller notifies the tenant of the change of ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy at the earliest permitted termination date, the seller is released from liability.

Legal or settlement costs, including the cost of defending lawsuits, whether justified or not, as well as potential damages associated with liability for properties that Deutsche Wohnen has sold, could have material adverse effects on Deutsche Wohnen's business, net assets, financial condition, cash flow and results of operations.

Deutsche Wohnen may be exposed to risks from residual pollution, including wartime munitions, soil pollution and contaminants in building materials, as well as from possible building code violations.

It is possible that properties Deutsche Wohnen owns or acquires contain ground contamination, hazardous materials, other residual pollution and/or wartime munitions (including potentially unexploded munitions) and that such issues have not been discovered in a previous due diligence. Moreover, building components might contain hazardous substances (such as polychlorinated biphenyls (PCBs) or asbestos), or the properties may comprise other environmental risks. Deutsche Wohnen bears the risk of cost-intensive remediation and removal of such wartime munitions, hazardous materials, residual pollution or ground contamination. The discovery of such residual pollution, particularly in connection with the lease or sale of properties, may also trigger claims for rent reductions, damages and other breach of warranty claims. The remediation of any residual pollution and the related additional measures may negatively affect Deutsche Wohnen's business activities and involve considerable additional costs. Deutsche Wohnen is also exposed to the risk that it might no longer be possible to take recourse against the polluting third party or the previous owners of the properties. Moreover, the existence or even merely the suspicion of the existence of wartime munitions, hazardous materials, residual pollution or ground contamination may negatively affect the value of a property and the Group's ability to lease or sell such property.

Deutsche Wohnen's business is also exposed to the risk of noncompliance with building codes or environmental regulations. These regulations are often implemented retroactively, affecting previously developed properties, and therefore require Deutsche Wohnen to modernize existing buildings so that they comply with these stricter standards. There is a risk that building codes or environmental regulations were not, or are not, being complied with and such non-compliance is not discovered during the acquisition process of individual properties. It is also possible that landlord responsibilities may be further expanded with respect to fire protection and environmental protection, which may require additional refurbishment, maintenance and modernization measures, in particular because many of these properties owned by Deutsche Wohnen are more than 40 years old. The projected cost of such measures is based on the assumption that the required permits are issued in accordance with the Com-

pany's plans and, in particular, in a timely manner. It is possible, however, that the required building permits are not always issued promptly. If such permits are not issued, are not issued promptly, or are issued only subject to conditions, this could lead to substantial delays in correcting the problems and result in higher-than-projected costs and lower in-place rents for the relevant properties.

The occurrence of one or more of the aforementioned events may result in additional costs and have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen's business is subject to the general legal and regulatory environment in Germany. Any disadvantageous changes to the legal environment, such as an expansion of tenant protection laws or more restrictive environmental laws, may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen's business is subject to the general legal framework applicable to housing, commercial real estate and retirement or nursing homes. This framework includes in particular the German landlord-tenant law, as well as special provisions in other laws, especially the German Nursing Homes Act (*Heimgesetz*) and its equivalents on the state level, the German Residential Living and Nursing Contract Act (*Wohn- und Betreuungsvertragsgesetz*), social welfare legislation, construction laws, historic preservation laws and tax laws.

Any changes to domestic or European laws or changes in the interpretation or application thereof may, therefore, have a negative effect on Deutsche Wohnen. In particular, an expansion of tenant protection laws in connection with conversions of apartments into condominiums may have negative effects on the sale of condominiums to investors. Other changes to tenant protection laws and changes to regulations governing the tenant's responsibility for ancillary costs or modernization investments may have an adverse effect on the profitability of Deutsche Wohnen's investments and results of operations.

For instance, on March 5, 2015, the German Bundestag adopted a law to curb rental increases on tight housing markets and to strengthen the so-called orderer principle with respect to the business of rental agents – tenancy law amendment act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*). The tenancy law amendment act aims at limiting rent increases and establishes maximum rent levels (so-called *Mietpreisbremse*). The tenancy law amendment act restricts rent increases for a period of five years for new leases to a maximum of 10% above the locally prevailing comparative rent levels in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened. New or fully modernized buildings may be excluded from the restriction on rent increase at their first lease. The federal states will have the right to designate regions in which maximum rent levels shall apply until five years after the law comes into force, and may enact ordinances to designate such regions until 2020. The tenancy law amendment act enters into force on June 1, 2015. The above restrictions on rent increases will also impair the value of the properties concerned, which may have a negative impact on fair value of Deutsche Wohnen's portfolio.

More restrictive environmental laws could result in additional expenses for Deutsche Wohnen. For example, the provisions on the handling of asbestos or other hazardous construction materials could become more restrictive and the Group could be required to take action. Further, by December 31, 2013, owners of properties with a centralized hot water production facility were obligated to test the level of potential legionella contamination and must repeat this test every three years, thereby causing them to incur additional costs. The same would hold true if the legal requirements relating to existing and permitted properties and their use were to become more onerous. Of particular significance are construction and environmental requirements. For example, the current version of the Energy Savings Ordinance (*Energieeinsparverordnung*) prescribes specified investments in renovation work aimed at reducing energy consumption (with respect to thermal insulation for instance) and requires the landlord or seller of a property to present an energy certificate that discloses the property's energy efficiency prior to entry into a new lease or sale agreement. Moreover, if a seller or landlord

advertises the property via commercial media, the energy performance indicator of the respective property's existing energy certificate must be stated in the advertisement. Additionally, the amended ordinance requires the landlord to renovate the thermal insulation of the let building. For example, landlords of buildings with heating boilers that were installed prior to January 1, 1985 and that are used with liquid or gaseous fuel needed to be exchanged before 2015, or roofs need to meet a minimum heat insulation by the end of 2015.

If it should be discovered during the course of a refurbishment or modernization that one of Deutsche Wohnen's buildings is subject to historic preservation laws, the need to comply with the respective historic preservation requirements may lead to significant delays in the refurbishment or modernization process and the inability to carry out particular refurbishment or modernization measures, and also to significantly higher costs for the particular project. In the event of a sale of such a property to a buyer, these factors may, for example, result in the Group's inability to fulfill its contractual obligations towards a buyer, with the consequence that the buyer's obligation to make payments would be excused or deferred. The same would be true if the legal requirements relating to properties and their use become more onerous, particularly with respect to construction and environmental requirements; similarly, requirements might be imposed in order to increase the availability of handicapped-accessible and adapted housing. If these changes in the legal framework conditions should occur, individually or together, or if other changes of the legal framework conditions that negatively affect Deutsche Wohnen's business were to arise, this may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

The Company's financial statements 2013 are currently being reviewed by the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*). This review could result in restatements of the Company's financial statements.

Deutsche Wohnen is subject to numerous legal requirements that limit its discretion in connection with the acquisition and management of real estate portfolios and companies previously held by government entities.

In acquiring and managing real estate portfolios purchased from government entities, such as states and municipalities, Deutsche Wohnen is often subject to various restrictions imposed by contractual obligations. For example, purchase agreements relating to real estate owned by government entities typically require that tenants be afforded preference in the event of the sale of their units or that tenants obtain a right of first refusal with respect to the purchase of units they rent, that older tenants receive certain protection from eviction, that no luxury refurbishment may be undertaken, that only limited rent increases are permitted and that other social concerns and objectives of city planners are to be observed. Additionally, such agreements often contain conditions requiring governmental consent regarding various significant structural changes and measures.

By way of example, the privatization agreement of GSW Immobilien AG ("**GSW**") as of May 27, 2004, as amended (the "**GSW Privatization Agreement**"), obligates GSW to comply with certain restrictions with respect to its business, many of which have already lapsed. The restrictions include, for example, the obligations (i) to increase the net cold rent (excluding utilities) only within certain limits set by the Berlin rent index, (ii) not to terminate any tenancy agreements for reason of personal and reasonable economic use, (iii) to refrain from carrying out modernization measures aimed at changing the socioeconomic composition of its tenant base and shall instead carry out refurbishment measures only in accordance with the standards prevalent for government-subsidized apartment buildings, (iv) in the event of block sales, to pass these restrictions on to acquirers and their legal successor, (v) to ensure in the course of its business and investment planning that sufficient reserves are set aside in order to cover the cost of modernization and refurbishment measures, and (vi) to comply with the "Principles of Apartment Privatization in Berlin" (*Grundsätze der Wohnungsprivatisierung in Berlin*), which means that, for example, current tenants and owner-occupiers shall be preferred. Moreover, under the GSW Privatization Agreement GSW has provided a covenant to maintain the statutory seat and place of management of GSW and its subsidiaries in the city of Berlin.

Furthermore, the agreement relating to the acquisition of a residential real estate portfolio from the former GSW Gemeinnützige Siedlungs- und Wohnungsbaugesellschaft Berlin mbH in 2005, the “Fortimo Inventories”, prohibits in particular luxury refurbishments and grants the tenants a right of first refusal in single-unit sales (privatizations).

In addition, there are restrictions relating to GEHAG GmbH (“**GEHAG**” and together with its subsidiaries, the “**GEHAG Group**”). Under the terms of the share purchase agreements entered into with the Federal State of Berlin and other parties and based on GEHAG’s articles of association, the Federal State of Berlin, as minority shareholder, is entitled to special consent rights. Notably, such rights relate to the transferability of GEHAG shares and housing policies. Under this framework, the GEHAG Group’s apartments must be made available to a broad group of persons. GEHAG’s articles of association, as well as the privatization agreements, also provide that two officials of the Federal State of Berlin will take seats in the twelve-member supervisory board of GEHAG until 2033. Amendments to GEHAG’s articles of association will require the consent of the Federal State of Berlin until November 17, 2018. Additionally, certain provisions of GEHAG’s articles of association may be amended only with the consent of the Federal State of Berlin until November 17, 2033. These provisions include, among others, the location of GEHAG’s registered domicile, the business purpose of the company and the composition of the supervisory board. The former shareholders of GEHAG have consented to these provisions. Accordingly, for certain fundamental decisions, Deutsche Wohnen must consult with the Federal State of Berlin and thus may be effectively prohibited from implementing necessary amendments to GEHAG’s articles of association and from disposing of the GEHAG Group’s residential properties. Additionally, GEHAG has established a supervisory board in accordance with the provisions of the German One-Third Codetermination Act (*Drittelbeteiligungsgesetz*) according to which four of its twelve members are worker representatives.

Deutsche Wohnen is also subject to restrictions with respect to properties held by Eisenbahn-Siedlung-Gesellschaft Berlin mbH (“**ESG**”). Following its partial privatization in 2000, ESG, too, is subject to governmental restrictions due to its portfolio rooted in the Bundeseisenbahnvermögen (“**BEV**”). Thus, for example, ESG’s articles of association require that the eight-member supervisory board of ESG include four members of BEV. The articles of association provide for a double voting right on one of these four members in the event of a tie vote, resulting in a lack of control for Deutsche Wohnen regarding the majority of votes on the supervisory board. Additional restrictions include constraints with respect to block sales of properties with 50% or more units rented out to preferred tenants. Preferred tenants are essentially active and inactive employees of BEV and Deutsche Bahn AG. There are restrictions with respect to the transfer and pledge of shares in ESG, the authorization of third parties or affiliates of the shareholders to acquire new shares through capital increases at ESG, and certain structural measures at ESG such as mergers, transformations, dissolution or liquidation. These restrictions relating to material business decisions of the GEHAG Group may have a negative effect on economic development and, in particular, the sale of the relevant apartments. Additionally, restructuring measures that would be required or reasonable from a tax perspective may be impeded or even prevented, precluding Deutsche Wohnen’s ability to realize possible cost savings. Moreover, the Group may be limited in its ability to sell shares of GEHAG or ESG.

These restrictions may result in Deutsche Wohnen being unable to optimize the management of the relevant residential properties or to initiate sales or modernization measures as desired. This may result in lower income in the Residential Property Management and Disposals segments and may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen’s ability to increase certain rents may be limited by rent restrictions or regulations concerning permissible rent increases. Deutsche Wohnen may be forced to partially reverse effected increases.

Changes in the European or German legal framework may have a negative impact on Deutsche Wohnen’s ability to increase rents. For example, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*), which main provisions came into effect on May 1, 2013, makes it possible for federal states via statutory order to lower the capping limit with regard to rent increases for

regions where housing markets are considered to be tight. In such cases, the rent increases up to the locally prevailing comparative levels of rent may be reduced from 20% (standard legal rule) to 15%. Several states have already made use of this possibility with respect to certain cities and municipalities. Where applicable, these regulations stipulate that even if the local prevailing rent indices allow for a rent increase, the rent in existing contracts may not be increased by more than 15% during a three-year period (capping limit). It cannot be excluded that additional states may issue similar regulations or that states in which such a regulation has already been issued may increase its geographic coverage.

In addition thereto and to the above-described tenancy law amendment act to curb rental increases on tight housing markets (*Mietpreisbremse*), further regulations concerning the permissible increases of rent to the level of the local comparable rent level may be introduced or changes in the interpretation of permitted increases that may result in the limitation of rent increases or the mandatory reversal of already effected rent increases. This may have a material adverse effect on the net assets, financial condition and results of operations.

The forecast with respect to funds from operations (FFO) for Deutsche Wohnen Group may differ materially from actual future cash flows, revenue, earnings and sales proceeds of Deutsche Wohnen Group.

This Offering Memorandum contains forecasts and other forward-looking information, including a forecast of Deutsche Wohnen Group's FFO. FFO (without disposals) is defined as the profit/loss for the period adjusted for earnings from disposals, depreciation and amortization, gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds, non-cash finance expense arising from accrued interest on liabilities and pensions, non-recurring or exceptional items, prepayment compensation, deferred taxes (tax expense/income) and tax expense from capital increase costs and FFO (without disposals) attributable to non-controlling interests. Transactions in the fiscal year 2015 that have not closed until the date of preparation of the forecast are not taken into account for the FFO forecast. In arriving at a forecast for FFO, the Management Board makes certain assumptions regarding unforeseen events, such as *force majeure*, legislative and other regulatory measures, the economic development of the real estate industry, interest rate trends and the development of the total portfolio, and of several performance indicators (current gross rental income, vacancy rate and rental loss), expenses (expenses from residential management, staff expenses and general administration expenses as well as other operating income and expenses), as well as the Nursing and Assisted Living segment, the financial market and the expenses incurred during the re-letting process. Although the Management Board believes that these assumptions are reasonable in the current environment, they may vary, prove to be incorrect, or turn out to be inaccurate compared to actual future developments since they relate to factors on which the Company has very limited or no influence. Should one or more of these assumptions prove to be incorrect or inaccurate, the future FFO may differ materially from the forecast of the Company or of Deutsche Wohnen Group.

Any disadvantageous changes in the tax environment may have a material adverse effect on Deutsche Wohnen's net assets, financial condition and results of operations.

It cannot be excluded that changes in tax legislation, administrative practice or case law, or changes in the interpretation thereof, which are possible at any time on short notice, may have adverse tax consequences for the Deutsche Wohnen Group. For example, there may be increases in real-estate-related taxes, such as RETT and property tax, or capital gains tax. Additionally, the ability to depreciate owned real estate may be restricted. This may have a material adverse effect on the attractiveness of real estate and thus also on Deutsche Wohnen Group's Disposals segment. Amendments to applicable laws, orders and regulations may also have a retroactive effect. If these changes in the legal or tax framework conditions should occur, individually or together, or if other changes of the legal or tax framework conditions that negatively affect Deutsche Wohnen Group's business were to arise, this may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen Group may be required to pay additional taxes following tax audits of the Group and Group companies.

Deutsche Wohnen Group's business activity is assessed for tax purposes based on currently applicable tax legislation taking into account current case law and administrative interpretations. If uncertainties exist regarding the tax treatment of a specific transaction, Deutsche Wohnen Group generally takes what it considers to be a risk-averse position. Nevertheless, changes in interpretation by the tax authorities, of tax legislation or of tax case law could have a material adverse effect on the Group's net assets, financial condition and results of operations. Deutsche Wohnen Group companies are regularly subject to tax audits. Deutsche Wohnen Group has paid the tax liabilities, and made provisions, with respect to tax risks resulting from current or past tax audits. However, it cannot be excluded that the actually assessed taxes resulting from such tax audits exceed such provisions.

All of the tax assessments issued for periods which were not yet finally audited are subject to review. Additionally, there were numerous mergers and restructuring measures as well as the implementation of fiscal unities (*steuerliche Organschaften*) within Deutsche Wohnen Group that may result in additional tax liabilities.

There are risks with respect to the amount of tax-loss carry-forwards as well as RETT.

Deutsche Wohnen Group companies have substantial tax-loss carry-forwards. These tax-loss carry-forwards may, subject to certain restrictions, reduce future taxable income and taxable trade profit. However, tax-loss carry-forwards are no longer usable, at the level of the Company and its direct and indirect subsidiaries in proportion to the acquired shares, if, within a period of five years, more than 25% of the shares or voting rights of the Company are combined, directly or indirectly, to be held by one shareholder (a so-called harmful acquisition). Shares are deemed to have been combined (including by way of a capital increase) for these purposes if they are assigned to a single acquirer, persons related to such acquirer, or a group of acquirers whose interests are aligned. Since Deutsche Wohnen's issued share capital is fully traded on the Frankfurt Stock Exchange as free float, a harmful acquisition may take place as part of exchange trading without the Company being able to influence it. Likewise, previous capital increases could be considered a harmful acquisition within the meaning of the pertinent rule. In case of a transfer of more than 50% of the shares or voting rights all tax-loss carry-forwards will be lost. In case of harmful acquisitions, the tax-loss carry-forwards may survive to the extent the respective company has, at the time of the harmful share transfer, certain built-in gains (*stille Reserven*) which are subject to tax in Germany. As a result, there is a risk that Deutsche Wohnen Group will be unable to utilize, in whole or in part, its corporation tax loss carry-forwards, which amounted to EUR 1.4 billion as of December 31, 2014, and its trade tax-loss carry-forwards amounted to EUR 1.1 billion as of December 31, 2014.

Furthermore, in the past, Deutsche Wohnen Group made various acquisitions of real estate companies and real estate portfolios, including the acquisition of GSW Immobilien AG ("**GSW**", and together with its consolidated subsidiaries, the "**GSW Group**") and an acquisition of a portfolio of about 6,900 residential units in the Greater Berlin area from companies affiliated with Blackstone Group L.P. It cannot be excluded that any of the previous acquisitions by Deutsche Wohnen Group may trigger RETT.

A loss of tax-loss carry-forwards as well as the triggering of RETT following Deutsche Wohnen Group's recent and pending acquisitions may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen Group may not be in a position to take tax deductions for its interest payments, which may result in a higher tax burden.

In the course of its business, Deutsche Wohnen Group has entered into numerous financing transactions with third parties, including for the financing of its acquisitions of real estate portfolios. These debt financing arrangements require the Group to pay principal and interest. Since 2008, the tax deductibility of interest expenses may have been limited by section 4h of the German Income Tax Act

(*Einkommensteuergesetz*) in conjunction with section 8a of the German Corporate Tax Act (the “**Interest Deduction Ceiling**”) (*Zinsschranke*). Because of the Interest Deduction Ceiling, the deductibility of net interest expenses by a business operation is generally limited to 30% of taxable EBITDA (taxable income adjusted for interest expense and certain types of depreciation), unless certain exceptions apply. Any non-deductible amount may only be carried forward to future periods and may be deductible in future years under certain circumstances. Until now only a limited amount of Deutsche Wohnen Group’s interest expenses has been non-deductible due to the Interest Deduction Ceiling. But if the Group is affected by the application of these provisions to a greater extent or if they become applicable as a result of acquisitions in the future, this would result in a higher tax burden and, consequently, have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen’s inability to increase prices as commercially necessary in the Nursing and Assisted Living segment may have an adverse effect on the revenue and earnings of that segment.

The Nursing and Assisted Living segment is currently subject, in particular, to the provisions of Books XI and XII of the German Social Security Code (*Sozialgesetzbuch*), the Nursing Home Act (*Heimgesetz*), complementary state legislation and the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*), (see below, “—*The Nursing and Assisted Living segment may be subject to greater regulatory constraints as a consequence of legal reforms.*”). These statutes govern, among other things, the remuneration scheme for nursing and retirement home contracts, the goods and services needed for basic care and housekeeping care for which the nursing care insurance (*Pflegeversicherung*) or other institutions pay reimbursement, and cost reimbursement. In developing its fee schedule, Deutsche Wohnen is required to comply with these legal mandates and cannot, therefore, exercise unfettered discretion in structuring the fees. For example, fee increases – insofar as they can be implemented in the respective regional market – must be approved by or, as the case may be, negotiated with the reimbursing entities (nursing care funds or social welfare funding bodies). If a requested fee increase is not approved, it might be impossible to increase fees, or possible only by way of protracted administrative proceedings. Should the Company be unable to increase its fees to the extent necessary for business reasons, this may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

The Nursing and Assisted Living segment may be subject to greater regulatory constraints as a consequence of legal reforms.

Legislative authority relating to nursing homes, which applies to the retirement and nursing home sector, was transferred from the federal government to the state governments in 2006. Except for the state of Thuringia, all German states have enacted their own nursing home statutes to date. As state-specific nursing home laws develop, Deutsche Wohnen expects – also with a view to future amendments to nursing home laws – that there will increasingly be different standards for the operation of retirement and nursing homes, and it is possible that new regulatory framework conditions may lead to higher costs and have a negative impact on the Nursing and Assisted Living segment. Moreover, laws governing health and welfare may be changed by other reforms. This may result in increased costs for the care of long-term care patients that might no longer be borne by the nursing care funds. In addition, home-based care and services provided by relatives and other volunteer caregivers have been strengthened through various measures as a result of the German Care Realignment Act of 2013 (*Pflege-Neuausrichtungsgesetz*). Home-based care and services provided by relatives are lately being, and could be further encouraged in the future with additional reforms. Effective as of January 1, 2015 the First Care Support Act (*Erstes Pflegestärkungsgesetz*) has substantially expanded on benefits granted to individuals in need of care, as well as their relatives. The First Care Support Act (*Erstes Pflegestärkungsgesetz*) is designed to strengthen and to promote the home-based care situation with additional financial means and improved respite care (*Verhinderungs- und Kurzzeitpflege*) which could reduce the need for retirement homes and, respectively, assisted living and nursing homes. The planned growth in the Nursing and Assisted Living segment may be more difficult to achieve as a result, or even prevented altogether, which may result in a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

It is not assured that Deutsche Wohnen's Nursing and Assisted Living segment will be able to recruit qualified employees at a reasonable cost in the future and to retain current qualified employees.

Deutsche Wohnen's commercial success depends on retaining highly qualified employees for the long term. Deutsche Wohnen's planned expansion of the Nursing and Assisted Living segment is particularly dependent on attracting a significant number of qualified employees for the Group's nursing home facilities. In addition, there is increasing competition for qualified personnel in the growing market for the care of the elderly, which may have adverse effects on the number of job seekers in this area and the wage expectations of potential future employees. Moreover, it is possible that Deutsche Wohnen will be unable to retain existing qualified employees in the future.

If Deutsche Wohnen's efforts to recruit and retain employees fail, this could significantly impair its growth strategy, particularly in the Nursing and Assisted Living segment, and have a material adverse effect on net assets, financial condition and results of operations of Deutsche Wohnen Group.

As a recipient of public subsidies, Deutsche Wohnen undertook to comply with numerous restrictions on the rental management of subsidized residential units. Any failure to comply with these restrictions may result in fines, contractual penalties and an obligation to refund subsidies.

Public subsidies are of relevance for Deutsche Wohnen, in particular for the companies of the GSW Group. As a result of receipt of public subsidies, Deutsche Wohnen is subject to various restrictions limiting its ability to manage and sell certain of its residential properties, in particular with regards to rent increases, modernizations, privatizations, institutional sales and other divestitures (see also "*—The Company's ability to dispose of certain retirement homes is constrained by conditions imposed as a consequence of having received public subsidies.*").

Failure to comply with the specific conditions underlying the respective subsidies may result in contractual penalties, fines and reputational damage. Furthermore, Deutsche Wohnen's entitlements to future subsidies may be withdrawn and past subsidies may be revoked with retroactive effect. As a consequence, Deutsche Wohnen may be required to repay such subsidies.

Government subsidies are typically granted in the form of low-interest loans or financial aid and government grants. In order to compensate for construction, financing and property-related costs through public funding, public authorities often establish maximum rent levels for the respective properties. Even though rent levels established by the public authorities are below current market rents for a large number of rent-restricted residential units, it may be difficult to increase rents to market levels once the subsidy-related restrictions lapse. This is because the existing tenant base in rent restricted residential units may not be able or willing to pay market level rents for such properties. Upon the expiry of such rent restrictions, Deutsche Wohnen may not be able to adjust current rent levels for rent restricted residential units to market rents.

Moreover, no assurance can be given that Deutsche Wohnen will continue to be able to secure public funding at the same level as it did in the past. Reduced public funding may result from, among other factors, further cut-backs on public subsidies by government agencies. For instance, in 2003, the Berlin government resolved to discontinue its supplementary housing subsidy program (*Anschlussförderung*) following the expiry of an initial term of 15 years of housing subsidies (*Grundförderung*). In addition, a considerable amount of Deutsche Wohnen's revenue is directly or indirectly dependent on social aid provided to or on behalf of Deutsche Wohnen's tenants, such as unemployment benefits (*Arbeitslosengeld I*), social welfare (*Arbeitslosengeld II, Grundsicherung*) and housing subsidies (*Wohngeld*). Any reduction of these social welfare benefits would adversely affect the creditworthiness of parts of Deutsche Wohnen's tenant base.

If any of these risks were to materialize, this could have a material adverse effect on Deutsche Wohnen's net assets, financial condition and results of operations.

The Company's ability to dispose of certain retirement homes is constrained by conditions imposed as a consequence of having received public subsidies.

GEHAG and KATHARINENHOF[®] Seniorenwohn- und Pflegeanlage Betriebs-GmbH (“KATHARINENHOF[®]”) received a total of EUR 32.1 million in public construction subsidies in connection with nursing home facilities in the new federal states in accordance with section 52 of the German Long Term Care Insurance Act (*Pflege-Versicherungsgesetz*). The conditions imposed in connection with the receipt of these public subsidies require GEHAG and KATHARINENHOF[®] to operate the facilities as nursing homes for seniors for the duration of the subsidy commitment period (which is generally 40 years from the date of the approval notice for acquired or newly erected buildings) and require the consent of the subsidizing agencies for any sale of the subsidized facilities. If the Company violates these conditions, it may be required to repay these public subsidies or part thereof, which may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen's lean organizational structure, particularly at the management level, may adversely impact the development of its business and the effectiveness of its risk management.

Deutsche Wohnen's success depends significantly on the performance of its management executives and qualified employees in key positions, particularly Management Board members Michael Zahn, Andreas Segal and Lars Wittan, as well as other management executives with substantial sector expertise, specifically in the areas of accounting, finance, portfolio- and asset management, as well as sales. Moreover, it is particularly important for the planned additional expansion of Deutsche Wohnen's business that the Company hires further qualified employees to the extent that its expansion requires an increase in available resources. Due to the intense competition for suitable management executives in the real estate field, Deutsche Wohnen cannot guarantee that it will succeed in recruiting the necessary management executives and employees in the future. The loss of one or more Management Board members or other key employees, and the difficulty of recruiting new, highly qualified management executives may impair the Group's growth and make it difficult to maintain its Group control function. In addition, although the Group believes it has established a suitable risk management system, because of the small number of employees the Company has in central areas, it is possible that the Company's risks might only be recognized at a later point in time. The occurrence of one or more of the risks described above may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen is exposed to the risk that counterparties may not perform their obligations under agreements between them and Deutsche Wohnen.

Deutsche Wohnen is exposed to the risk that counterparties may not perform their obligations under agreements between them and Deutsche Wohnen. Third parties in this case include customers (tenants), trading counterparties and financial institutions. These parties may default on their obligations to Deutsche Wohnen due to lack of liquidity, operational failure, insolvency or for other reasons. The risk of counterparty default has become increasingly relevant since the recent financial crisis. Market conditions have led to the insolvency or mergers under distressed conditions of a number of prominent businesses and financial institutions. Although the largest portion of Deutsche Wohnen's exposure to counterparty risk is generally attributable to its hedging activities, any significant loss the Group suffers from counterparty defaults may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen's use of standardized contracts may multiply the risks as compared with the use of individual contracts.

Deutsche Wohnen maintains legal relationships with a large number of persons, primarily tenants, employees and purchasers of residential properties. In this context, the Group also uses standardized contractual conditions and general business terms. If these terms contain provisions that are or become disadvantageous to Deutsche Wohnen, e.g., through changes in interpretation by the courts, or

if clauses therein are invalid or become invalid, e.g., due to new law, such changes in terms will affect a large number of standardized contracts. As a general rule, standardized terms are invalid if they are not worded clearly and transparently or if they are unbalanced and discriminatory against the other party. It is impossible to fully avoid risks arising from the use of such standardized contractual terms because of the frequency of changes that are made to the legal framework, particularly court decisions relating to general terms and conditions of business. One example of this is the Federal Court of Justice's decision relating to the invalidity of decorative repair clauses that provide fixed schedules for the tenant's performance of decorative repairs or which unreasonably restrict the way the tenant carries out the decorative repairs. The invalidity of such clauses results in higher maintenance costs for the landlord because the landlord is held responsible for maintenance to a bigger extent than expected. Even in the case of contracts prepared with legal advice, problems of this nature cannot be prevented, either from the outset or in the future due to subsequent changes in the legal framework, particularly case law, making it impossible for Deutsche Wohnen to avoid the ensuing legal disadvantages. This may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen may be subject to additional claims for pension and benefits obligations.

On a Group level, Deutsche Wohnen Group is liable for pension obligations based on retirement provisions in the form of pension grants. For this purpose, the Company recognized employee benefit liabilities of EUR 73.0 million in the condensed consolidated interim financial statements as of and for the three months ended March 31, 2015, which were prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("**IFRS**") for interim financial reporting (IAS 34). The actual amount of these obligations, however, cannot be fully calculated in advance and involves substantial uncertainty, so that the actual pension obligations may exceed the recognized employee benefit liability.

Moreover, there is a statutory obligation to review the need for adjustments and, if applicable, to adjust the amount of the pension payments. If such a review was not undertaken in the past or if pension adjustments were not made as required by law, the Company may be subject to an obligation to pay the unpaid pension adjustments and to increase future pension payments.

In addition to the defined benefit pension plans, some employees of subsidiaries are covered by a pension plan governed by the rules of the supplemental civil service pension plan because of the employees' membership in the Bavarian Pension Fund (*Bayerische Versorgungskammer – Zusatzversorgungskasse* ("**BVK**")) of the Bavarian municipalities. The pay-as-you-go financing arrangement of this pension plan bears the risk of contribution adjustments that may result in the Company having to increase its contributions to BVK in the future. Finally, Deutsche Wohnen subsidiaries use pension schemes that have not been adapted to current laws since the 1990s or since such pension schemes were implemented. These pension schemes continue to apply to employees who were active at the time the schemes were closed, as well as to retirees, and to departed employees whose entitlements have vested. These pension schemes contain provisions that potentially do not comply with current laws; such provisions could be considered discriminatory in part and therefore deemed invalid by competent courts. Additional claims may consequently arise from discrimination against part-time and marginally employed workers with respect to their rights to a pension, from discrimination against registered partners in a civil union with respect to their rights to survivorship benefits, and from the unequal treatment of women and men.

Furthermore, based on an agreement from 1967, Deutsche Wohnen's subsidiary GSW participates in the German Federal and State Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*) ("**German Government Employees Pension Fund (Versorgungsanstalt des Bundes und der Länder)**"), a pension fund which used to provide pensions and other benefits exclusively to former employees of public sector employers. Based on agreements from 1998 and 2006, FACILITA Berlin GmbH Facility Management für die Wohnungswirtschaft ("**Facilita**") and GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH ("**BWG**") respectively also participate in German Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*). If the German Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*)

were to decide that GSW, Facilita and BWG were no longer eligible to participate in the German Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*), GSW, Facilita and BWG would be required to make a significant compensation payment. In addition, the German Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*) could demand that GSW, Facilita and BWG enter into new participation agreements that could increase Deutsche Wohnen's contributions by at least 15%.

Finally, all continuing obligations under pension schemes – with the exception of the pension schemes in effect at KATHARINENHOF[®], and together with its subsidiaries (the “**KATHARINENHOF[®] Group**”) – are governed by individual contracts incorporating such schemes by reference, making across-the-board changes to the pension schemes practically impossible. Rather, the consent of pension-eligible individuals may be required to implement any changes. Moreover, because these pension schemes, because they are incorporated by reference in individual contracts, they are all subject to the same rules of interpretation which are applied to general terms and conditions of business, which may result in the invalidity of additional provisions which, in turn, may lead to additional financial burdens.

Deutsche Wohnen bears considerable financial risk from the aforementioned pension schemes if the current employee benefit provisions are insufficient. In addition, unforeseen benefit claims, contribution obligations or back payment obligations may arise for a material amount.

The occurrence of one or more of these risks may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen may sustain substantial losses from damage not covered by, or exceeding the coverage limits of, its insurance policies.

Deutsche Wohnen's properties are insured against losses due to fire or natural hazards. However, these insurance policies are sometimes subject to exclusions and limitations of liability; for example, risks in flood areas are only partially insurable or not insurable at commercially acceptable costs. It is therefore possible that losses may be incurred that exceed the respective limits of coverage. It is also possible that an insurance company that issued a policy to the Company may become insolvent. If damages are not covered by insurance, this may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

The IT systems may malfunction or become impaired. In addition, the integration of IT systems of newly acquired portfolios may lead to significant expense and impairment of the existing IT systems.

Deutsche Wohnen's information technology system plays an important role in its business strategy. Any interruptions in, failures of, or damage to Deutsche Wohnen's information technology system may lead to delays or interruptions in its business processes, such as the outage of the Group's customer service hotline. Any malfunction or impairment of the computer systems may interrupt Deutsche Wohnen's operations and lead to increased costs. It is possible that future technological developments may adversely affect the functionality of Deutsche Wohnen's computer systems and require further action, which may require the Group to spend substantial funds to prevent or repair malfunctions of its IT systems. The Company cannot guarantee that even anticipated and/or recognized malfunctions can be avoided in every case by appropriate preventive security measures. Additionally, Deutsche Wohnen has outsourced a portion of its computer systems to external service providers. Deutsche Wohnen cannot guarantee that such or additional other risks will not also materialize with such service providers. In addition, the integration of IT systems of newly acquired real estate portfolios into Deutsche Wohnen's IT systems may lead to significant expense and impairment of existing IT systems and to disruptions of the Group's operations. Overall, this may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

An impairment of Deutsche Wohnen's goodwill may adversely affect its net assets and results of operations.

The goodwill recorded in the Company's consolidated balance sheet as of March 31, 2015 amounted to EUR 535.1 million. This mainly reflects goodwill arising in connection with Deutsche Wohnen's acquisition of GSW in 2013. Therefore, the accounting for goodwill has a significant impact on the balance sheet. Goodwill is not subject to amortization but to impairment tests carried out annually or more frequently if circumstances indicate that an impairment has occurred. These impairment tests may result in significant impairments that would have to be recognized in the Company's consolidated profit and loss statement. This and other factors may have a material adverse effect on the net assets and results of operations of Deutsche Wohnen.

The acquisition of real estate involves risks such as missing building permits, licenses and certificates that cannot be avoided on the basis of legal, tax and economic due diligence.

Deutsche Wohnen and the former owners of the acquired properties generally are only able to conduct a limited due diligence investigation prior to the purchase of properties; accordingly, Deutsche Wohnen or the former owners might not have been in a position to examine whether the original owners of the properties, and/or the properties themselves, obtained all required building permits and satisfied all permit conditions, received all necessary licenses and fire, health and safety certificates, and satisfied all comparable requirements. Moreover, Deutsche Wohnen or the former owners might not have been in a position to carry out all follow-up investigations, inspections, and appraisals/inventories (or to obtain the results of such inquiries). Accordingly, in the course of acquiring real estate portfolios, potential specific risks might not be, or might not have been, recognized or evaluated correctly. Thus, legal and/or economic liabilities may have been overlooked or misjudged. In the purchase agreements that Deutsche Wohnen enters into with sellers of property portfolios, the sellers regularly make various representations and warranties. It is possible, however, that these warranties do not cover all risks or that they fail to cover all risks sufficiently. Additionally, a warranty made by a seller may be unenforceable due to the seller's financial situation or insolvency. In some cases, a real estate seller makes no representation or warranty as to the sufficiency and accuracy of the information that is made available in a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the transfer of ownership of the respective property to Deutsche Wohnen. Accordingly, such risks could arise despite thorough due diligence, and they may have a material adverse effect on the net assets, financial condition and results of operations of Deutsche Wohnen Group.

Deutsche Wohnen may be exposed to risks in connection with possible acquisitions and investments. These risks include unexpected liabilities, greater indebtedness, higher interest expenses and challenges with respect to the integration of newly acquired businesses and achieving anticipated synergies.

As part of Deutsche Wohnen's strategy, the Company evaluates property portfolios and real estate companies in order to identify those that might fit both its existing property portfolio and its current management platform and that Deutsche Wohnen believes might improve the quality of its portfolio. In the past, Deutsche Wohnen has carried out several acquisitions of real estate companies, including, a portfolio of around 58,000 residential units, 1,000 commercial units as well as 9,500 garages and parking spaces managed by GSW that closed in November 2013 or the portfolio of the BauBeCon group (comprised of the companies BauBeCon Immobilien GmbH, BauBeCon Wohnwert GmbH, BauBeCon Assets GmbH, BauBeCon BIO GmbH, Algarobo Holding B.V., Hammes Investment B.V. and Intermetro GmbH (collectively known as the "**BauBeCon Group**")). In 2015, Deutsche Wohnen signed purchase agreements concerning the acquisition of approximately 6,500 residential units, predominantly located in Berlin, for an aggregate purchase price of approximately EUR 500 million. Closing for the vast majority of these acquisitions is expected to take place at the end of the first half of 2015. Such direct and indirect investments in property involve considerable risk. Apart from the risks associated with the acquired properties or companies themselves, acquisitions occupy management resources which cannot be deployed elsewhere within the Deutsche Wohnen

Group. The Company's acquisition or takeover of additional property portfolios and real estate companies can be financed by taking on additional debt or by issuing new shares in the capital markets or by a combination thereof. If Deutsche Wohnen is unable to obtain the necessary capital on reasonable terms, it may be unable to make further acquisitions, may be able to do so only to a limited extent or, if debt financing is available, may be able to do so only by taking on additional debt. Any additional debt incurred in connection with future acquisitions could have a significant negative impact on the Group's performance indicators – net asset value (“NAV”) and Loan-to-Value Ratio – and could result in higher interest expenses for the Group. If the Group is no longer able to obtain the debt or equity financing it needs to acquire additional property portfolios, or if it is able to do so only on onerous terms, its further business development and competitiveness could be severely constrained.

Anticipated business performance of targeted portfolios or companies, synergies, economies of scale and cost savings may not be realized in whole or in part or may occur only later. This may result in higher administrative and management costs. Deutsche Wohnen's plans to increase the volume of business and possible start-up activity in new strategic core and growth regions require an adaptation of the Group's operational and organizational structure, particularly the continued development of suitable planning and controlling processes, as well as the hiring of additional qualified employees to the extent that the Group's growth exceeds its available resources. There is no guarantee that the systems, operations or controls required to support the expansion of its business are sufficient. Deutsche Wohnen may no longer be in a position to effectively scale its internal and external growth or may not be able to obtain the resources and/or employees necessary to do so.

Deutsche Wohnen investigates acquisitions using business plans that are based on assumptions regarding various factors such as revenue and earnings (including growth potential), whether vacancies can be reduced, maintenance expenses, integration costs, potential proceeds from single-unit sales (residential unit privatizations) and block sales (institutional sales), economies of scale and cost savings, and transaction costs. However, the Group cannot exclude the possibility that these and other assumptions underlying its current business plan may not be met, or that they may be met only in part or at a later date, including a potentially undiscovered backlog in capital expenditures required for the maintenance of the properties. The business development of acquisitions depends on various factors and may differ from Deutsche Wohnen's internal projections. Additionally, parts or all of the acquired portfolios may have larger business management or marketing problems, may be located in weaker locations or may not be entirely aligned with the targeted strategy of Deutsche Wohnen or may contain a significant share of assets that Deutsche Wohnen considers as non-core and thus may need to be sold. Factors which may negatively impact the development of newly acquired holdings include a deterioration of macroeconomic conditions in the core and growth regions in which the portfolio is located or in the wider economy, an unfavorable market trend for the sale of residential units, higher capital expenditure requirements and difficulties in increasing rents and reducing vacancy rates. These and other factors may adversely impact the valuation of newly acquired holdings and/or lead to a decrease in proceeds from disposals and rental income, which may subsequently result in lower profits following the acquisition of newly acquired holdings.

Newly acquired portfolios are frequently managed by third parties, at least for a transitional period. During this transition period, Deutsche Wohnen is exposed to the risk that these external managers may fail to fulfill some or all of their duties under the respective service agreement and that it may not be able to adequately control or influence the management of the units in the new portfolio.

Accordingly, the Group cannot guarantee the success of the acquisitions and investments it has made to date or of its potential future acquisitions and investments. A failure of the Group's acquisitions or investments to achieve the desired results may occur despite a thorough due diligence investigation, and it could have material adverse effects on Deutsche Wohnen's business, net assets, financial condition, cash flow and results of operations.

Further, due to a change in law, it became significantly more difficult to purchase real estate portfolios without triggering RETT (*Grunderwerbsteuer*). Until June 2013, real estate companies were often able to structure real estate transactions in a tax-neutral way by means of third-party structures that resulted in an economic participation of the acquirer in the purchased real estate of nearly 100%

without triggering RETT. According to the new law, the payment of RETT is generally not triggered if the direct and indirect holdings of the Company in the newly acquired real estate holding entity, when taken together, do not reach 95%. Accordingly, if Deutsche Wohnen intends to purchase real estate holding entities in a tax-neutral way, it may have to partner with one or more third parties that acquire more than 5% in the entity. This may make the acquisition process significantly more complex, may result in stronger minority rights for the partner and may ultimately increase acquisition costs and future administrative burdens in respect of the newly acquired entity.

As a result of recent acquisitions, the Deutsche Wohnen Group consists of a large number of legal entities and has a complex group structure. Accordingly, enhanced controlling and steering efforts are necessary to manage the Group. Deutsche Wohnen cannot rule out that its efforts may not produce the desired results.

A failure to achieve the desired results via acquisitions or investments could have material adverse effects on Deutsche Wohnen's business, net assets, financial condition and results of operations.

Risk Factors Relating to the Notes

The Notes may not be a suitable investment for all investors.

Potential investors should consider whether an investment in the Notes is appropriate in their respective circumstances and should consult with their legal, business, and tax advisors to determine the consequences of an investment in the Notes and to form an independent opinion whether to invest in the Notes.

An investment in the Notes is only suitable for investors who:

- (i) possess sufficient knowledge and experience in financial and business matters to make a meaningful evaluation of the chances and risks of an investment in the Notes and the information contained in, or incorporated by reference into, this Offering Memorandum or any supplement hereto;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate such chances and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Notes will have on their overall investment portfolio;
- (iii) understand thoroughly the terms of the Notes and are familiar with the behaviour of the financial markets;
- (iv) are capable of bearing the economic risk of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (v) know that it may not be possible to dispose of the Notes for a substantial period of time, if at all, before maturity; and
- (vi) are able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect a potential investor's investment and ability to bear the applicable risks.

If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.

If a loan is used to finance the acquisition of Notes by a potential investor and the Notes subsequently go into default, or if the trading price diminishes significantly, the investor may not only have to face a potential loss on its investment, but will also have to repay the loan and pay interest thereon. A loan may significantly increase the risk of a loss. Potential investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of an investment in the Notes. Instead, potential investors should assess their financial situation prior to an investment in the Notes, as to whether they are able to pay interest on the loan, repay the loan on demand, and the possibility that they may suffer losses instead of realizing gains.

An investment in the Notes may be subject to inflation risks.

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate were to increase and match or exceed the nominal yield, the real yield of the Notes would be zero or even negative.

The Holders are subject to exchange rate risks and exchange controls.

The Notes are denominated in Euros. Potential investors should bear in mind that an investment in the Notes involves currency risks. This presents certain risks relating to currency conversions if financial activities of a holder of the Notes (“**Holder**”) are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Euro would decrease (i) the Investor’s Currency-equivalent yield on the Notes, (ii) the Investor’s Currency equivalent value of the principal payable on the Notes, and (iii) the Investor’s Currency-equivalent market value of the Notes.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal at all.

The Holders are exposed to risks relating to fixed interest notes.

The Notes bear interest at a fixed rate. A Holder of a fixed interest rate note carries the risk that the price of such note may fall as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal interest rate of a note with a fixed interest rate is fixed in advance for the entire duration or during a certain period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of a note with a fixed interest rate also changes – but in the opposite direction. If the Market Interest Rate increases, the price of a note with a fixed interest rate typically falls until the yield of such note approximately equals the Market Interest Rate. If the Market Interest Rate decreases, the price of a fixed interest rate note typically increases until the yield of such note is approximately equal to the Market Interest Rate. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the market price of the Notes and can lead to losses for Holders if they sell their Notes.

Holdings are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments.

Any person who purchases Notes is relying on the creditworthiness of the Issuer and has no rights against any other person. Holders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Notes. The worse the creditworthiness of the Issuer, the higher the risk of a loss (see also “—*Risk Factors Relating to the Issuer*” above). A materialization of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments under the Notes.

In addition, even if the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due, actually has not decreased, market participants could nevertheless be of that opinion. Market participants may in particular be of this opinion if market participants’ assessment of the creditworthiness of corporate debtors in general or debtors operating in the same industry as the Issuer adversely changes. If any of these risks occur, third parties would only be willing to purchase the Notes for a lower price than before the materialization of said risk, or not at all. The market value of the Notes may therefore decrease and investors could lose some or all of their investment.

The Holders' only remedy against the Issuer is the institution of legal proceedings to enforce payment or to file an application for insolvency proceedings.

The only remedy against the Issuer available to the Holders for recovery of amounts which have become due in respect of the Notes will be the institution of legal proceedings to enforce payment of the amounts or to file an application for the institution of insolvency proceedings. On an insolvency or liquidation of the Issuer, any Holder may only declare its Notes due and payable and may claim the amounts due and payable under the Notes after the Issuer has discharged or secured in full (*i.e.*, not only with a quota) all claims that rank senior to the Notes.

The Notes will be effectively subordinated to the Issuer's debt to the extent such debt is secured by assets that are not also securing the Notes.

Although the Terms and Conditions require the Issuer and its material subsidiaries to secure the Notes equally if they provide security for the benefit of capital market indebtedness, the requirement to provide equal security to the Notes is limited to capital market indebtedness and is subject to a number of significant exceptions and carve-outs as set out in detail in the Terms and Conditions included in this Offering Memorandum. To the extent the Issuer or any of its subsidiaries provides security interest over their assets for the benefit of other debt without also securing the Notes, the Notes will be effectively junior to such debt to the extent of such assets.

As a result of the foregoing, holders of (present or future) secured debt of Deutsche Wohnen may recover disproportionately more on their claims than the Holders in an insolvency, bankruptcy or similar proceeding. The Issuer may not have sufficient assets remaining to make payments under the Notes.

The Notes may not, or may cease to satisfy the criteria to be recognized as eligible collateral for the Eurosystem.

The Notes are issued in new global note ("NGN") form. The NGN form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognized as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem upon issue or at any or all times during their life. However, in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time and the Notes may not, or may cease to qualify as eligible collateral for the Eurosystem. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

If the Notes are redeemed, a Holder of such Notes is exposed to the risk of a lower yield than expected.

The Issuer may redeem all outstanding Notes under certain circumstances as defined in the Terms and Conditions. If the Notes are redeemed, a Holder is exposed to the risk that due to such redemption his investment will have a lower than expected yield. In such circumstances, the investor might possibly not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

The Issuer's ability to redeem or repurchase such Notes upon the occurrence of change of control events may be limited by its access to funds.

Upon the occurrence of change of control events, the Holders will have the right to require the redemption or, at the option of the Issuer, repurchase (or procure the purchase) in whole or in part of all of their Notes at 101.00 per cent. of the principal amount of such Notes, plus unpaid interest accrued up to (but excluding) the put date. The Issuer's ability to redeem or repurchase Notes upon such a change of control event will be limited by its access to funds at the time of the redemption or repurchase. Upon a change of control event, the Issuer may be required to repay 101.00 per cent. of the principal amount of such Notes, plus accrued and unpaid interest within a short period of time. The source of funds for these repayments would be the available cash or cash generated from other sources.

However, there can be no assurance that there will be sufficient funds available upon a change of control event to make these repayments and any required redemption or repurchases of tendered Notes.

There is no active public trading market for the Notes.

Application has been made for the Notes to be initially admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. However, no assurance can be given as to whether such admission to trading and/or listing will be obtained and for how long it may be sustained.

Further, there can be no assurance regarding the future development of a market for the Notes or the ability of Holders to sell their Notes or the price at which Holders may be able to sell their Notes. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, Deutsche Wohnen's operating results, the market for similar securities and other factors, including general economic conditions, performance and prospects, as well as recommendations of securities analysts. The liquidity of, and the trading market for, the Notes may also be adversely affected by declines in the market for debt securities generally. Such a decline may affect any liquidity and trading of the Notes independent of Deutsche Wohnen's financial performance and prospects. In an illiquid market, Holders might not be able to sell Notes at fair market prices, or at all. The possibility to sell Notes might additionally be restricted by country specific reasons. A potential investor must therefore be prepared to retain the Notes for an unspecified time period.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended ("Securities Act"), or any U.S. state securities laws. Consequently the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and Holders who have acquired the Notes may be required to bear the cost of their investment in the Notes until their maturity. It is the Holders' obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

The development of market prices of the Notes depends on various factors.

The market value of the Notes is influenced by a change in the creditworthiness (or the perception thereof) of the Issuer and by the credit rating of the Issuer and a number of other factors including Market Interest Rate levels and rate of return.

The development of market prices of the Notes depends on various factors, such as changes of Market Interest Rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. Holders are therefore exposed to the risk of an unfavorable development of market prices of the Notes which could materialize upon a sale of Notes.

The trading market for debt securities may be volatile and may be adversely impacted by many events.

The market for debt securities issued by the Issuer is influenced by a number of interrelated factors, including economic, financial and political conditions and events in Germany as well as economic conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect. Accordingly, the price at which a Holder will be able to sell his Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

Ratings may not reflect all risks and are subject to change.

Ratings assigned to the Issuer by rating agencies are an indicator of the Issuer's ability to meet its obligations under the Notes in a timely manner. The lower the assigned rating is on the respective scale the higher the respective rating agency assesses the risk that obligations will not be met at all or not be met in a timely manner. The market value of the Notes from time to time is likely to be dependent upon the level of credit rating assigned to the long-term debt of the Issuer. Rating agencies may change, suspend or withdraw their ratings at short notice. A rating's change, suspension or withdrawal may affect the price and the market value of the outstanding Notes. A Holder may thus incur financial disadvantages as he may not be able to sell the Notes at fair market value or will only be able to sell his Notes at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market and additional factors discussed herein, and other factors that may affect the value of the Notes. In addition, Moody's, S&P or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Notes, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Incidental costs related in particular to the purchase and sale of Notes may have a significant impact on the profit potential of the Notes.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or *pro rata* commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third-party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes. These additional costs may significantly reduce or eliminate any profit from holding the Notes.

Because the Global Notes are held by or on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Luxembourg ("CBL"), potential investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes will be represented by the global notes (the "**Global Notes**"). These will be deposited with a common safekeeper for Euroclear and CBL (together, the "**Clearing System**"). Investors will not be entitled to receive definitive notes. Euroclear and CBL will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and CBL and the Issuer will discharge its payment obligations under the Notes by making payments to, or to the order of, the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Notes must rely on the procedures of Euroclear and CBL to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of beneficial interests in, the Global Notes.

No assurance can be given as to the impact of any possible judicial decision or change of laws or administrative practices after the date of this Offering Memorandum.

The Terms and Conditions are based on the laws of Germany in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change in German law or administrative practice or the official application or interpretation of German law after the date of this Offering Memorandum.

A potential investor may not rely on the Issuer, the Joint Bookrunners or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

Each potential investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, whether its acquisition of the Notes is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A potential investor may not rely on the Issuer, Deutsche Bank AG, London Branch, Société Générale Corporate and Investment Banking, UBS Limited, UniCredit Bank AG, and Goldman Sachs International (together the "**Joint Bookrunners**") or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Without independent review and advice, a potential investor may not adequately understand the risks inherent with an investment in the Notes and may lose parts or all of its capital invested without taking such or other risks into consideration before investing in the Notes.

The Terms and Conditions, including the terms of payment of principal and interest, can be amended by a Holders' resolution and any such resolution will be binding for all Holders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the Notes outstanding.

The Terms and Conditions may be amended or other measures relating to the Notes may be taken by majority resolution of the Holders. The voting process under the Terms and Conditions will be governed in accordance with the German Act on Issues of Debt Securities ((*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) "**SchVG**"), pursuant to which the required participation of Holder votes (quorum) is principally set at 50% of the aggregate principal amount of outstanding Notes. In case there is no sufficient quorum, there is no minimum quorum requirement at a second meeting (unless the resolution to be passed requires a qualified majority, in which case Holders representing at least 25% of outstanding Notes by principal amount must participate in the meeting or voting). As the relevant majority for Holders' resolutions is generally based on votes cast, rather than on principal amount of the Notes outstanding, the aggregate principal amount required to vote in favor of an amendment will vary based on the Holders' votes participating. Therefore, a Holder is subject to the risk of being outvoted by a majority resolution of such Holders and losing rights towards the Issuer against his will in the event that Holders holding a sufficient aggregate principal amount of the Notes participate in the vote and agree to amend the Terms and Conditions or on other matters relating to the Notes by majority vote in accordance with the Terms and Conditions and the SchVG.

The insolvency laws of Germany may not be as favorable to Holders as the laws of other jurisdictions. Further, the Issuer may shift its center of main interest to jurisdictions that are less favorable to Holders and thereby preclude or limit the chances of Holders to recover payments due on the Notes.

The Issuer is organized under the laws of Germany and has its registered offices in Germany and substantially all its assets are located in Germany. A court is therefore likely to hold that the center

of main interest of the Issuer is in Germany. Consequently, provided that this presumption will not be rebutted and the center of main interest will not be shifted to another jurisdiction by the Issuer, any insolvency proceedings with regard to the Issuer are likely to be initiated in Germany and would most likely be governed by the insolvency laws of Germany. The provisions of German insolvency law may differ substantially from the insolvency laws of other jurisdictions, including with respect to any consolidation of assets and liabilities of a group of companies in the event of insolvency, preferred satisfaction of secured creditors from enforcement proceedings (*Absonderungsrecht*), the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may be less favorable to Holders than comparable provisions of other jurisdictions. Further, it is feasible that the Issuer shifts its center of main interest, and thereby the applicable restructuring or insolvency laws, to another jurisdiction, which offers less favorable terms to Holders than the laws of Germany. In addition, even without such intentional shift of the center of main interests by the Issuer, it cannot be ruled out that a court or other competent authority of such other jurisdiction, will deem the restructuring or insolvency laws of such jurisdiction to be applicable and opens restructuring or insolvency proceedings under the laws of such jurisdiction with or without the consent of the Issuer.

Thus, the ability of Holders to recover payments due on the Notes may be or may become more limited or precluded than would be the case under the laws of other jurisdictions.

In case of certain events of default, the Notes will only be redeemable if Holders of at least 15% of the aggregate principal amount of the Notes then outstanding declare the Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Holders.

The Terms and Conditions provide that, in case of certain events of default, any notice declaring the Notes due and payable shall become effective only when the Paying Agent has received such default notices from Holders representing at least 15% of the aggregate principal amount of Notes then outstanding. In addition, under the SchVG, even if a default notice had been given by a sufficient number of Holders of the Notes, the Holders could rescind such acceleration by majority resolution within three months. A simple majority of votes would be sufficient for a resolution on the rescission of such acceleration but, in any case, more Holders would have to consent to a rescission than have delivered default notices.

Holders should be aware that, as a result, they may not be able to accelerate the Notes upon the occurrence of certain events of default, unless the required quorum of Holders delivers default notices and such acceleration is not rescinded by majority resolution of the Holders.

Since no Holders' Representative will be appointed as from the Issue Date, it will be more difficult for Holders to take collective action with respect to the Notes.

No initial representative for the Holders (“**Holders' Representative**”) will be appointed under the Terms and Conditions and as a consequence it will become more difficult for Holders to take collective action with respect to the Notes. Any appointment of a Holders' Representative of the Notes post-issuance of the Notes will, therefore, require a majority resolution of the Holders.

If a Holders' Representative has been appointed by majority resolution of the Holders, it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, if such right was passed to the Holders' Representative by majority vote. In such case, the Holders' Representative becomes exclusively responsible to claim and enforce the rights of all of the Holders.

The Holders have no voting rights in shareholders' meetings.

The Notes are non-voting with respect to general shareholders' meetings of the Issuer. Consequently, the Holders cannot influence any decisions by the Issuer to defer interest payments or to optionally settle such arrears of interest or any other decisions by the Issuer's shareholders concerning the capital structure or any other matters relating to the Issuer.

Changes in Accounting Standards.

The Issuer's consolidated financial statements are prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (*Handelsgesetzbuch (HGB)*). New or changed accounting standards may lead to adjustments in the relevant accounting positions of the Issuer. This might lead to a different perception of the market regarding the Issuer's creditworthiness. As a result, there is a risk that the market value of the Notes might decrease.

The income under the Notes may be reduced by taxes.

Potential investors should be aware that they may be required to pay taxes or other charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely on the tax discussions contained in this Offering Memorandum but to ask for their own tax advisor's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor.

There may be withholding from payments under the Notes under the European Union Savings Directive.

Under the European Union Savings Directive (EU Council Directive 2003/48/EC dated June 3, 2003, as amended, the "**EU Savings Directive**") on the taxation of savings income in the form of interest payments, each member state of the EU ("**EU Member State**") must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of such EU Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity named residual entities (within the meaning of Article 4 (2) of the EU Savings Directive) established in another EU Member State. The competent authority of the EU Member State of the paying agent is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria instead applies a withholding system in relation to such payments, deducting tax at a rate of meanwhile 35%; however, Austria has undertaken to implement an automatic exchange of information as of September 2017. Luxembourg has recently ceased to apply the withholding tax system and participates since January 1, 2015 in the automatic exchange of information system.

The European Council formally adopted a Council Directive amending the EU Savings Directive on March 24, 2014 (the "**Amending Directive**"). EU Member States are given a timeframe until January 1, 2016 to adopt their national legislation necessary to comply with the Amending Directive with such national legislation being applicable as from January 1, 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. They will also broaden the definition of "interest payment" to cover income that is equivalent to interest. The Amending Directive will also expand the circumstances in which payments that will be indirectly made to the benefit of an individual resident in an EU Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

On March 18, 2015, the European Commission proposed to repeal the EU Savings Directive as restated by the Amending Directive. According to the European Commission, the repeal is appropriate because the automatic exchange of information between the EU Member States is sufficiently provided for by the EU Council directive 2014/107/EU dated 9 December 2014 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation (the

“**Cooperation Directive**”). As a consequence of the proposed repeal, the EU Member States would no longer be obliged to implement the Amending Directive but would still be required to implement an automatic exchange of information as provided for by the Cooperation Directive.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain residual entities established in an EU Member State. In addition, the EU Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in an EU Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On May 14, 2013, the EU Council gave a mandate to the EU Commission to negotiate equivalent measures to those contained in the proposal of an updated EU Savings Directive with Switzerland, Liechtenstein, Monaco, Andorra and San Marino. The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU Savings Directive, which is being updated.

If a payment were to be made or collected through an EU Member State, which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The Financial Transactions Tax could apply to certain dealings in the Notes.

The European Commission has published a proposal for a directive for a common financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”). The proposed FTT could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances, in particular where at least one party is a financial institution. The FTT, if introduced, could apply to persons both within and outside of the Participating Member States. As a result, Holders may be burdened with additional costs for the execution of transactions with the Notes. Potential investors should refer with respect to the FTT to the section “*Taxation—The Proposed Financial Transactions Tax*”.

TERMS AND CONDITIONS OF THE NOTES

ANLEIHEBEDINGUNGEN

(die *Anleihebedingungen*)

§ 1

WÄHRUNG, STÜCKELUNG, FORM, BESTIMMTE DEFINITIONEN

- (1) *Währung; Stückelung.* Diese Emission von Schuldverschreibungen (die **Schuldverschreibungen**) der Deutsche Wohnen AG (die **Emittentin**) wird am 24. Juli 2015 (der **Begebungstag**) im Gesamtnennbetrag von € 500.000.000 (in Worten: fünfhundert Millionen Euro) in einer Stückelung von € 1.000 (die **Festgelegte Stückelung**) begeben.
- (2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.
- (3) Vorläufige Globalurkunde – Austausch gegen Dauerglobalurkunde.
 - (a) Die Schuldverschreibungen werden anfänglich durch eine vorläufige Globalurkunde (die **Vorläufige Globalurkunde**) ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde wird gegen Schuldverschreibungen in der Festgelegten Stückelung, die durch eine Dauerglobalurkunde (die **Dauerglobalurkunde** und, zusammen mit der Vorläufigen Globalurkunde, die **Globalurkunden**) ohne Zinsscheine verbrieft sind, ausgetauscht. Jegliche Zinszahlungsansprüche aus den Schuldverschreibungen sind durch die jeweilige Globalurkunde verbrieft. Die Vorläufige Globalurkunde und die Dauerglobalurkunde werden jeweils von oder im Namen der Emittentin unterschrieben und sind jeweils von der Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden für die Schuldverschreibungen und Zinsscheine werden nicht ausgegeben.

Die Schuldverschreibungen werden in Form einer New Global Note (NGN) ausgegeben und von einem von den ICSDs bestellten *common safekeeper* (der **Common Safekeeper**) im Namen der ICSDs

TERMS AND CONDITIONS

(the *Terms and Conditions*)

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

- (1) *Currency; Denomination.* This issue of notes (the **Notes**) of Deutsche Wohnen AG (the **Issuer**), is being issued in the aggregate principal amount of €500,000,000 (in words: five hundred million) in a denomination of €1,000 each (the **Specified Denomination**) on July 24, 2015 (the **Issue Date**).
- (2) *Form.* The Notes are being issued in bearer form.
- (3) Temporary Global Note – Exchange for Permanent Global Note.
 - (a) The Notes are initially represented by a temporary global note (the **Temporary Global Note**) without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**) without coupons. Any claim for interest payments under the Notes shall be represented by the relevant Global Note. The Temporary Global Note and the Permanent Global Note shall each be signed by or on behalf of the Issuer and shall each be authenticated by or on behalf of the Paying Agent. Definitive certificates representing individual Notes and coupons will not be issued.

The Notes are issued in new global note (NGN) form and are kept in custody on behalf of the ICSDs by a common safekeeper (the **Common Safekeeper**) appointed by the ICSDs.

verwahrt.

- (b) Die Vorläufige Globalurkunde wird gegen die Dauerglobalurkunde innerhalb von mindestens 40 und höchstens 180 Tagen nach dem Begebungstag ausgetauscht. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Schuldverschreibungen keine U.S.-Person(en) ist bzw. sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Solange die Schuldverschreibungen durch eine Vorläufige Globalurkunde verbrieft sind, werden Zinszahlungen erst nach Vorlage solcher Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Begebungstag eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem Absatz (b) auszutauschen. Schuldverschreibungen, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in Absatz (7) definiert) geliefert werden.
- (b) The Temporary Global Note shall be exchanged for the Permanent Global Note not less than 40 nor more than 180 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is or are, as applicable, not (a) U.S. person(s) (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the Issue Date will be treated as a request to exchange the Temporary Global Note pursuant to this paragraph (b). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in paragraph (7)).
- (4) *Register der ICSDs.* Der Gesamtnennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind maßgeblicher Nachweis des Gesamtnennbetrags der durch die Globalurkunde verbrieften Schuldverschreibungen, und eine zu diesem Zweck von einem ICSD jeweils ausgestellte Bescheinigung mit dem Gesamtnennbetrag der so verbrieften Schuldverschreibungen ist maßgeblicher Nachweis des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.
- (4) *Records of the ICSDs.* The aggregate principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the aggregate principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by an ICSD stating the aggregate principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

Bei jeder Rück- oder Zinszahlung auf die durch die Globalurkunde verbrieften Schuldverschreibungen bzw. beim Kauf und der Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die

On any redemption or payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment of interest

Emittentin sicher, dass die Einzelheiten der Rückzahlung, der Zinszahlung oder des Kaufs und der Entwertung bezüglich der Globalurkunde entsprechend in die Unterlagen der ICSDs eingetragen werden, und dass nach dieser Eintragung vom Gesamtnennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgezahlten bzw. gekauften und entwerteten Schuldverschreibungen abgezogen wird.

Sofern nur ein Teil der Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, ausgetauscht wird, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs entsprechend in die Register der ICSDs aufgenommen werden.

- (5) *Clearingsystem*. Jede Globalurkunde wird solange von einem oder im Namen eines Clearingsystems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. **Clearingsystem** bezeichnet Clearstream Banking, société anonyme, Luxemburg (**CBL**) und Euroclear Bank SA/NV, Brüssel (**Euroclear**) (CBL und Euroclear jeweils ein **ICSD** und zusammen die **ICSDs**) sowie jeder Funktionsnachfolger.
- (6) *Gläubiger von Schuldverschreibungen*. **Gläubiger** bezeichnet jeden Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Anteils oder Rechts an den Schuldverschreibungen.
- (7) *Vereinigte Staaten*. Für die Zwecke dieser Anleihebedingungen bezeichnet **Vereinigte Staaten** die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und den Northern Mariana Islands).

§ 2

STATUS

Die Schuldverschreibungen begründen unmittelbare, unbedingte, nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen

or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered accordingly in the records of the ICSDs and, upon any such entry being made, the aggregate principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered accordingly in the records of the ICSDs.

- (5) *Clearing System*. Each Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. **Clearing System** means the following: Clearstream Banking, société anonyme, Luxembourg (**CBL**) and Euroclear Bank SA/NV, Brussels (**Euroclear**) (CBL and Euroclear each an **ICSD** and together the **ICSDs**) and any successor in such capacity.
- (6) *Holder of Notes*. **Holder** means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.
- (7) *United States*. For the purposes of these Terms and Conditions, **United States** means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

§ 2

STATUS

The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with

nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit solchen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

§ 3

NEGATIVVERPFLICHTUNG

- (1) *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Zahlstelle zur Verfügung gestellt wurden, keine dinglichen Sicherungsrechte an ihren Vermögenswerten zur Besicherung von Kapitalmarktverbindlichkeiten mit Ausnahme Verbriefter Kapitalmarktverbindlichkeiten zu bestellen oder fortbestehen zu lassen, und zu gewährleisten, dass keine ihrer Wesentlichen Tochtergesellschaften die zuvor genannten Sicherungsrechte bestellt oder fortbestehen lässt, es sei denn, die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen werden, vorbehaltlich Absatz (3), durch das betreffende Sicherungsrecht gleichrangig mit der jeweiligen Kapitalmarktverbindlichkeit (oder, sofern es sich dabei um eine nachrangige Verbindlichkeit handelt, im Vergleich dazu vorrangig) besichert.
- (2) *Beschränkung.* Die Verpflichtungserklärungen nach Absatz (1) gelten jedoch nicht für eine Sicherheit, die (i) über Vermögensgegenstände einer Tochtergesellschaft der Emittentin, die erst nach dem Begebungstag zu einer Tochtergesellschaft der Emittentin wurde, gewährt wurde, (ii) nach anwendbarem Recht zwingend vorgeschrieben ist, (iii) Voraussetzung für die Gewährung staatlicher Genehmigungen ist, (iv) bereits am Begebungstag bestand, (v) durch eine Tochtergesellschaft zur Sicherung von gegenwärtigen oder zukünftigen Ansprüchen dieser Tochtergesellschaft gegen die Emittentin oder eine ihrer Tochtergesellschaften aufgrund der Weiterleitung von Erlösen aus der Emission von Wertpapieren gewährt wurde, soweit diese Sicherheit zur Sicherung von Verpflichtungen dieser Tochtergesellschaft aus diesen Wertpapieren dient, (vi) eine im Zeitpunkt einer Akquisition bestehende Kapitalmarktverbindlichkeit besichert, die infolge der Akquisition eine Verpflichtung der Emittentin wird, (vii) eine

all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

§ 3

NEGATIVE PLEDGE

- (1) *Negative Pledge.* The Issuer undertakes, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its Material Subsidiaries will create or permit to subsist, any security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitized Capital Market Indebtedness unless, subject to paragraph (3), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.
- (2) *Limitation.* The undertakings pursuant to paragraph (1) shall not apply to a security which (i) was granted over assets of a subsidiary of the Issuer that becomes a Subsidiary only after the Issue Date, (ii) is mandatory according to applicable laws, (iii) is required as a prerequisite for governmental approvals, (iv) exists on the Issue Date, (v) is granted by a Subsidiary over any existing or future claims of this Subsidiary against the Issuer or any of its Subsidiaries as a result of passing on proceeds from the sale of any issuance of any securities, *provided that* such security serves as security for obligations of this Subsidiary under such securities, (vi) secures Capital Market Indebtedness existing at the time of an acquisition that becomes an obligation of the Issuer as a consequence of such acquisition, (vii) constitutes the renewal, extension or replacement of any security pursuant to the foregoing (i) through (vi), or (viii) does not fall within the scope of application of (i) through (vii) above and which

Erneuerung, Verlängerung oder Ersetzung einer Sicherheit gemäß vorstehender Ziffern (i) bis (vi) darstellt oder (viii) nicht in den Anwendungsbereich von (i) bis (vii) fällt und Kapitalmarktverbindlichkeiten besichert, deren Kapitalbetrag (zusammen mit dem Kapitalbetrag anderer Kapitalmarktverbindlichkeiten, für die dingliche Sicherheiten (begeben durch die Emittentin oder eine Wesentliche Tochtergesellschaft) bestehen, die nicht in den Anwendungsbereich von (i) bis (vii) fallen) € 400.000.000 (bzw. den Gegenwert in anderen Währungen) nicht überschreitet.

Eine nach diesem Absatz (2) zu bestellende Sicherheit kann auch zugunsten einer Person, die als Treuhänder der Gläubiger tätig ist, bestellt werden.

- (3) *Bestellung Zusätzlicher Sicherheiten.* Entsteht für die Emittentin eine Verpflichtung zur Besicherung der Schuldverschreibungen gemäß diesem § 3 (oder entsteht die Verpflichtung, für deren Besicherung durch eine Wesentliche Tochtergesellschaft Sorge zu tragen), so ist die Emittentin berechtigt, diese Verpflichtung dadurch zu erfüllen, dass sie ein Sicherungsrecht an dem jeweiligen Sicherungsgegenstand zugunsten eines Sicherheitentreuhänders bestellt (bzw. dadurch, dass sie die betreffende Wesentliche Tochtergesellschaft zur Begründung eines solchen Sicherungsrechts veranlasst), und zwar in einer Weise, dass der Sicherheitentreuhänder diesen Sicherungsgegenstand dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig zugunsten der Gläubiger der Schuldverschreibungen und der Gläubiger derjenigen Kapitalmarktverbindlichkeit hält, die aufgrund der Besicherung zur Bestellung dieses Sicherungsrechts an dem betreffenden Sicherungsgegenstand führte.

§ 4

VERZINSUNG

- (1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 24. Juli 2015 (der **Verzinsungsbeginn**) (einschließlich) mit 1,375 % p.a. bis zum Fälligkeitstag (ausschließlich). Die Zinsen sind jährlich nachträglich am 24. Juli zahlbar (jeweils ein **Zinszahlungstag**). Die erste Zinszahlung er-

secures Capital Market Indebtedness with a principal amount (when aggregated with the principal amount of other Capital Market Indebtedness which has the benefit of security (issued by the Issuer or any Material Subsidiary) other than any falling within the scope of application of (i) through (vii) above) not exceeding €400,000,000 (or its equivalent in other currencies).

Any security which is to be provided pursuant to this paragraph (2) may also be provided to a person acting as trustee for the Holders.

- (3) *Provision of Additional Security.* Whenever the Issuer becomes obligated to secure (or procure that a Material Subsidiary secures) the Notes pursuant to this § 3, the Issuer shall be entitled to discharge such obligation by providing (or procuring that the relevant Material Subsidiary provides) a security interest in the relevant collateral to a security trustee, such security trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally, for the benefit of the Holders and the holders of the Capital Market Indebtedness secured by the security interest that gave rise to the creation of such security interest in such collateral, such equal rank to be created *in rem* or, if impossible to create *in rem*, contractually (*dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig*).

§ 4

INTEREST

- (1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 1.375 per cent. per annum from (and including) July 24, 2015 (the **Interest Commencement Date**) to (but excluding) the Maturity Date. Interest shall be payable annually in arrears on July 24 (each such date, an **Interest Payment Date**). The

folgt am 24. Juli 2016.

first payment of interest shall be made on July 24, 2016.

- (2) *Zahlungsverzug.* Wenn die Emittentin aus irgendeinem Grund die Schuldverschreibungen bei Fälligkeit nicht zurückzahlt, wird der ausstehende Betrag vom Tag der Fälligkeit (einschließlich) bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich) mit dem gesetzlichen Verzugszins¹ verzinst. Die Geltendmachung eines weitergehenden Schadens im Falle eines Zahlungsverzugs ist nicht ausgeschlossen.
- (3) *Berechnung der Zinsen.* Sind Zinsen für einen Zeitraum zu berechnen, der kürzer ist als die Zinsperiode (wie in diesem Absatz (3) definiert), wird der Zins auf Grundlage der tatsächlichen Anzahl der in dem betreffenden Zeitraum abgelaufenen Kalendertage (einschließlich des ersten, aber ausschließlich des letzten Tages dieses Zeitraums) geteilt durch die tatsächliche Anzahl der Kalendertage der Zinsperiode (einschließlich des ersten, aber ausschließlich des letzten Tages dieses Zeitraums), in den der maßgebliche Zeitraum fällt, ermittelt.

(2) *Late Payment.* If the Issuer for any reason fails to redeem the Notes when due, interest shall continue to accrue on the outstanding amount from (and including) the due date to (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law². Claims for further damages in case of late payment are not excluded.

(3) *Calculation of Interest.* Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined in this paragraph (3)), the interest will be calculated on the basis of the actual number of calendar days elapsed in the relevant period, from (and including) the first date in the relevant period to (but excluding) the last date of the relevant period, divided by the actual number of calendar days in the Interest Period in which the relevant period falls (including the first such day of the relevant Interest Period, but excluding the last day of the relevant Interest Period).

Zinsperiode bezeichnet den Zeitraum ab dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und anschließend den Zeitraum vom jeweiligen Zinszahlungstag (einschließlich) bis zum darauffolgenden Zinszahlungstag (ausschließlich).

Interest Period means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and thereafter from (and including) each relevant Interest Payment Date to (but excluding) the next following Interest Payment Date.

§ 5

ZAHLUNGEN

- (1) *Zahlung von Kapital und Zinsen.* Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen erfolgt, vorbehaltlich Absatz (2), an die Zahlstelle zur Weiterleitung an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.
- (2) *Zahlungsweise.* Vorbehaltlich geltender steu-

§ 5

PAYMENTS

- (1) *Payment of Principal and Interest.* Payment of principal and interest in respect of the Notes shall be made, subject to paragraph (2) below, to the Paying Agent for forwarding to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.
- (2) *Manner of Payment.* Subject to applicable

¹ Der gesetzliche Verzugszinssatz beträgt fünf Prozentpunkte über dem von der Deutschen Bundesbank jeweils veröffentlichten Basiszinssatz, §§ 288 Abs. 1, 247 Abs. 1 BGB.

² The default rate of interest established by statutory law is five percentage points above the base rate of interest published by Deutsche Bundesbank from time to time, sections 288 paragraph 1, 247 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*).

erlicher und sonstiger gesetzlicher Regelungen und Vorschriften werden auf die Schuldverschreibungen fällige Zahlungen in Euro geleistet.

(3) *Erfüllung.* Die Emittentin wird durch Zahlung an das Clearingsystem oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Geschäftstag.* Ist der Tag für eine Zahlung in Bezug auf eine Schuldverschreibung ein Tag, der kein Geschäftstag ist, so hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Geschäftstag am jeweiligen Ort und ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen. Für diese Zwecke bezeichnet *Geschäftstag* einen Tag (außer einem Samstag oder Sonntag), an dem Banken in Frankfurt am Main für den allgemeinen Geschäftsverkehr geöffnet sind und an dem das Clearingsystem sowie alle maßgeblichen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) betriebsbereit sind, um Zahlungen vorzunehmen.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: Rückzahlungsbetrag, Wahl-Rückzahlungsbetrag (Call), Wahl-Rückzahlungsbetrag (Put), gegebenenfalls gemäß § 8 zahlbare Zusätzliche Beträge und alle Aufschläge oder sonstigen auf die Schuldverschreibungen oder im Zusammenhang damit gegebenenfalls zahlbaren Beträge. Bezugnahmen in diesen Anleihebedingungen auf Zinsen auf die Schuldverschreibungen schließen, soweit anwendbar, sämtliche gegebenenfalls gemäß § 8 zahlbaren Zusätzlichen Beträge ein.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Kapital- oder Zinsbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Wenn und soweit eine solche Hinterlegung erfolgt und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger ge-

fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Business Day.* If the date for payment of any amount in respect of any Note is not a Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, *Business Day* means a day (other than a Saturday or a Sunday) on which banks are open for general business in Frankfurt am Main and on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to effect payments.

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount, the Call Redemption Amount, the Put Redemption Amount, Additional Amounts which may be payable under § 8 and any other premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 8.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

gen die Emittentin.

§ 6

RÜCKZAHLUNG

- (1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 24. Juli 2020 (dem **Fälligkeitstag**) zurückgezahlt. Der **Rückzahlungsbetrag** einer jeden Schuldverschreibung entspricht dabei ihrem Nennbetrag.
- (2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von mindestens 45 und höchstens 60 Tagen durch Erklärung gegenüber der Zahlstelle und gemäß § 15 gegenüber den Gläubigern gekündigt und zu ihrem Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen vorzeitig zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Gesetze oder Vorschriften der Bundesrepublik Deutschland (oder für den Fall, dass die Emittentin gemäß § 8(4) einer anderen Steuerrechtsordnung unterworfen wird, der Gesetze oder Vorschriften dieser anderen Steuerrechtsordnung), die Steuern oder die Verpflichtung zur Zahlung von Abgaben jeglicher Art betreffen, oder als Folge einer Änderung oder Ergänzung der offiziellen Auslegung oder Anwendung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag der Begebung der Schuldverschreibungen wirksam) am nächstfolgenden Zinszahlungstag zur Zahlung von Zusätzlichen Beträgen verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin zur Verfügung stehender Maßnahmen vermieden werden kann, die nach Auffassung der Emittentin zumutbar sind (wobei jeweils die Interessen der Gläubiger zu berücksichtigen sind).

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die

§ 6

REDEMPTION

- (1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on July 24, 2020 (the **Maturity Date**). The **Final Redemption Amount** in respect of each Note shall be its principal amount.
- (2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany (or in the event the Issuer becoming subject to another tax jurisdiction pursuant to § 8(4), the laws or regulations of such other tax jurisdiction) affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on or after the date on which the Notes were issued, the Issuer is required to pay Additional Amounts on the next succeeding Interest Payment Date, and this obligation cannot be avoided by the use of measures available to the Issuer which are, in the judgement of the Issuer, in each case taking into account the interests of Holders, reasonable, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon not more than 60 days' nor less than 45 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15 to the Holders, at the principal amount together with interest accrued to (but excluding) the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due,

Schuldverschreibungen dann fällig wäre, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erklärt wird, die Verpflichtung zur Zahlung von Zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 15 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

- (3) *Vorzeitige Rückzahlung nach Wahl der Emittentin.* Die Emittentin kann die Schuldverschreibungen (ausgenommen Schuldverschreibungen, deren Rückzahlung der Gläubiger bereits in Ausübung seines Wahlrechts nach Absatz (4) verlangt hat) insgesamt, jedoch nicht teilweise, nach ihrer Wahl mit einer Kündigungsfrist von mindestens 45 und höchstens 60 Tagen durch Erklärung gegenüber der Zahlstelle und gemäß § 15 gegenüber den Gläubigern kündigen und an einem von ihr anzugebenden Tag (dem jeweiligen **Wahl-Rückzahlungstag (Call)**) zu ihrem Wahl-Rückzahlungsbetrag (Call) zusammen mit allen nicht gezahlten Zinsen zurückzahlen, die bis zum Wahl-Rückzahlungstag (Call) (ausschließlich) (aber ohne aufgelaufene Zinsen, die in dem Wahl-Rückzahlungsbetrag (Call) berücksichtigt sind) aufgelaufen sind. Eine solche Kündigung hat gemäß § 15 zu erfolgen. Sie ist unwiderruflich und muss den Wahl-Rückzahlungstag (Call) und den Wahl-Rückzahlungsbetrag (Call) angeben, zu dem die betreffenden Schuldverschreibungen zurückgezahlt werden.

Der **Wahl-Rückzahlungsbetrag (Call)** je Schuldverschreibung entspricht (i) dem Nennbetrag je Schuldverschreibung oder (ii), falls höher, dem Abgezinnten Marktpreis (*Make-Whole Amount*) je Schuldverschreibung. Der **Abgezinste Marktpreis (Make-Whole Amount)** wird von der Berechnungsstelle am Rückzahlungs-Berechnungstag berechnet, indem der Nennbetrag und die verbleibenden Zinszahlungen bis zum Fälligkeitstag auf jährlicher Basis unter Zugrundelegung eines Jahres mit 365 bzw. 366 Tagen und der Zahl der tatsächlich in dem Jahr verstrichenen Tage und mit der Bund-Rendite plus 25 Basispunkte abgezinst werden.

or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 15. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement summarizing the facts constituting the basis for the right of the Issuer so to redeem.

- (3) *Early Redemption at the Option of the Issuer.* The Issuer may, upon not less than 45 days' nor more than 60 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Holders, redeem on any date specified by it (each a **Call Redemption Date**), at its option, the Notes (except for any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under paragraph (4)) in whole but not in part, at their Call Redemption Amount together with any unpaid interest accrued to (but excluding) the Call Redemption Date (but excluding accrued interest accounted for in the Call Redemption Amount). Any such notice shall be given in accordance with § 15. It shall be irrevocable and must specify the Call Redemption Date and the Call Redemption Amount at which such Notes are to be redeemed.

The **Call Redemption Amount** per Note means the higher of (i) the principal amount per Note and (ii) the Make-Whole Amount per Note. The **Make-Whole Amount** will be an amount calculated by the Calculation Agent on the Redemption Calculation Date by discounting the principal amount and the remaining interest payments to the Maturity Date on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Bund Rate plus 25 basis points.

Die **Bund-Rendite** entspricht der bis zur Fälligkeit am Rückzahlungs-Berechnungstag bestehenden Rendite einer unmittelbaren Verbindlichkeit der Bundesrepublik Deutschland (Bund oder Bundesanleihen) mit einer Festlaufzeit (wie offiziell bestimmt und in den mindestens zwei (und höchstens fünf) Geschäftstagen vor dem jeweiligen Wahl-Rückzahlungstag (Call) zuletzt verfügbaren öffentlich zugänglichen Finanzstatistiken veröffentlicht (oder falls solche statistischen Finanzinformationen nicht veröffentlicht oder zugänglich sind, wie in einer anderen öffentlich zugänglichen Quelle vergleichbarer Marktdaten angegeben)), die der Zeitspanne vom jeweiligen Wahl-Rückzahlungstag (Call) bis zum Fälligkeitstag der Schuldverschreibung am ehesten entspricht. Sollte jedoch die Zeitspanne vom jeweiligen Wahl-Rückzahlungstag (Call) bis zum Fälligkeitstag nicht der Festlaufzeit einer solchen unmittelbaren Verbindlichkeit der Bundesrepublik Deutschland entsprechen, für die eine wöchentliche Durchschnittsrendite angegeben wird, so ist die Bund-Rendite im Wege der linearen Interpolation (berechnet auf das nächste Zwölftel eines Jahres) aus den wöchentlichen Durchschnittsrenditen einer unmittelbaren Verbindlichkeit der Bundesrepublik Deutschland zu ermitteln, für die solche Renditen angegeben werden. Sofern die Zeitspanne vom Wahl-Rückzahlungstag (Call) bis zum Fälligkeitstag kürzer als ein Jahr ist, so ist die wöchentliche Durchschnittsrendite einer tatsächlich gehandelten unmittelbaren Verbindlichkeit der Bundesrepublik Deutschland, angepasst an eine Festlaufzeit von einem Jahr, anzuwenden.

Rückzahlungs-Berechnungstag ist der zehnte Geschäftstag vor dem Tag, an dem die Schuldverschreibungen gemäß diesem Absatz (3) zurückgezahlt werden.

(4) *Vorzeitige Rückzahlung nach Wahl der Gläubiger bei Vorliegen eines Kontrollwechsels.*

(a) Tritt nach dem Begebungstag ein Kontrollwechsel ein, so ist jeder Gläubiger berechtigt, aber nicht verpflichtet, von der Emittentin die vollständige oder teilweise Rückzahlung oder, nach Wahl der Emittentin, den Ankauf (oder die Veranlassung eines Ankaufs) seiner Schuldver-

The **Bund Rate** shall be the yield to maturity at the Redemption Calculation Date of a direct obligation of the Federal Republic of Germany (*Bund* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the relevant Call Redemption Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data)) most nearly equal to the period from the relevant Call Redemption Date to the Maturity Date; *provided, however, that* if the period from the relevant Call Redemption Date to the Maturity Date is not equal to the constant maturity of the direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of a direct obligation of the Federal Republic of Germany for which such yields are given, except that if the period from the relevant Call Redemption Date to the Maturity Date is less than one year, the weekly average yield on an actually traded direct obligation of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Redemption Calculation Date means the tenth Business Day prior to the date on which the Notes are redeemed in accordance with this paragraph (3).

(4) *Early Redemption at the Option of the Holders upon a Change of Control.*

(a) If a Change of Control occurs after the Issue Date, each Holder shall have the right, but not the obligation, to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes, within 60 days from the Put Notice, at the Put Redemp-

schreibungen innerhalb von 60 Tagen nach der Gläubiger-Ausübungserklärung zum Wahl-Rückzahlungsbetrag (Put) (das **Gläubiger-Rückzahlungswahlrecht**) zu verlangen. Dieses Gläubiger-Rückzahlungswahlrecht ist wie nachstehend unter den Unterabsätzen (b) bis (c) beschrieben auszuüben.

Ein **Kontrollwechsel** gilt jedes Mal als eingetreten (unabhängig davon, ob der Vorstand oder der Aufsichtsrat der Emittentin zugestimmt haben), wenn eine oder mehrere Personen, die gemeinsam handeln, (die **relevante(n) Person(en)**) oder ein oder mehrere Dritte, die im Auftrag der relevanten Person(en) handeln, zu irgendeiner Zeit unmittelbar oder mittelbar (i) mehr als 50 % des ausstehenden Grundkapitals der Emittentin oder (ii) eine solche Anzahl von Aktien der Emittentin, auf die mehr als 50 % der Stimmrechte entfallen, erwirbt bzw. erwerben oder hält bzw. halten.

Der **Wahl-Rückzahlungsbetrag (Put)** bezeichnet für jede Schuldverschreibung 101 % des Nennbetrags einer solchen Schuldverschreibung zuzüglich nicht gezahlter bis zum Wahl-Rückzahlungstag (Put) (ausschließlich) aufgelaufener Zinsen.

- (b) Tritt ein Kontrollwechsel ein, so teilt die Emittentin dies unverzüglich, nachdem die Emittentin davon Kenntnis erlangt hat, den Gläubigern gemäß § 15 mit (eine **Gläubigerwahl-Rückzahlungsereignis-Mitteilung**) und gibt dabei die Art des Kontrollwechsels und das in diesem Absatz (4) vorgesehene Verfahren zur Ausübung des Gläubiger-Rückzahlungswahlrechts an (mit Angaben zum Clearingsystem-Konto der Zahlstelle für die Zwecke von Unterabsatz (c)(ii)(x) dieses Absatzes (4)).
- (c) Zur Ausübung des Gläubiger-Rückzahlungswahlrechts muss der Gläubiger an einem Geschäftstag innerhalb von 60 Tagen, nachdem die Gläubigerwahl-Rückzahlungsereignis-Mitteilung bekannt gegeben wurde (der **Ausübungszeitraum**), (i) bei der bezeichneten Geschäftsstelle der Zahlstelle eine ord-

tion Amount (the **Put Option**). Such Put Option shall operate as set out below under subparagraphs (b) to (c).

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the management board or supervisory board of the Issuer) that any person or persons acting in concert (**Relevant Person(s)**) or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50 per cent. of the issued ordinary share capital of the Issuer or (ii) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights.

Put Redemption Amount means for each Note 101 per cent. of the principal amount of such Note, plus unpaid interest accrued to (but excluding) the Put Date.

- (b) If a Change of Control occurs, then the Issuer shall, without undue delay, after the Issuer becoming aware thereof, give notice of the Change of Control (a **Put Event Notice**) to the Holders in accordance with § 15 specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this paragraph (4) (including the information on the Clearing System account of the Paying Agent for purposes of subparagraph (c)(ii)(x) of this paragraph (4)).
- (c) To exercise the Put Option, the Holder must deliver on any Business Day within 60 days after a Put Event Notice has been published (the **Put Period**) (i) to the Paying Agent at its specified office a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agent (a **Put Notice**) and

nungsgemäß ausgefüllte und unterzeichnete Ausübungserklärung in der jeweils bei der Zahlstelle erhältlich in maßgeblicher Form einreichen (die **Gläubiger-Ausübungserklärung**) und (ii) Schuldverschreibungen in Höhe des Gesamtbetrags der Festgelegten Stückelung einreichen, für die der Gläubiger sein Gläubiger-Rückzahlungswahlrecht ausüben möchte, und zwar entweder durch (x) Übertragung dieser Schuldverschreibungen auf das Clearingsystem-Konto der Zahlstelle oder (y) Abgabe einer unwiderruflichen Anweisung an die Zahlstelle, die Schuldverschreibungen aus einem Wertpapierdepot des Gläubigers bei der Zahlstelle auszubuchen. Die Emittentin wird die betreffende(n) Schuldverschreibung(en) sieben Tage nach Ablauf des Ausübungszeitraums (der **Wahl-Rückzahlungstag (Put)**) zurückzahlen oder nach ihrer Wahl ankaufen (oder ankaufen lassen), soweit sie nicht bereits vorher zurückgezahlt oder angekauft und entwertet wurde(n). Die Zahlung in Bezug auf solchermaßen eingereichte Schuldverschreibungen erfolgt gemäß den üblichen Verfahren über das Clearingsystem. Eine einmal abgegebene Gläubiger-Ausübungserklärung ist unwiderruflich.

(ii) the aggregate Specified Denomination of Notes for which the Holder wishes to exercise its Put Option by either (x) transferring such Notes to the Clearing System account of the Paying Agent or (y) giving an irrevocable instruction to the Paying Agent to withdraw such Notes from a securities account of the Holder with the Paying Agent. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Note(s) on the date seven days after the expiration of the Put Period (the **Put Date**) unless previously redeemed or purchased and cancelled. Payment in respect of any Note so delivered will be made in accordance with the customary procedures through the Clearing System. A Put Notice, once given, shall be irrevocable.

(5) *Vorzeitige Rückzahlung bei Geringem Ausstehenden Gesamtnennbetrag der Schuldverschreibungen.* Wenn 80 % oder mehr des Gesamtnennbetrags der Schuldverschreibungen nach diesem § 6 von der Emittentin oder einer direkten oder indirekten Tochtergesellschaft der Emittentin zurückgezahlt oder angekauft wurden, ist die Emittentin berechtigt, nach vorheriger Bekanntmachung gegenüber den Gläubigern gemäß § 15 mit einer Frist von mindestens 30 und höchstens 60 Tagen nach ihrer Wahl die ausstehenden Schuldverschreibungen insgesamt, aber nicht teilweise, zum Nennbetrag zuzüglich bis zum tatsächlichen Rückzahlungstag (ausschließlich) nicht gezahlter, aufgelaufener Zinsen zurückzuzahlen.

(5) *Early Redemption in case of Minimal Outstanding Aggregate Principal Amount of the Notes.* If 80 per cent. or more of the aggregate principal amount of the Notes have been redeemed or purchased by the Issuer or any direct or indirect Subsidiary of the Issuer pursuant to the provisions of this § 6, the Issuer may, on not less than 30 or more than 60 days' notice to the Holders given in accordance with § 15, redeem, at its option, the remaining Notes in whole but not in part at the principal amount thereof plus unpaid interest accrued to (but excluding) the date of actual redemption.

§ 7

ZAHLSTELLE, BERECHNUNGSSTELLE

(1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Zahlstelle und die anfäng-

§ 7

PAYING AGENT, CALCULATION AGENT

(1) *Appointment; Specified Office.* The initial Paying Agent and the initial Calculation

lich bestellte Berechnungsstelle und deren anfänglich bezeichneten Geschäftsstellen sind:

Zahlstelle:

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

Berechnungsstelle: Die Zahlstelle ist auch die Berechnungsstelle.

Die Zahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung oder Beendigung der Bestellung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und zusätzliche oder eine oder mehrere andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Zahlstelle, (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle mit einer bezeichneten Geschäftsstelle in Luxemburg und/oder an solchen anderen Orten, die die Vorschriften der betreffenden Börse oder ihrer Aufsichtsbehörde verlangen, und (iii) eine Berechnungsstelle unterhalten. Eine Änderung, Beendigung, Bestellung oder ein Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 15 vorab unter Einhaltung einer Frist von mindestens 30 und höchstens 45 Tagen informiert wurden.

(3) *Erfüllungshelfen der Emittentin.* Die Zahlstelle, die Berechnungsstelle und jede andere nach Absatz (2) bestellte Zahlstelle handeln ausschließlich als Erfüllungshelfen der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern, und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

§ 8

STEUERN

(1) *Zahlungen ohne Einbehalt oder Abzug von*

Agent and their initial specified offices shall be:

Paying Agent:

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Germany

Calculation Agent: The Paying Agent shall also be the Calculation Agent.

The Paying Agent and the Calculation Agent reserve the right at any time to change their specified offices to some other office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent and to appoint another Paying Agent, additional or other paying agents or another Calculation Agent. The Issuer shall at all times maintain (i) a Paying Agent, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent with a specified office in Luxembourg and/or in such other places as may be required by the rules of such stock exchange or its supervisory authority, and (iii) a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 15.

(3) *Agents of the Issuer.* The Paying Agent, the Calculation Agent and any other paying agent appointed pursuant to paragraph (2) act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust with any Holder.

§ 8

TAXATION

(1) *Payments Free of Taxes.* All amounts payable

Steuern. Alle in Bezug auf die Schuldverschreibungen zu zahlenden Beträge werden ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder Abgaben gleich welcher Art gezahlt, die von oder im Namen der Bundesrepublik Deutschland oder einer steuererhebungsberechtigten Gebietskörperschaft oder Steuerbehörde dieses Landes im Wege des Einhalts oder Abzugs an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

(2) *Zahlung Zusätzlicher Beträge.* Ist ein Einbehalt oder Abzug in Bezug auf zu zahlende Beträge auf die Schuldverschreibungen gesetzlich vorgeschrieben, so wird die Emittentin diejenigen zusätzlichen Beträge (die **Zusätzlichen Beträge**) zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug erhalten worden wären; eine Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht jedoch nicht für Steuern oder Abgaben:

- (a) die anders als durch Einbehalt oder Abzug in Bezug auf Zahlungen, welche die Emittentin an den Gläubiger leistet, zu entrichten sind; oder
- (b) die von einer als Depotbank oder Inkassobeauftragte im Namen eines Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin von den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Einbehalt oder Abzug vornimmt; oder
- (c) die aufgrund einer bestehenden oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (d) die durch eine Zahlstelle von der Zahlung einzubehalten oder abzuziehen sind,

in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied at source by way of withholding or deduction by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

(2) *Payments of Additional Amounts.* If such withholding or deduction with respect to amounts payable in respect of the Notes is required by law, the Issuer will pay such additional amounts (the **Additional Amounts**) as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (a) are payable otherwise than by withholding or deduction from payments, made by the Issuer to the Holder, or
- (b) are payable by any Person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a withholding or deduction by the Issuer from payments of principal or interest made by it, or
- (c) are payable by reason of the Holder having, or having had, some personal or business relation to the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany, or
- (d) are withheld or deducted by a paying agent from a payment if the payment

wenn die Zahlung von einer anderen Zahlstelle ohne einen solchen Einbehalt oder Abzug hätte vorgenommen werden können; oder

(e) die aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder Sparguthaben oder (ii) zwischenstaatlicher Abkommen oder Vereinbarungen über deren Besteuerung, an denen die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die der Umsetzung dieser Richtlinie, Verordnung oder dieses Abkommens oder dieser Vereinbarung dient, diesen entspricht oder zur Anpassung an diese eingeführt wurde, einzubehalten oder abzuziehen sind; oder

(f) die nicht erhoben oder einbehalten oder abgezogen worden wären, wenn es der Gläubiger oder der wirtschaftliche Eigentümer der Schuldverschreibungen (für die vorliegenden Zwecke einschließlich Finanzinstitute, über die der Gläubiger oder wirtschaftliche Eigentümer die Schuldverschreibungen hält oder über die Zahlungen auf die Schuldverschreibungen erfolgen) nicht unterlassen hätte, nach einer an den Gläubiger oder wirtschaftlichen Eigentümer gerichteten schriftlichen Aufforderung der Emittentin, einer Zahlstelle oder in deren Namen (die so rechtzeitig erfolgt, dass der Gläubiger bzw. der wirtschaftliche Eigentümer dieser Aufforderung mit zumutbaren Anstrengungen nachkommen kann, in jedem Fall aber mindestens 30 Tage, bevor ein Einbehalt oder Abzug erforderlich wäre), einer aufgrund von Gesetzen, Abkommen, Verordnungen oder der Verwaltungspraxis in der Bundesrepublik Deutschland vorgeschriebenen Bescheinigungs-, Identifizierungs-, Informations-, oder sonstigen Nachweispflicht nachzukommen, die Voraussetzung für eine Befreiung von in der Bundesrepublik Deutschland erhobenen Steuern oder für eine Reduzierung der Höhe des Einhalts oder Abzugs solcher Steuern ist (u. a. eine Bescheinigung, dass der Gläubiger bzw. der wirtschaftliche Eigentümer nicht in der Bundesrepublik Deutschland ansässig ist), jedoch jeweils

could have been made by another paying agent without such withholding or deduction, or

(e) are withheld or deducted pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income or savings, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(f) would not have been imposed, withheld or deducted but for the failure of the Holder or beneficial owner of Notes (including, for these purposes, any financial institution through which the Holder or beneficial owner holds the Notes or through which payment on the Notes is made), following a written request by or on behalf of the Issuer or a Paying Agent addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of the Federal Republic of Germany, that is a precondition to exemption from, or reduction in the rate of withholding or deduction of, taxes imposed by the Federal Republic of Germany (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Federal Republic of Germany), but in each case, only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation, or

nur, soweit der Gläubiger bzw. der wirtschaftliche Eigentümer rechtlich berechtigt ist, die Bescheinigung, Information oder Dokumentation vorzulegen; oder

- (g) die abzuführen sind in Bezug auf Zahlungen, bei denen der Einbehalt oder Abzug vorzunehmen ist, weil der Gläubiger eine Bank ist, die die Schuldverschreibungen im ordentlichen Geschäftsgang ihres Kreditgeschäfts erwirbt; oder
- (h) die Grundsteuern, Erbschaftsteuern, Schenkungsteuern, Umsatzsteuern, Verbrauchsteuern, Verkehrssteuern, Vermögensteuern oder ähnliche Steuern darstellen, oder
- (i) die wegen einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung wirksam wird; oder
- (j) die aufgrund jeglicher Kombination der Absätze (a) bis (h) zu entrichten sind.

Zudem werden keine Zusätzlichen Beträge im Hinblick auf Zahlungen auf die Schuldverschreibungen an einen Gläubiger gezahlt, welcher die Zahlung als Treuhänder oder Personengesellschaft oder als sonstiger nicht alleiniger wirtschaftlicher Eigentümer der Zahlung erhält, soweit nach den Gesetzen der Bundesrepublik Deutschland eine solche Zahlung für Steuerzwecke dem Einkommen des Begünstigten bzw. Gründers eines Treuhandvermögens oder eines Gesellschafters der Personengesellschaft zugerechnet würde, der jeweils selbst nicht zum Erhalt von Zusätzlichen Beträgen berechtigt gewesen wäre, wenn der Begünstigte, Gründer eines Treuhandvermögens, Gesellschafter oder wirtschaftliche Eigentümer selbst Gläubiger der Schuldverschreibungen wäre.

Zur Klarstellung wird festgehalten, dass die in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer zuzüglich des darauf anfallenden Solidaritätszuschlags sowie Kirchensteuer, soweit eine solche im Wege des Steuerabzugs erhoben wird, keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zu-

(g) are payable with respect to payments where such withholding or deduction is imposed because the Holder is a bank purchasing the Notes in the ordinary course of its lending business; or

(h) are estate, inheritance, gift, sales, excise, transfer, personal property or similar taxes, or

(i) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or

(j) are payable due to any combination of items (a) to (h),

nor shall any Additional Amounts be paid with respect to any payment on a Note to a Holder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Federal Republic of Germany to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Note.

For the avoidance of doubt, the withholding tax levied in the Federal Republic of Germany at the level of the custodian bank (*Kapitalertragsteuer*) plus the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon as well as church tax (*Kirchensteuer*), where such tax is levied by way of withholding, pursuant to tax law as in effect as of the Issue Date do not constitute a tax or duty as described above in respect of which Additional

sätzliche Beträge zu zahlen wären.

Falls aufgrund einer Änderung der Rechtslage die in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer und der darauf anfallende Solidaritätszuschlag einschließlich Kirchensteuer, soweit eine solche im Wege des Steuerabzugs erhoben wird, künftig auf Ebene der Emittentin zu erheben sind, stellen auch diese keine Steuern oder Abgaben der vorstehend beschriebenen Art dar, für die von der Emittentin Zusätzliche Beträge zu zahlen wären.

- (3) *FATCA*. Alle in Bezug auf die Schuldverschreibung zu zahlenden Beträge sind ohne Einbehalt oder Abzug gemäß *Sections* 1471 bis 1474 des U.S. Internal Revenue Code von 1986 in der jeweils aktuellen Fassung (der *Code*), gegenwärtigen oder künftigen gemäß dem Code erlassenen Regelungen oder seiner offiziellen Auslegung, einer gemäß *Section* 1471(b) des Codes geschlossenen Vereinbarung oder steuerrechtlichen oder aufsichtsrechtlichen Vorschriften, Regelungen oder Verfahrensweisen, die nach einer zur Umsetzung der entsprechenden Bestimmungen des Codes geschlossenen zwischenstaatlichen Vereinbarung eingeführt wurden, (zusammen *FATCA*) vorzunehmen.

Die Emittentin ist nicht verpflichtet, zusätzliche Beträge zu zahlen oder Gläubiger auf andere Weise für einen FATCA-Einbehalt oder -Abzug durch die Emittentin, die Zahlstelle oder eine andere Person freizustellen.

- (4) *Andere Steuerjurisdiktion*. Falls die Emittentin zu irgendeinem Zeitpunkt einer anderen Steuerrechtsordnung als der gegenwärtig maßgeblichen Steuerrechtsordnung der Emittentin oder einer zusätzlichen Steuerrechtsordnung unterworfen wird, sollen die Bezugnahmen in diesem § 8 auf die Rechtsordnung der Emittentin als Bezugnahmen auf die Rechtsordnung der Emittentin und/oder diese anderen Rechtsordnungen gelesen und ausgelegt werden.

Amounts would be payable by the Issuer.

In case that due to a change in law the withholding tax (*Kapitalertragsteuer*) levied in the Federal Republic of Germany at the level of the custodian bank and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon including church tax (*Kirchensteuer*), where such tax is levied by way of withholding, pursuant to tax law as in effect as of the Issue Date have to be levied at the level of the Issuer in the future, these, too, do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer.

- (3) *FATCA*. Any amounts payable in respect of the Notes will be paid net of any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the *Code*), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (collectively, *FATCA*).

The Issuer will have no obligation to pay additional amounts or otherwise indemnify any Holder for any such FATCA withholding deducted or withheld by the Issuer, the Paying Agent or any other party.

- (4) *Other Tax Jurisdiction*. If at any time the Issuer becomes subject to any taxing jurisdiction other than, or in addition to, the currently relevant taxing jurisdiction of the Issuer, references in this § 8 to the jurisdiction of the Issuer shall be read and construed as references to the jurisdiction of the Issuer and/or to such other jurisdiction(s).

§ 9

VORLEGUNGSFRIST, VERJÄHRUNG

Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB für die Schuldverschreibungen wird auf zehn Jahre verkürzt. Die Verjährungsfrist für Ansprüche aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre vom Ende der betreffenden Vorlegungsfrist an.

§ 10

KÜNDIGUNGSGRÜNDE

- (1) *Kündigungsgründe.* Tritt ein Kündigungsgrund ein und dauert dieser an, so ist jeder Gläubiger berechtigt, seine sämtlichen Forderungen aus den Schuldverschreibungen durch Abgabe einer Kündigungserklärung gemäß Absatz (2) gegenüber der Zahlstelle fällig zu stellen und (vorbehaltlich des nachfolgenden Absatzes (4)) deren unverzügliche Rückzahlung zu ihrem Nennbetrag zuzüglich bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) nicht gezahlter, aufgelaufener Zinsen zu verlangen. Jedes der folgenden Ereignisse stellt einen *Kündigungsgrund* dar:
- (a) Die Emittentin zahlt auf die Schuldverschreibungen fällige Kapital- oder Zinsbeträge oder sonstige Beträge nicht innerhalb von 30 Tagen nach Fälligkeit; oder
 - (b) die Emittentin erfüllt eine andere wesentliche Verpflichtung aus den Schuldverschreibungen nicht und die Nichterfüllung dauert – sofern sie geheilt werden kann – jeweils länger als 90 Tage fort, nachdem die Zahlstelle eine schriftliche Aufforderung in der in Absatz (2) vorgesehenen Art und Weise von einem Gläubiger erhalten hat, die Verpflichtung zu erfüllen; oder
 - (c) eine nicht im Rahmen der Schuldverschreibungen bestehende Finanzverbindlichkeit der Emittentin oder einer Wesentlichen Tochtergesellschaft wird infolge eines Kündigungsgrunds (unabhängig von der Bezeichnung) vor ihrer festgelegten Fälligkeit fällig und zahlbar (sei es durch Kündigung, automatische Fälligkeit

§ 9

PRESENTATION PERIOD, PRESCRIPTION

The presentation period provided for in section 801 paragraph 1, sentence 1 German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

§ 10

EVENTS OF DEFAULT

- (1) *Events of Default.* If an Event of Default occurs and is continuing, each Holder shall be entitled to declare due and payable by submitting a Termination Notice pursuant to paragraph (2) to the Paying Agent its entire claims arising from the Notes and demand (subject to paragraph (4) below) immediate redemption at the principal amount thereof together with unpaid interest accrued to (but excluding) the date of actual redemption. Each of the following is an *Event of Default*:
- (a) The Issuer fails to pay principal, interest or any other amounts due under the Notes within 30 days from the relevant due date; or
 - (b) the Issuer fails to duly perform any other material obligation arising from the Notes and such failure, if capable of remedy, continues unremedied for more than 90 days after the Paying Agent has received a written request thereof in the manner set forth in paragraph (2) from a Holder to perform such obligation; or
 - (c) any Financial Indebtedness of the Issuer or any Material Subsidiary (other than under the Notes) becomes due and payable prior to its specified maturity (whether by declaration, automatic acceleration or otherwise) as a result of an event of default (howsoever described), *provided that* the aggregate amount of Financial

stellung oder auf andere Weise), wobei der Gesamtbetrag der Finanzverbindlichkeiten mindestens 1 % der Summe Aktiva zum unmittelbar vorausgehenden Berichtsstichtag, zu dem Konzernabschlüsse der Emittentin veröffentlicht worden sind, beträgt. Zur Klarstellung wird festgehalten, dass dieser Absatz (1)(c) keine Anwendung findet, wenn die Emittentin oder die jeweilige Wesentliche Tochtergesellschaft nach Treu und Glauben bestreitet, dass diese Zahlungsverpflichtung besteht, fällig ist oder die Anforderungen für die vorzeitige Fälligkeit erfüllt sind; oder

- (d) die Emittentin gibt ihre Zahlungsunfähigkeit bekannt oder stellt ihre Zahlungen generell ein; oder
- (e) gegen die Emittentin wird ein Insolvenzverfahren eingeleitet und nicht innerhalb von 90 Tagen aufgehoben oder ausgesetzt, oder die Emittentin beantragt oder leitet ein solches Verfahren ein, oder
- (f) die Emittentin geht in Liquidation, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und die andere Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin im Zusammenhang mit den Schuldverschreibungen eingegangen ist.

(2) *Kündigungserklärungen.* Eine Erklärung eines Gläubigers (i) gemäß Absatz (1)(b) oder (ii) zur Kündigung seiner Schuldverschreibungen gemäß diesem § 10 (eine **Kündigungserklärung**) hat in der Weise zu erfolgen, dass der Gläubiger der Zahlstelle eine entsprechende schriftliche Erklärung in deutscher oder englischer Sprache persönlich übergibt oder per Brief übermittelt und dabei durch eine Bescheinigung seiner Depotbank (wie in § 17(3) definiert) nachweist, dass er die betreffenden Schuldverschreibungen zum Zeitpunkt der Kündigungserklärung hält.

(3) *Heilung.* Zur Klarstellung wird festgehalten, dass das Recht zur Kündigung der Schuldverschreibungen gemäß diesem § 10 erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt worden ist; es ist zulässig, den Kündigungsgrund gemäß Absatz (1)(c) durch

Indebtedness amounts to at least 1 per cent. of the Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published. For the avoidance of doubt, this paragraph (1)(c) shall not apply, where the Issuer or the relevant Material Subsidiary contests in good faith that such payment obligation exists, is due or the requirements for the acceleration are satisfied; or

- (d) the Issuer announces its inability to meet its financial obligations or ceases its payments generally; or
- (e) insolvency proceedings against the Issuer are instituted and have not been discharged or stayed within 90 days, or the Issuer applies for or institutes such proceedings; or
- (f) The Issuer enters into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes all obligations of the Issuer in connection with the Notes.

(2) *Termination Notices.* Any notice by a Holder (i) in accordance with paragraph (1)(b) or (ii) to terminate its Notes in accordance with this § 10 (a **Termination Notice**) shall be made by means of a written declaration to the Paying Agent in the German or English language delivered by hand or mail together with evidence by means of a certificate of the Holder's Custodian (as defined in § 17(3)) that such Holder, at the time of such Termination Notice, is a holder of the relevant Notes.

(3) *Cure.* For the avoidance of doubt, the right to declare Notes due in accordance with this § 10 shall terminate if the situation giving rise to it has been cured before the right is exercised and it shall be permissible to cure the Event of Default pursuant to paragraph (1)(c)

Rückzahlung der maßgeblichen Finanzverbindlichkeiten in voller Höhe zu heilen. Vorbehaltlich anwendbarer zwingender Rechtsvorschriften berechtigen andere als die in Absatz (1) genannten Ereignisse oder Umstände die Gläubiger nicht dazu, ihre Schuldverschreibungen vorzeitig zur Rückzahlung fällig zu stellen, es sei denn, dies ist ausdrücklich in diesen Anleihebedingungen bestimmt.

- (4) *Quorum*. In den Fällen gemäß den Absätzen (1)(b) bis (f) wird eine Kündigungserklärung erst wirksam, wenn bei der Zahlstelle Kündigungserklärungen von Gläubigern im Nennbetrag von mindestens 15 % des Gesamtnennbetrages der dann ausstehenden Schuldverschreibungen eingegangen sind.

§ 11

VERPFLICHTUNGSERKLÄRUNGEN

- (1) *Beschränkungen für das Eingehen von Finanzverbindlichkeiten*. Die Emittentin verpflichtet sich, nach dem Begebungstag keine Finanzverbindlichkeiten (mit Ausnahme von Finanzverbindlichkeiten zur Refinanzierung bestehender Finanzverbindlichkeiten mit einem Gesamtnennbetrag, der dem Gesamtnennbetrag der refinanzierten Finanzverbindlichkeiten entspricht oder diesen unterschreitet) einzugehen und sicherzustellen, dass ihre Tochtergesellschaften nach dem Begebungstag keine Finanzverbindlichkeiten eingehen, wenn unmittelbar nach dem wirksamen Eingehen solcher weiterer Finanzverbindlichkeiten (unter Berücksichtigung der Verwendung der damit erzielten Nettoerlöse):

- (a) das Verhältnis der (i) Summe (x) der Konsolidierten Nettofinanzverbindlichkeiten der Gruppe zum unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, und (y) der Nettofinanzverbindlichkeiten, die seit dem unmittelbar vorangegangenen Berichtsstichtag eingegangen wurden, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, zu der (ii) Summe (unter Ausschluss einer Doppelberücksichtigung) (x) der Summe Aktiva zum unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist,

by repaying in full the relevant Financial Indebtedness. No event or circumstance other than an event specified in paragraph (1) shall entitle Holders to declare their Notes due and payable prior to their stated maturity, save as expressly provided for in these Terms and Conditions and subject to applicable mandatory law.

- (4) *Quorum*. In the events specified in paragraph (1)(b) to (f), any notice declaring Notes due shall become effective only when the Paying Agent has received such default notices from the Holders representing at least 15 per cent. of the aggregate principal amount of the Notes then outstanding.

§ 11

COVENANTS

- (1) *Limitations on the Incurrence of Financial Indebtedness*. The Issuer undertakes that it will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Financial Indebtedness (except for Financial Indebtedness for refinancing existing Financial Indebtedness with an aggregate principal amount that is equal to or less than the aggregate principal amount of the refinanced Financial Indebtedness) if, immediately after giving effect to the incurrence of such additional Financial Indebtedness (taking into account the application of the net proceeds of such incurrence),

- (a) the ratio of (i) the sum of (x) the Consolidated Net Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (y) the Net Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published to (ii) the sum of (without duplication) (x) the Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published, (y) the purchase price of any Real Estate Property acquired or con-

(y) des Kaufpreises für Immobilienvermögen, das seit dem unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, erworben wurde oder für dessen Erwerb seit diesem Zeitpunkt eine Verpflichtung eingegangen wurde, und (z) des Erlöses aus Finanzverbindlichkeiten, die seit dem unmittelbar vorangegangenen Berichtsstichtag eingegangen wurden, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist (jedoch nur soweit dieser Erlös nicht zum Erwerb von Immobilienvermögen oder zur Verringerung von Finanzverbindlichkeiten verwendet wurde) (dieses Verhältnis in Bezug auf einen beliebigen Zeitpunkt der **Verschuldungsgrad (LTV)** zu dem entsprechenden Zeitpunkt) 60 % überstiege; oder

(b) das Verhältnis des (i) Gesamtbetrags des Konsolidierten Bereinigten EBITDA in den letzten vier aufeinanderfolgenden Quartalen, die vor dem Berichtsstichtag geendet haben, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, zu dem (ii) Gesamtbetrag des Zahlungswirksamen Zinsergebnisses in den letzten vier aufeinanderfolgenden Quartalen, die vor dem Berichtsstichtag geendet haben, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, geringer als 1,80 zu 1,00 wäre ((i) und (ii) jeweils durch die Emittentin (nach eigenem vernünftigen Ermessen) auf einer *pro forma* Grundlage ermittelt (einschließlich einer daraus resultierenden *pro forma* Verwendung der Nettoerlöse), als wären die zusätzlichen Finanzverbindlichkeiten zu Beginn dieses Viertel-Quartal-Zeitraums eingegangen worden); oder

(c) die Summe des (i) Unbelasteten Immobilienvermögens zum unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, und des (ii) seit dem unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, erfassten (hinzuzurechnenden bzw. abzuziehenden) Unbelasteten Immobilienvermögens (Netto) geringer wäre als 150 %

tracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness) (such ratio, with respect to any date, the **Loan-to-Value Ratio** as of that date) would exceed 60 per cent; or

(b) the ratio of (i) the aggregate amount of Consolidated Adjusted EBITDA in the respective most recent four consecutive quarters ending prior to the Reporting Date for which Consolidated Financial Statements of the Issuer have been published to (ii) the aggregate amount of Net Cash Interest in the respective most recent four consecutive quarters ending prior to the Reporting Date for which Consolidated Financial Statements of the Issuer have been published would be less than 1.80 to 1.00 (each of (i) and (ii) determined by the Issuer (in its reasonable judgment) on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Financial Indebtedness had been incurred at the beginning of such four quarter period); or

(c) the sum of (i) the Unencumbered Real Estate as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (ii) the Net Unencumbered Real Property recorded (to be added or deducted, as applicable) since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published will be less than 150 per cent. of

der Summe der (x) Unbesicherten Finanzverbindlichkeiten (unter Ausschluss von Finanzverbindlichkeiten unter Wandelschuldverschreibungen und vergleichbaren Instrumenten) zum unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, und der (y) Unbesicherten Nettofinanzverbindlichkeiten (unter Ausschluss von Finanzverbindlichkeiten aus Wandelschuldverschreibungen und vergleichbaren Instrumenten), die seit dem unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, eingegangen wurden ((x) und (y) jeweils soweit diese Verbindlichkeiten am Berechnungszeitpunkt noch ausstehen).

the sum of (x) the Unsecured Financial Indebtedness (excluding Financial Indebtedness under convertible bonds or equivalent instruments) as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (y) the Net Unsecured Financial Indebtedness (excluding Financial Indebtedness under convertible bonds or equivalent instruments) incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the issuer have been published (each of (x) and (y) to the extent such indebtedness is still outstanding on the calculation date).

(2) *Berichte*. Solange Schuldverschreibungen ausstehen, veröffentlicht die Emittentin die folgenden Angaben auf ihrer Internetseite:

- (a) Innerhalb von 120 Tagen nach dem Ende des Geschäftsjahrs der Emittentin einen Geschäftsbericht mit einem geprüften Konzernabschluss nach den in der EU anwendbaren International Financial Reporting Standards (IFRS) und einem Lagebericht nach § 315 HGB; und
- (b) innerhalb von 60 Tagen nach dem Ende jedes der ersten drei Quartale jedes Geschäftsjahrs der Emittentin einen ungeprüften verkürzten Konzern-Zwischenabschluss nach den in der EU anwendbaren IFRS und den Anforderungen des § 37w WpHG.

§ 12

ERSETZUNG, SITZVERLEGUNG

(1) *Ersetzung*. Die Emittentin ist berechtigt, wenn kein Zahlungsverzug hinsichtlich Kapital oder Zinsen auf die Schuldverschreibungen vorliegt, jederzeit ohne die Zustimmung der Gläubiger ein mit der Emittentin Verbundenes Unternehmen an Stelle der Emittentin als Hauptschuldnerin (die *Nachfolgeschuldnerin*) für alle Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen

(2) *Reports*. For so long as any Notes are outstanding, the Issuer shall post on its website,

- (a) within 120 days after the end of each of the Issuer's fiscal years, annual reports containing the audited consolidated financial statements in accordance with IFRS as adopted by the EU and the management report in accordance with section 315 of the German Commercial Code (*Handelsgesetzbuch*); and
- (b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, unaudited condensed consolidated quarterly financial statements in accordance with IFRS as adopted by the EU and the requirements of section 37w of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

§ 12

SUBSTITUTION, TRANSFER OF DOMICILE

(1) *Substitution*. The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate of the Issuer as principal debtor in respect of all obligations arising from or in connection with these Notes (the *Substitute Debtor*) provided that:

gen einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin im Zusammenhang mit den Schuldverschreibungen rechtswirksam übernimmt;
 - (b) die Nachfolgeschuldnerin und die Emittentin alle für die Ersetzung notwendigen Genehmigungen und Zustimmungen von staatlichen Stellen und Aufsichtsbehörden erhalten haben, die Nachfolgeschuldnerin alle für die Erfüllung ihrer Verpflichtungen aus den Schuldverschreibungen notwendigen Genehmigungen und Zustimmungen von staatlichen Stellen und Aufsichtsbehörden erhalten hat und sämtliche dieser Genehmigungen und Zustimmungen in vollem Umfang gültig und wirksam sind und die Verpflichtungen der Nachfolgeschuldnerin aus den Schuldverschreibungen gemäß ihren Bestimmungen wirksam und rechtsverbindlich und durch jeden Gläubiger durchsetzbar sind;
 - (c) die Nachfolgeschuldnerin alle für die Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen erforderlichen Beträge in der erforderlichen Währung an die Zahlstelle überweisen kann, ohne zum Einbehalt oder Abzug von Steuern oder sonstigen Abgaben gleich welcher Art verpflichtet zu sein, die in dem Land erhoben werden, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz hat oder steuerlich ansässig ist;
 - (d) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben, Festsetzungen oder behördlichen Lasten freizustellen, die einem Gläubiger im Zusammenhang mit der Ersetzung auferlegt werden;
 - (e) die Emittentin (in derartiger Eigenschaft, die **Garantin**) unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert (die **Garantie**), die sicherstellen, dass jeder Gläubiger in der wirtschaftlichen Position ist, die genauso vorteilhaft ist wie die Position, in der die Gläubiger wären, wenn die Ersetzung nicht stattgefunden hätte;
- (a) the Substitute Debtor, in a manner legally effective, assumes all obligations of the Issuer in respect of the Notes;
 - (b) the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Notes are valid and binding in accordance with their respective terms and enforceable by each Holder;
 - (c) the Substitute Debtor can transfer to the Paying Agent in the currency required and without being obligated to withhold or deduct any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;
 - (d) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;
 - (e) the Issuer (in such capacity, the **Guarantor**) irrevocably and unconditionally guarantees (the **Guarantee**) in favor of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms which ensure that each Holder will be put in an economic position that is at least as favorable as that which would have existed if the substitution had not taken place; and

und

(f) die Emittentin einem zu diesem Zweck bestellten Beauftragten ein Rechtsgutachten bezüglich jeder betroffenen Rechtsordnung von anerkannten Rechtsanwälten vorgelegt hat, das bestätigt, dass die Bestimmungen in den vorstehenden Unterabsätzen (a) bis (d) erfüllt worden sind.

(f) the Issuer shall have delivered to an agent appointed for that purpose one legal opinion for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a) to (d) above have been satisfied.

Für die Zwecke dieses § 12 bezeichnet **Verbundenes Unternehmen** ein verbundenes Unternehmen im Sinne von § 15 AktG.

For purposes of this § 12, **Affiliate** shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz*).

(2) *Bekanntmachung.* Jede Ersetzung der Emittentin gemäß diesem § 12 sowie das Datum, an dem die Ersetzung wirksam wird, ist gemäß § 15 bekanntzugeben.

(2) *Notice.* Any substitution of the Issuer pursuant to this § 12 and the date of effectiveness of such substitution shall be published in accordance with § 15.

(3) *Änderung von Bezugnahmen.* Mit Wirksamwerden der Ersetzung gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin (mit Ausnahme der Bezugnahme auf die Emittentin in § 11) ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin, und jede Bezugnahme auf die Bundesrepublik Deutschland im Hinblick auf die Emittentin gilt ab diesem Zeitpunkt als Bezugnahme auf die im Hinblick auf die Nachfolgeschuldnerin maßgebliche Steuerjurisdiktion. Mit Wirksamwerden der Ersetzung gilt jede Bezugnahme auf die Emittentin in § 11 ab dann als Bezugnahme auf die Garantin. Zudem gilt eine Bezugnahme auf die Garantin in § 3 und § 10(1)(c) bis (f) als einbezogen (zusätzlich zur Bezugnahme auf die Nachfolgeschuldnerin gemäß dem ersten Satz dieses Absatzes (3)). Darüber hinaus gilt im Falle einer solchen Ersetzung ein weiterer Kündigungsgrund in § 10(1) als vereinbart; ein solcher Kündigungsgrund soll bestehen, falls die Garantie aus irgendeinem Grund unwirksam ist oder wird.

(3) *Change of References.* Upon effectiveness of the substitution any reference in these Terms and Conditions to the Issuer (other than references to the Issuer in § 11) shall from then on be deemed to refer to the Substitute Debtor and any reference to the Federal Republic of Germany with respect to the Issuer shall from then on be deemed to refer to the relevant taxing jurisdiction with respect to the Substitute Debtor. Upon effectiveness of the substitution any reference to the Issuer in § 11 shall from then on be deemed to refer to the Guarantor. In addition, in § 3 and § 10(1)(c) to (f) a reference to the Guarantor shall be deemed to have been included in addition to the reference according to the first sentence of this paragraph (3) to the Substitute Debtor. Furthermore, in the event of such substitution, a further event of default shall be deemed to be included in § 10(1); such event of default shall exist in the case that the Guarantee is or becomes invalid for any such reason.

(4) *Weitere Ersetzungen.* Die Nachfolgeschuldnerin ist jederzeit nach einer Ersetzung gemäß vorstehendem Absatz (1) berechtigt, ohne die Zustimmung der Gläubiger eine weitere Ersetzung vorzunehmen, vorausgesetzt, dass alle Bestimmungen der vorstehenden Absätze (1) bis (3) sinngemäß Anwendung finden und, ohne hierauf beschränkt zu sein, Bezugnahmen in diesen Anleihebedingungen auf

(4) *Further Substitution.* At any time after a substitution pursuant to paragraph (1) above, the Substitute Debtor may, without the consent of the Holders, effect a further substitution *provided that* all the provisions specified in paragraphs (1) to (3) above shall apply, *mutatis mutandis*, and, without limitation, references in these Terms and Conditions to the Issuer shall, where the context so requires, be

die Emittentin, sofern der Zusammenhang dies verlangt, (auch) als Bezugnahmen auf jede weitere Nachfolgeschuldnerin gelten, wobei die Ersetzung gemäß diesem § 12 in keinem Fall die Wirkung einer Befreiung der Emittentin von irgendwelchen Verpflichtungen aus ihrer Garantie hat.

- (5) *Sitzverlegung.* Eine Verlegung des Sitzes der Emittentin in ein anderes Land oder Gebiet ist nur zulässig, wenn die vorstehend in den Absätzen (1) und (2) genannten Voraussetzungen entsprechend erfüllt sind. Absatz (3) zweiter Halbsatz des ersten Satzes findet entsprechende Anwendung.

§ 13

BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

- (1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist, vorbehaltlich der Bestimmungen des § 11, berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit in jeder Hinsicht gleicher Ausstattung (gegebenenfalls mit Ausnahme des jeweiligen Begebungstags, des Verzinsungsbeginns, der ersten Zinszahlung und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.
- (2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung eingereicht werden.
- (3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiedergeben oder wiederverkauft werden.

§ 14

ÄNDERUNG DER ANLEIHEBEDINGUNGEN DURCH BESCHLÜSSE DER GLÄUBIGER, GEMEINSAMER VERTRETER

- (1) *Änderung der Anleihebedingungen.* Die Emittentin kann mit den Gläubigern Änderungen der Anleihebedingungen durch Mehrheits-

deemed to be or include references to any such further Substitute Debtor, *provided that* in no event shall any substitution under this § 12 have the effect of releasing the Issuer from any of its obligations under its Guarantee.

- (5) *Transfer of Domicile.* A transfer of domicile of the Issuer to another country or territory is only permissible if the requirements set forth in paragraphs (1) and (2) above are complied with accordingly. Paragraph (3) second half-sentence of the first sentence shall apply *mutatis mutandis*.

§ 13

FURTHER ISSUES, PURCHASES AND CANCELLATION

- (1) *Further Issues.* Subject to § 11, the Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the relevant issue date, interest commencement date, first interest payment date and/or issue price) so as to form a single series with the Notes.
- (2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.
- (3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 14

AMENDMENTS OF THE TERMS AND CONDITIONS BY RESOLUTIONS OF HOLDERS, JOINT REPRESENTATIVE

- (1) *Amendment of the Terms and Conditions.* The Issuer may agree with the Holders on amendments to the Terms and Conditions by

beschluss der Gläubiger nach Maßgabe der §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (*SchVG*) in seiner jeweils geltenden Fassung beschließen. Die Gläubiger können insbesondere einer Änderung wesentlicher Inhalte der Anleihebedingungen, einschließlich der in § 5 Abs. 3 SchVG vorgesehenen Maßnahmen, durch Beschlüsse mit den in dem nachstehenden Absatz (2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Gläubiger gleichermaßen verbindlich.

virtue of a majority resolution of the Holders pursuant to sections 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), as amended from time to time. In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 of the SchVG by resolutions passed by such majority of the votes of the Holders as stated under paragraph (2) below. A duly passed majority resolution shall be binding equally upon all Holders.

- (2) *Mehrheit*. Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Gläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, insbesondere in den Fällen des § 5 Abs. 3 Nr. 1 bis 9 SchVG, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine *Qualifizierte Mehrheit*).
- (2) *Majority*. Except as provided by the following sentence and *provided that* the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a *Qualified Majority*).
- (3) *Abstimmung ohne Versammlung*. Vorbehaltlich Absatz (4) sollen Beschlüsse der Gläubiger ausschließlich durch eine Abstimmung ohne Versammlung nach § 18 SchVG gefasst werden. Die Aufforderung zur Stimmabgabe enthält nähere Angaben zu den Beschlüssen und den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die Ausübung der Stimmrechte ist von einer Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 17(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum Tag, an dem der Abstimmungszeitraum endet (einschließlich),
- (3) *Vote without a meeting*. Subject to paragraph (4), resolutions of the Holders shall exclusively be made by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 of the SchVG. The request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from (and including) the day such registration has been sent to (and including) the day the voting period

nicht übertragbar sind, nachweisen.

(4) *Zweite Gläubigerversammlung.* Wird für die Abstimmung ohne Versammlung gemäß Absatz (3) die mangelnde Beschlussfähigkeit festgestellt, kann der Abstimmungsleiter eine Gläubigerversammlung einberufen, die als zweite Versammlung im Sinne des § 15 Abs. 3 Satz 3 SchVG anzusehen ist. Die Teilnahme an der zweiten Gläubigerversammlung und die Ausübung der Stimmrechte sind von einer Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Gläubigerversammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 17(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Gläubigerversammlung (einschließlich) nicht übertragbar sind, nachweisen.

(5) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss die Bestellung oder Abberufung eines gemeinsamen Vertreters (der *Gemeinsame Vertreter*), die Aufgaben und Befugnisse des Gemeinsamen Vertreters, die Übertragung von Rechten der Gläubiger auf den Gemeinsamen Vertreter und eine Beschränkung der Haftung des Gemeinsamen Vertreters bestimmen. Die Bestellung eines Gemeinsamen Vertreters bedarf einer Qualifizierten Mehrheit, wenn er ermächtigt werden soll, Änderungen des wesentlichen Inhalts der Anleihebedingungen gemäß Absatz (2) zuzustimmen.

(6) *Veröffentlichung.* Bekanntmachungen betreffend diesen § 14 erfolgen ausschließlich gemäß den Bestimmungen des SchVG.

§ 15

MITTEILUNGEN

(1) *Mitteilungen.* Alle die Schuldverschreibungen betreffenden Mitteilungen werden im Bun-

ends.

(4) *Second Noteholders' Meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to paragraph (3), the scrutineer (*Abstimmungsleiter*) may convene a noteholders' meeting, which shall be deemed to be a second noteholders' meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second noteholders' meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second noteholders' meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from (and including) the day such registration has been sent to (and including) the stated end of the noteholders' meeting.

(5) *Holder's Representative.* The Holders may by majority resolution provide for the appointment or dismissal of a joint representative (the *Holder's Representative*), the duties and responsibilities and the powers of such Holders' Representative, the transfer of the rights of the Holders to the Holders' Representative and a limitation of liability of the Holders' Representative. Appointment of a Holders' Representative may only be passed by a Qualified Majority if such Holders' Representative is to be authorized to consent, in accordance with paragraph (2) hereof, to a material change in the substance of the Terms and Conditions.

(6) *Publication.* Any notices concerning this § 14 shall be made exclusively pursuant to the provisions of the SchVG.

§ 15

NOTICES

(1) *Notices.* Except as stipulated in § 14(6), all notices concerning the Notes shall be pub-

desanzeiger veröffentlicht, wenn nicht in § 14(6) anders vorgesehen, sowie, falls gesetzlich vorgeschrieben, in den gesetzlich vorgesehenen zusätzlichen Medien. Jede derartige Mitteilung gilt am dritten Kalendertag nach dem Tag der Veröffentlichung (oder bei mehrfacher Veröffentlichung am dritten Kalendertag nach dem Tag der ersten solchen Veröffentlichung) als wirksam gegenüber den Gläubigern erfolgt.

(2) *Mitteilungen an das Clearingsystem.* Wenn eine Veröffentlichung von Mitteilungen nach dem vorstehenden Absatz (1) nicht weiterhin rechtlich oder nach den Regeln der Wertpapierbörse, an denen die Schuldverschreibungen notiert sind, erforderlich ist, kann die Emittentin die betreffende Mitteilung an das Clearingsystem zur Weiterleitung an die Gläubiger übermitteln. Jede derartige Mitteilung gilt am fünften Kalendertag nach dem Tag der Mitteilung an das Clearingsystem als wirksam gegenüber den Gläubigern erfolgt.

(3) *Mitteilungen an die Emittentin.* Mitteilungen eines Gläubigers an die Emittentin haben in der Weise zu erfolgen, dass der Gläubiger der Zahlstelle eine entsprechende schriftliche Erklärung persönlich übergibt oder per Brief übermittelt. Eine derartige Mitteilung kann von jedem Gläubiger gegenüber der Zahlstelle durch das Clearingsystem in der von der Zahlstelle und dem Clearingsystem dafür vorgesehenen Weise erfolgen.

lished in the Federal Gazette (*Bundesanzeiger*) and, if legally required, in the form of media determined by law in addition thereto. Any notice so given will be deemed to have been validly given to the Holders on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).

(2) *Notification to the Clearing System.* If the publication of notices pursuant to paragraph (1) above is no longer required by law or the rules of the stock exchange on which the Notes are listed, the Issuer may deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been validly given to the Holders on the fifth calendar day following the day on which the said notice was given to the Clearing System.

(3) *Notification to the Issuer.* Notices to be given by any Holder to the Issuer shall be made by means of a written declaration to be delivered by hand or mail to the Paying Agent. Such notice may be given by any Holder to the Paying Agent through the Clearing System in such manner as the Paying Agent and the Clearing System may approve for such purpose.

§ 16

DEFINITIONEN

Abgezinster Marktpreis (Make-Whole Amount) hat die diesem Begriff in § 6(3) zugewiesene Bedeutung.

Ausübungszeitraum hat die diesem Begriff in § 6(4)(c) zugewiesene Bedeutung.

Begebungstag hat die diesem Begriff in § 1(1) zugewiesene Bedeutung.

Berechnungsstelle hat die diesem Begriff in § 7(1) zugewiesene Bedeutung.

Berichtsstichtag ist der 31. März, 30. Juni, 30. September und 31. Dezember eines jeden Jahres.

§ 16

DEFINITIONS

Make-Whole Amount has the meaning assigned to such term in § 6(3).

Put Period has the meaning assigned to such term in § 6(4)(c).

Issue Date has the meaning assigned to such term in § 1(1).

Calculation Agent has the meaning assigned to such term in § 7(1).

Reporting Date means 31 March, 30 June, 30 September and 31 December of each year.

Bund-Rendite hat die diesem Begriff in § 6(3) zugewiesene Bedeutung.

Bund Rate has the meaning assigned to such term in § 6(3).

CBL hat die diesem Begriff in § 1(5) zugewiesene Bedeutung.

CBL has the meaning assigned to such term in § 1(5).

Clearingsystem hat die diesem Begriff in § 1(5) zugewiesene Bedeutung.

Clearing System has the meaning assigned to such term in § 1(5).

Code hat die diesem Begriff in § 8(3) zugewiesene Bedeutung.

Code has the meaning assigned to such term in § 8(3).

Common Safekeeper hat die diesem Begriff in § 1(3)(a) zugewiesene Bedeutung.

Common Safekeeper has the meaning assigned to such term in § 1(3)(a).

Dauerglobalurkunde hat die diesem Begriff in § 1(3)(a) zugewiesene Bedeutung.

Permanent Global Note has the meaning assigned to such term in § 1(3)(a).

Depotbank hat die diesem Begriff in § 17(3) zugewiesene Bedeutung.

Custodian has the meaning assigned to such term in § 17(3).

Eingehen bezeichnet in Bezug auf eine Finanzverbindlichkeit oder eine sonstige Verbindlichkeit einer Person die Begründung, die Übernahme, Abgabe einer Garantie oder Bürgschaft dafür oder eine anderweitige Übernahme der Haftung für diese Finanzverbindlichkeit oder sonstige Verbindlichkeit; das **Eingehen** bzw. **eingegangen** sind entsprechend auszulegen.

Incur means, with respect to any Financial Indebtedness or other obligation of any Person, to create, assume, guarantee or otherwise become liable in respect of such Financial Indebtedness or other obligation, and **incurrence** and **incurred** have the meanings correlative to the foregoing.

Emittentin hat die diesem Begriff in § 1(1) zugewiesene Bedeutung.

Issuer has the meaning assigned to such term in § 1(1).

Euroclear hat die diesem Begriff in § 1(5) zugewiesene Bedeutung.

Euroclear has the meaning assigned to such term in § 1(5).

Fälligkeitstag hat die diesem Begriff in § 6(1) zugewiesene Bedeutung.

Maturity Date has the meaning assigned to such term in § 6(1).

FATCA hat die diesem Begriff in § 8(3) zugewiesene Bedeutung.

FATCA has the meaning assigned to such term in § 8(3).

Festgelegte Stückelung hat die diesem Begriff in § 1(1) zugewiesene Bedeutung.

Specified Denomination has the meaning assigned to such term in § 1(1).

Finanzverbindlichkeiten bezeichnet (unter Ausschluss einer Doppelberücksichtigung) alle Verbindlichkeiten (ausgenommen solche gegenüber anderen Mitgliedern der Gruppe) aus:

Financial Indebtedness means (without duplication) any indebtedness (excluding any indebtedness owed to another member of the Group) for or in respect of:

- (i) aufgenommenen Geldern;
- (ii) allen im Rahmen von Akzeptkrediten oder eines dematerialisierten Äquivalents aufge-

- (i) money borrowed;
- (ii) any amount raised by acceptance under any acceptance credit facility or a dema-

nommenen Beträge;

(iii) allen im Rahmen von Fazilitäten zum Kauf kurzfristiger Schuldtitel oder aus der Begebung von Anleihen, Schuldverschreibungen, Commercial Paper oder vergleichbaren Instrumenten aufgenommenen Beträgen;

(iv) veräußerten oder diskontierten Forderungen (außer bei einem Forderungsverkauf ohne Rückgriffsrecht);

(v) der Aufnahme von Beträgen im Rahmen anderer Rechtsgeschäfte (einschließlich Termingeschäften), die die wirtschaftliche Wirkung einer Kreditaufnahme haben, ausgenommen jedoch Bankgarantie-Fazilitäten, die der Emittentin oder einer Tochtergesellschaft von Finanzinstituten gewährt werden oder gewährt werden sollen und in deren Rahmen die Emittentin bzw. die jeweilige Tochtergesellschaft die Ausstellung einer oder mehrerer Bankgarantien zugunsten einer Person verlangen kann, die sich zum Erwerb von Immobilienvermögen von der Emittentin oder einer Tochtergesellschaft verpflichtet hat;

(vi) einer Gegenverpflichtung zur Freistellung in Bezug auf eine Bürgschaft, eine Freistellungsverpflichtung, eine Garantie, ein Garantie- oder Dokumentenakkreditiv oder ein anderes von einer Bank oder einem Finanzinstitut ausgestelltes Instrument; und

(vii) Verbindlichkeiten aus einer Garantie, Bürgschaft oder Freistellungsverpflichtung in Bezug auf Verbindlichkeiten der in den vorstehenden Absätzen (i) bis (vi) genannten Art,

jeweils nur falls und soweit der jeweilige Betrag oder die jeweilige Verpflichtung nach IFRS als „*Verbindlichkeit*“ erfasst wird.

Garantie hat die diesem Begriff in § 12(1)(e) zugewiesene Bedeutung.

Garantin hat die diesem Begriff in § 12(1)(e) zugewiesene Bedeutung.

Gemeinsamer Vertreter hat die diesem Begriff in § 14(5) zugewiesene Bedeutung.

Geschäftstag hat die diesem Begriff in § 5(4) zugewiesene Bedeutung.

terialized equivalent;

(iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers or any similar instrument;

(iv) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(v) any amounts raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities made or to be made available by financial institutions to the Issuer or a Subsidiary under which the Issuer or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favor of a person who agrees to purchase a Real Estate Property owned by the Issuer or a Subsidiary;

(vi) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(vii) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above,

in each such case only if and to the extent the relevant amount or obligation is recorded as “*indebtedness*” in accordance with IFRS.

Guarantee has the meaning assigned to such term in § 12(1)(e).

Guarantor has the meaning assigned to such term in § 12(1)(e).

Holder’s Representative has the meaning assigned to such term in § 14(5).

Business Day has the meaning assigned to such term in § 5(4).

Gläubiger hat die diesem Begriff in § 1(6) zugewiesene Bedeutung.

Gläubiger-Ausübungserklärung hat die diesem Begriff in § 6(4)(c) zugewiesene Bedeutung.

Gläubiger-Rückzahlungswahlrecht hat die diesem Begriff in § 6(4)(a) zugewiesene Bedeutung.

Gläubigerwahl-Rückzahlungsereignis-Mitteilung hat die diesem Begriff in § 6(4)(b) zugewiesene Bedeutung.

Globalurkunden hat die diesem Begriff in § 1(3)(a) zugewiesene Bedeutung.

Gruppe bezeichnet die Emittentin und ihre Tochtergesellschaften.

ICSDs hat die diesem Begriff in § 1(5) zugewiesene Bedeutung.

IFRS bezeichnet die International Financial Reporting Standards des International Accounting Standard Board in jeweils geltender Fassung.

Immobilienvermögen bezeichnet (unter Ausschluss einer Doppelberücksichtigung) das im Konzernabschluss der Emittentin in den Bilanzpositionen „als Finanzinvestition gehaltene Immobilien“, „Sachanlagen“ oder „zum Verkauf bestimmte Grundstücke und Gebäude“ zum unmittelbar vorausgehenden Berichtsstichtag, zu dem Konzernabschlüsse der Emittentin veröffentlicht worden sind, angesetzte oder nach IFRS seit dem unmittelbar vorangegangenen Berichtsstichtag, zu dem ein Konzernabschluss der Emittentin veröffentlicht worden ist, anzusetzende Immobilienvermögen der Emittentin und der Tochtergesellschaften.

Kapitalmarktverbindlichkeit bezeichnet jede gegenwärtige oder künftige Verpflichtung zur Rückzahlung aufgenommener Geldbeträge (einschließlich Verbindlichkeiten aus Garantien oder sonstigen Haftungsvereinbarungen für solche Verbindlichkeiten Dritter), die verbrieft ist in Form von Anleihen, Schuldverschreibungen oder sonstigen Wertpapieren, die an einer Börse, einem außerbörslichen Markt oder an einem anderen anerkannten Wertpapiermarkt notiert, zugelassen oder gehandelt werden können, bzw. von Schuldscheindarlehen.

Holder has the meaning assigned to such term in § 1(6).

Put Notice has the meaning assigned to such term in § 6(4)(c).

Put Option has the meaning assigned to such term in § 6(4)(a).

Put Event Notice has the meaning assigned to such term in § 6(4)(b).

Global Notes has the meaning assigned to such term in § 1(3)(a).

Group means the Issuer together with its Subsidiaries.

ICSDs has the meaning assigned to such term in § 1(5).

IFRS means the International Financial Reporting Standards as published by the International Accounting Standards Board, as in effect from time to time.

Real Estate Property means (without duplication) the real estate property of the Issuer and the Subsidiaries that is recognized as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published, or is required to be recognized in accordance with IFRS since the immediately preceding Reporting Date for which Consolidated Financial Statements of the issuer have been published, in the balance sheet items “investment properties”, “property, plant and equipment” or “land and buildings held for sale” of the Consolidated Financial Statements of the Issuer.

Capital Market Indebtedness means any present or future obligation for the payment of borrowed money (including obligations by reason of any guarantee or other liability agreement for such obligations of third parties) which is in the form of, or represented by, bonds, notes or other securities which are capable of being quoted, listed, dealt in or traded on a stock exchange, over-the-counter-market or other recognized securities market or *Schuldschein* loans.

Konsolidierte Nettofinanzverbindlichkeiten bezeichnet die nach IFRS ermittelten Nettofinanzverbindlichkeiten der Emittentin und ihrer Tochtergesellschaften auf konsolidierter Basis wie im Konzernabschluss der Emittentin als „*Nettofinanzverbindlichkeiten*“ ausgewiesen.

Konsolidiertes Bereinigtes EBITDA bezeichnet den unter der Überschrift „*EBITDA (bereinigt)*“ im Konzernabschluss der Emittentin angegebene Zahlenwert oder, sofern der Konzernabschluss der Emittentin keinen Wert „*EBITDA (bereinigt)*“ enthält, den unter der Überschrift „*EBIT*“ angegebenen Zahlenwert bereinigt um Gewinne/Verluste aus der Fair-Value-Anpassung der als Finanzinvestitionen gehaltenen Immobilien, Abschreibungen sowie einmaligen bzw. außergewöhnlichen Positionen (jeweils vorbehaltlich der Bestimmungen in diesen Anleihebedingungen).

Kontrollwechsel hat die diesem Begriff in § 6(4)(a) zugewiesene Bedeutung.

Konzernabschluss bezeichnet in Bezug auf eine Person den nach IFRS erstellten Konzernabschluss mit Anhang für diese Person und ihre Tochterunternehmen.

Kündigungserklärung hat die diesem Begriff in § 10(2) zugewiesene Bedeutung.

Kündigungsgrund hat die diesem Begriff in § 10(1) zugewiesene Bedeutung.

Nachfolgeschuldnerin hat die diesem Begriff in § 12(1) zugewiesene Bedeutung.

Nettofinanzverbindlichkeiten bezeichnet den Nennbetrag der eingegangenen Finanzverbindlichkeiten abzüglich des Nennbetrags der zurückgezahlten Finanzverbindlichkeiten.

Person bezeichnet natürliche Personen, Körperschaften, Personengesellschaften, Joint Ventures, Vereinigungen, Aktiengesellschaften, Trusts, nicht rechtsfähige Vereinigungen, Gesellschaften mit beschränkter Haftung, staatliche Stellen (oder Behörden oder Gebietskörperschaften) oder sonstige Rechtsträger.

Qualifizierte Mehrheit hat die diesem Begriff in § 14(2) zugewiesene Bedeutung.

Relevante Person(en) hat die diesem Begriff in

Consolidated Net Financial Indebtedness means the net financial indebtedness of the Issuer and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS as shown as “*net financial liabilities*” in the Consolidated Financial Statements of the Issuer.

Consolidated Adjusted EBITDA means the number set out under the heading “*EBITDA (adjusted)*” in the Consolidated Financial Statements of the Issuer or, if the Consolidated Financial Statements of the Issuer do not contain an item “*EBITDA (adjusted)*”, the number set out in the item “*EBIT*” adjusted for gains/losses from the fair value adjustments of investment properties, depreciation and amortization and non-recurring or exceptional items (in each case subject to the determination specified in these Terms and Conditions).

Change of Control has the meaning assigned to such term in § 6(4)(a).

Consolidated Financial Statements means, with respect to any Person, the consolidated financial statements and notes to those financial statements of that Person and its subsidiaries prepared in accordance with IFRS.

Termination Notice has the meaning assigned to such term in § 10(2).

Event of Default has the meaning assigned to such term in § 10(1).

Substitute Debtor has the meaning assigned to such term in § 12(1).

Net Financial Indebtedness means the nominal amount of Financial Indebtedness incurred minus the nominal amount of Financial Indebtedness repaid.

Person means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government (or any agency or political subdivision thereof) or any other entity.

Qualified Majority has the meaning assigned to such term in § 14(2).

Relevant Person(s) has the meaning assigned to

§ 6(4)(a) zugewiesene Bedeutung.

Rückzahlungs-Berechnungstag hat die diesem Begriff in § 6(3) zugewiesene Bedeutung.

Rückzahlungsbetrag hat die diesem Begriff in § 6(1) zugewiesene Bedeutung.

Schuldverschreibungen hat die diesem Begriff in § 1(1) zugewiesene Bedeutung.

SchVG hat die diesem Begriff in § 14(1) zugewiesene Bedeutung.

Sicherungsrecht bezeichnet (unter Ausschluss einer Doppelberücksichtigung) Vereinbarungen, die ein dingliches Sicherungsrecht an Immobilienvermögen jeweils zur Besicherung ausstehender Finanzverbindlichkeiten gewähren zugunsten einer Person, die nicht Mitglied der Gruppe ist, mit Ausnahme von

- (i) Sicherungsrechten, die im Zusammenhang mit der Veräußerung von Immobilienvermögen im Rahmen der gewöhnlichen Geschäftstätigkeit entstehen, u. a. Sicherungsrechte an Immobilienvermögen, das Gegenstand eines Kaufvertrags ist, zur Finanzierung des Kaufpreises; und
- (ii) Sicherungsrechten, für die dem maßgeblichen Mitglied der Gruppe eine unbedingte Löschungsbewilligung übermittelt wurde.

Summe Aktiva bezeichnet den Wert der konsolidierten Bilanzsumme der Emittentin und der Tochtergesellschaften, der in einer nach IFRS erstellten konsolidierten Bilanz der Emittentin erscheint oder erschienen würde, wobei die „Summe Aktiva“ die Zuflüsse aus den einzugehenden Finanzverbindlichkeiten einschließt.

Tochtergesellschaft bezeichnet jede Person, die bei der Erstellung der Konzernabschlüsse der Emittentin mit ihr konsolidiert werden muss.

Unbelastetes Immobilienvermögen (Netto) bezeichnet (unter Ausschluss einer Doppelberücksichtigung) den Wert des erworbenen Immobilienvermögens, das nicht Gegenstand eines Sicherungsrechts ist, abzüglich des Werts solchen Immobilienvermögens, das (i) veräußert wurde oder (ii) Gegenstand eines Sicherungsrechts geworden

such term in § 6(4)(a).

Redemption Calculation Date has the meaning assigned to such term in § 6(3).

Final Redemption Amount has the meaning assigned to such term in § 6(1).

Notes has the meaning assigned to such term in § 1(1).

SchVG has the meaning assigned to such term in § 14(1).

Lien means (without duplication) any agreement granting a security interest *in rem* (*dingliches Sicherungsrecht*) over Real Property, to a Person that is not member of the Group, in each case to secure outstanding Financial Indebtedness, with the exception of

- (i) any lien arising in connection with a disposal of Real Property in the ordinary course of business including, without limitation, any lien created in Real Property subject to a sale agreement for the purposes of financing the purchase price; and
- (ii) any lien in respect of which an unconditional deletion consent (*Löschungsbewilligung*) has been delivered to the relevant member of the Group.

Total Assets means the value of the consolidated total assets of the Issuer and the Subsidiaries, as such amount appears, or would appear, on a consolidated balance sheet of the Issuer prepared in accordance with IFRS, *provided that* “*Total Assets*” shall include the proceeds of the Financial Indebtedness to be incurred.

Subsidiary means any Person that must be consolidated with the Issuer for the purposes of preparing Consolidated Financial Statements of the Issuer.

Net Unencumbered Real Property means (without duplication) the value of any Real Estate Property not subject to any Lien acquired minus the value of such Real Property which has (i) been disposed of or (ii) become subject to a Lien (where the value of Real Estate Property shall be equal to such amount that appears, or

ist (wobei der Wert des Immobilienvermögens dem Betrag entspricht, der in einer nach IFRS erstellten konsolidierten Bilanz der Emittentin erscheint oder erscheinen würde).

Unbelastetes Immobilienvermögen bezeichnet (unter Ausschluss einer Doppelberücksichtigung) den Wert des Immobilienvermögens, das nicht Gegenstand eines Sicherungsrechts ist (wobei der Wert des Immobilienvermögens dem Betrag entspricht, der in einer nach IFRS erstellten konsolidierten Bilanz der Emittentin erscheint).

Unbesicherte Finanzverbindlichkeiten bezeichnet den Teil des Gesamtnennbetrags aller ausstehenden Finanzverbindlichkeiten der Gruppe, die nicht durch ein Sicherungsrecht am Immobilienvermögen besichert sind.

Unbesicherte Nettofinanzverbindlichkeiten bezeichnet den Nennbetrag der eingegangenen Unbesicherten Finanzverbindlichkeiten abzüglich des Nennbetrags der zurückgezahlten Unbesicherten Finanzverbindlichkeiten.

Verbriefte Kapitalmarktverbindlichkeit bezeichnet jede Kapitalmarktverbindlichkeit aus oder im Zusammenhang mit einer Verbriefung oder vergleichbaren Finanzierungsvereinbarung in Bezug auf Vermögenswerte der Emittentin oder ihrer Tochtergesellschaften, bei der die Rückgriffsrechte der Gläubiger der betreffenden Kapitalmarktverbindlichkeit auf die Emittentin ausschließlich auf die betreffenden Vermögenswerte oder die daraus erzielten Erträge beschränkt sind.

Verbundenes Unternehmen hat die diesem Begriff in § 12(1) zugewiesene Bedeutung.

Vereinigte Staaten hat die diesem Begriff in § 1(7) zugewiesene Bedeutung.

Verschuldungsgrad (LTV) hat die diesem Begriff in § 11(1)(a) zugewiesene Bedeutung.

Vorläufige Globalurkunde hat die diesem Begriff in § 1(3)(a) zugewiesene Bedeutung.

Verzinsungsbeginn hat die diesem Begriff in § 4(1) zugewiesene Bedeutung.

Wahl-Rückzahlungsbetrag (Call) hat die diesem Begriff in § 6(3) zugewiesene Bedeutung.

Wahl-Rückzahlungstag (Call) hat die diesem

would appear, on a consolidated balance sheet of the Issuer prepared in accordance with IFRS).

Unencumbered Real Property means (without duplication) the value of any Real Estate Property that is not subject to any Lien (where the value of Real Estate Property shall be equal to such amounts that appear on a consolidated balance sheet of the Issuer prepared in accordance with IFRS).

Unsecured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is not secured by a Lien on Real Estate Property.

Net Unsecured Financial Indebtedness means the nominal amount of Unsecured Financial Indebtedness incurred minus the nominal amount of Unsecured Financial Indebtedness repaid.

Securitized Capital Market Indebtedness means any Capital Market Indebtedness incurred in respect of or in connection with any securitization or similar financing arrangement relating to assets owned by the Issuer or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Issuer is limited solely to such assets or any income generated therefrom.

Affiliate has the meaning assigned to such term in § 12(1).

United States has the meaning assigned to such term in § 1(7).

Loan-to-Value Ratio has the meaning assigned to such term in § 11(1)(a).

Temporary Global Note has the meaning assigned to such term in § 1(3)(a).

Interest Commencement Date has the meaning assigned to such term in § 4(1).

Call Redemption Amount has the meaning assigned to such term in § 6(3).

Call Redemption Date has the meaning assigned

Begriff in § 6(3) zugewiesene Bedeutung.

Wahl-Rückzahlungsbetrag (Put) hat die diesem Begriff in § 6(4)(a) zugewiesene Bedeutung.

Wahl-Rückzahlungstag (Put) hat die diesem Begriff in § 6(4)(c) zugewiesene Bedeutung.

Wesentliche Tochtergesellschaft bezeichnet eine Tochtergesellschaft der Emittentin, deren Bilanzsumme mindestens 2 % der Summe Aktiva ausmacht.

Zahlstelle hat die diesem Begriff in § 7(1) zugewiesene Bedeutung.

Zahlungswirksames Zinsergebnis bezeichnet alle an Personen, die nicht Mitglied der Gruppe sind, aufgelaufenen, bar zu zahlenden Zinsen und sonstigen Finanzierungskosten abzüglich des Betrags aller durch Mitglieder der Gruppe von Personen, die nicht Mitglied der Gruppe sind, zu erhaltenden und aufgelaufenen Zinsen und sonstigen Finanzierungskosten, jeweils ausgenommen einmalige Finanzierungskosten (u. a. einmalige Entgelte und/oder Vorfälligkeitsentschädigungen).

Zinsperiode hat die diesem Begriff in § 4(3) zugewiesene Bedeutung.

Zinszahlungstag hat die diesem Begriff in § 4(1) zugewiesene Bedeutung.

Zusätzliche Beträge hat die diesem Begriff in § 8(2) zugewiesene Bedeutung.

§ 17

ANWENDBARES RECHT, ERFÜLLUNGORT UND GERICHTSSTAND, GERICHTLICHE GELTENDMACHUNG

- (1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.
- (2) *Erfüllungsort und Gerichtsstand.* Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland. Vorbehaltlich eines zwingend vorgeschriebenen Gerichtsstands für bestimmte Verfahren nach dem SchVG ist das Landgericht Frankfurt am Main nicht ausschließlicher Gerichtsstand für sämtliche aus oder im Zusammenhang mit den Schuldver-

to such term in § 6(3).

Put Redemption Amount has the meaning assigned to such term in § 6(4)(a).

Put Date has the meaning assigned to such term in § 6(4)(c).

Material Subsidiary means any Subsidiary of the Issuer whose total assets are at least equal to 2 per cent. of the Total Assets.

Paying Agent has the meaning assigned to such term in § 7(1).

Net Cash Interest means all cash interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received by members of the Group from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

Interest Period has the meaning assigned to such term in § 4(3).

Interest Payment Date has the meaning assigned to such term in § 4(1).

Additional Amounts has the meaning assigned to such term in § 8(2).

§ 17

GOVERNING LAW, PLACE OF PERFORMANCE AND PLACE OF JURISDICTION, ENFORCEMENT

- (1) *Governing Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.
- (2) *Place of Performance and Place of Jurisdiction.* Place of performance is Frankfurt am Main, Federal Republic of Germany. Subject to any mandatory jurisdiction for specific proceedings under the SchVG, the district court of Frankfurt am Main (*Landgericht Frankfurt am Main*) shall have non-exclusive jurisdiction for any action or other legal pro-

schreibungen entstehenden Klagen oder sonstige Verfahren.

- (3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu sichern und geltend zu machen: (i) einer Bescheinigung der Depotbank, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearingsystem eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält, und (ii) einer Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person von dem Clearingsystem oder einer Verwahrstelle des Clearingsystems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet **Depotbank** jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Depotgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich dem Clearingsystem. Unbeschadet der vorstehenden Bestimmungen ist jeder Gläubiger berechtigt, seine Rechte aus diesen Schuldverschreibungen auch auf jede andere im Land des Verfahrens zulässige Weise geltend zu machen.

§ 18

SPRACHE

Diese Anleihebedingungen sind in deutscher Sprache abgefasst; eine Übersetzung in die englische Sprache ist beigelegt. Nur die deutsche Fassung ist rechtlich bindend. Die englische Übersetzung ist unverbindlich.

ceedings arising out of or in connection with the Notes.

- (3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing the relevant Notes certified as being a true copy of the original Global Note by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing the Notes. For purposes of the foregoing, **Custodian** means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes, including the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the proceedings.

§ 18

LANGUAGE

These Terms and Conditions are written in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The SchVG provides that holders may, with the consent of the issuer (where required), amend the terms and conditions or resolve on other matters concerning debt securities by way of majority resolutions. If provided for in the terms and conditions, this applies *mutatis mutandis* to obligations that secure such debt securities. A majority resolution in accordance with the SchVG is binding for all holders of one series of debt securities. The SchVG applies to debt securities that form an issue of identical debt securities (*Gesamtemission*) which are governed by German law. Consequently, the SchVG applies to the Notes.

The following sections provide an overview of the statutory provisions of the SchVG with respect to the Notes.

Overview of the SchVG

Under the SchVG and in accordance with the Terms and Conditions, it is possible to extensively change and therefore restructure the Terms and Conditions and to adopt further measures concerning the Notes (where required) with the Issuer's consent. Any such amendments or measures are only binding in respect of the Notes and do not apply to any other issue of debt securities of the Issuer.

The Terms and Conditions also provide for the appointment of a representative of the Holders ("**Holders' Representative**").

Individual Subjects of Resolutions

As provided for by the SchVG, the Notes do not provide for an exclusive list of admissible amendments to the Terms and Conditions or other measures on which the Holders may take a resolution. In accordance with Section 5 para. 3 sent. 1 no. 1-10 SchVG, the individual subjects for resolutions may include (but are not limited to):

- (a) amendments to the principal claim (due date, amount, currency, rank, debtors, object of performance);
- (b) amendments to or removal of ancillary conditions of the Notes;
- (c) modification or waiver of a right of termination and removal of the effect of the collective right of termination;
- (d) substitution and release of security;
- (e) amendments to legal transactions with joint obligors; and
- (f) amendments to ancillary claims (due date, amount, exclusion, currency, rank, debtors, object of performance).

In addition, resolutions not affecting the contents of the Terms and Conditions may be passed, including on the following subjects:

- (g) exchange of the Notes for other debt securities or shares; and
- (h) appointment, duties and removal of a Holders' Representative.

Relevant Majorities of the SchVG

The Terms and Conditions use the applicable majorities provided for by the SchVG. Hence, any resolutions which materially alter the Terms and Conditions or adopt other measures, in particular in the cases listed in Section 5 para. 3 sent. 1 no. 1-9 SchVG, require a majority of at least 75% of the votes participating in the vote (a "**Qualified Majority**"). All other resolutions may generally be passed with a simple majority of 50% of the participating votes.

Procedures for Taking Holder Resolutions

General

Resolutions of the Holders with respect to the Notes can be passed in a meeting (*Gläubigerversammlung*) in accordance with Sections 5 *et seq.* SchVG or by way of a vote without a meeting pursuant to Section 18 and Sections 9 *et seq.* SchVG (*Abstimmung ohne Versammlung*).

The Issuer or a Holders' Representative may convene and Holders who together hold 5% of the outstanding nominal amount of the Notes for specified reasons permitted by the SchVG may demand in writing (i) to convene a creditors' meeting (*Gläubigerversammlung*) or (ii) a vote without a meeting, as the case may be.

The Issuer bears the costs of the vote and/or the meeting and, if a court has convened a meeting, also the costs of such proceedings.

All resolutions adopted must be properly published. Resolutions which amend or supplement the Terms and Conditions have to be implemented by supplementing or amending the Global Note.

If a resolution constitutes a breach of the SchVG or the Terms and Conditions, Holders who have filed a complaint within 14 days after publication of the resolution may bring an action to set aside such resolution. Such action must be filed with the competent court within one month following the publication of the resolution.

Resolution by Physical Meeting

The meeting will be convened by way of a notice given to the Holders no later than 14 calendar days prior to the meeting. Attendance and exercise of voting rights at the meeting may be made subject to prior registration of Holders. The convening notice will provide what proof will be required for attendance and voting at the meeting. Each Holder may be represented in the meeting by proxy.

A resolution in the meeting can only be passed if a quorum of at least 50% of the outstanding aggregate principal amount of the Notes is represented in the meeting. The chairman shall ascertain each Holder's entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders present or represented by proxy in the meeting.

Resolution without a Physical Meeting

The voting will be conducted by a scrutineer (*Abstimmungsleiter*). Such scrutineer shall be (i) a notary public appointed by the Issuer, (ii) the Holders' Representative, if the vote was solicited by it, or (iii) a person appointed by the competent court.

The vote without a meeting will be convened by way of a notice given to the Holders to solicit their votes (*Aufforderung zur Stimmabgabe*) no later than 14 calendar days prior to the commencement of the vote. The solicitation notice shall set out the period within which votes may be cast (at least 72 hours), the agenda and the subject matter of the vote and the details of the conditions to be met for the votes to be valid. During the applicable voting period, the Holders may cast their votes to the scrutineer. Each Holder may be represented by proxy.

A resolution by way of voting without a meeting can only be passed if a quorum of at least 50% of the outstanding Notes by value participates in the vote during the voting period. The scrutineer shall ascertain each Holder's entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders entitled to vote.

Resolution by (second) Physical Meeting

If the quorum of 50% of the outstanding aggregate principal amount of the Notes is not met, the scrutineer or the chairman, as the case may be, may convene a (second) physical meeting of the Holders at which no quorum will be required, provided that where a resolution may only be adopted

by a Qualified Majority, a quorum requires the presence of at least 25%, of the outstanding Notes. For such (second) physical meeting the provisions set out under (b) apply *mutatis mutandis*.

Holders' Representative (*gemeinsamer Vertreter*)

A noteholders' representative may be appointed by way of a majority resolution passed by the Holders. If at the same time rights are assigned to the noteholders' representative, thereby enabling it to consent to material amendments to the Terms and Conditions on behalf of the Holders, the appointment requires a Qualified Majority.

The Holders may at any time and without reason terminate the appointment of the noteholders' representative by majority resolution passed by a simple majority. The noteholders' representative is bound by the Holders' instructions (which are based on the relevant majority resolutions).

Any individual or competent legal entity may be appointed as noteholders' representative, provided that, for the avoidance of conflicts of interest, certain disclosure requirements are to be met.

The duties and rights of the noteholders' representative are determined by the SchVG and any resolutions of the Holders. To the extent that the exercise of the Holders' rights has been transferred to the noteholders' representative, the Holders themselves may not assert these rights, unless the majority resolution of the Holders provides otherwise. The noteholders' representative's liability may be restricted in accordance with the SchVG.

DESCRIPTION OF THE ISSUER

General Information on Deutsche Wohnen AG and the Deutsche Wohnen Group

Formation, Name and Commercial Register Entry

Deutsche Wohnen AG is a stock corporation (*Aktiengesellschaft*) organized under German law. It was incorporated as KERA Beteiligungs Aktiengesellschaft, a stock corporation organized under German law, on November 19, 1996 and was registered with the commercial register of the local court of Frankfurt am Main, Germany, under docket number HRB 42388 on December 12, 1996. The place of registration of Deutsche Wohnen AG is Frankfurt am Main, Germany. The founder and sole shareholder was Deutsche Bank AG. Initially, the Company had no business operations. It first started to conduct business in 1998. The Company changed its name to Deutsche Wohnen AG pursuant to a resolution adopted by an extraordinary general meeting on October 30, 1998, which was recorded in the commercial register of the local court of Frankfurt am Main on January 6, 1999. The Company conducts business under the commercial brand Deutsche Wohnen.

Company History

The cornerstone of Deutsche Wohnen Group's formation was laid in 1998/99 with the acquisition of the residential property portfolios of what was formerly Hoechst AG and the Heimstätte Rheinland-Pfalz Group. Deutsche Wohnen Group took on its current form through its merger with the GEHAG Group in August 2007.

In 1999, all of the Company's four million no par-value registered shares, each such share representing a notional value of approximately EUR 2.56, were sold in a private placement to retail and institutional investors by the Company's then sole shareholder, DB Real Estate Management GmbH (formerly Deutsche Grundbesitz Management GmbH and now RREEF Management GmbH), Eschborn, Germany, a wholly owned subsidiary of Deutsche Bank AG. The Company's initial public offering took place on November 2, 1999, with its shares trading on the regulated market of the Luxembourg Stock Exchange and on the open markets of the Dusseldorf and Berlin/Bremen stock exchanges. The Company's stocks were approved for trading on the regulated market of the Frankfurt Stock Exchange on July 14, 2006, at the same time gaining approval for its Prime Standard, a market segment with stricter requirements. Starting on November 1, 2007, the regulated market and former regulated market were merged to create the current regulated market. At the Company's request, the listing on the Luxembourg Stock Exchange was cancelled with effect as from the end of December 12, 2006.

As part of DB Real Estate Management GmbH's placement of the Company's shares in 1999, DB Real Estate Management GmbH granted those registered shareholders who were recorded in the Company's stock register as of June 30, 2009, the right to sell their shares to DB Real Estate Management GmbH by December 31, 2009. In view of this right, Deutsche Wohnen AG and DB Real Estate Management GmbH executed a domination agreement on May 7, 1999, under which the Company gave control of its business to DB Real Estate Management GmbH. The sole shareholder of DB Real Estate Management GmbH was Deutsche Bank AG.

In early 2006, Deutsche Wohnen AG and DB Real Estate Management GmbH decided to cancel their domination agreement and financially separate Deutsche Wohnen AG from the Deutsche Bank Group in order to facilitate the sustainable growth of Deutsche Wohnen AG. The State of Rhineland-Palatinate and Hoechst GmbH, legal successor of the former Hoechst AG, had already consented to a waiver of the control requirement in 2005.

On the basis of a concept formulated by the Company and the Deutsche Bank Group on March 23, 2006, an extraordinary general meeting of the Company approved the cancellation of the domination agreement with DB Real Estate Management GmbH with a majority of 99% of the capital represented. Another condition of the financial separation set by DB Real Estate Management GmbH provides that at least 90% of the shareholders take advantage of the opportunity to exchange their existing Company registered shares for bearer shares and, in connection with such exchange, waive their

right to a sell-out. This condition was also approved by the extraordinary general meeting on March 23, 2006. Upon fulfillment of these conditions, the domination agreement was cancelled, effective as of the end of June 30, 2006. As of September 10, 2009, the date of exchange, 466,599 of the 677,822 registered shares were exchanged for bearer shares, leaving a total of 211,223 registered shares outstanding as of September 10, 2009 (approximately 0.8% of the shares of Deutsche Wohnen AG). On June 11, 2014, the annual general meeting of the Company resolved that any shares in the Company in registered form that had not already been converted into bearer shares by their owners would be converted into bearer shares. The conversion came into effect in 2014.

In the course of its merger with Berlin-based GEHAG, Deutsche Wohnen AG acquired, in two stages, all shares of GEHAG from the companies affiliated with Oaktree Capital Management, L.P.

In May 2012, Deutsche Wohnen Group acquired the portfolio of the BauBeCon group (comprised of the companies BauBeCon Immobilien GmbH, BauBeCon Wohnwert GmbH, BauBeCon Assets GmbH, BauBeCon BIO GmbH, Algarobo Holding B.V., Hamnes Investment B.V. and Intermetro GmbH. (collectively known as the “**BauBeCon Group**”)) of about 23,500 residential units from Barclays Bank PLC. Deutsche Wohnen financed the purchase price of nearly EUR 1.235 billion through a combination of equity and debt, with the latter representing approximately EUR 700 million.

In April 2013, Deutsche Wohnen Group acquired a portfolio of about 6,900 residential units in the Greater Berlin area from companies affiliated with Blackstone Group L.P. The purchase price for the acquisition of the residential property portfolio consisted of a cash component of EUR 260 million and a share component made up of 8,150,000 new, no par-value bearer shares in Deutsche Wohnen AG.

In November 2013, the Company acquired 91.05% of shares of GSW Immobilien AG (“**GSW**”) (based on the share capital at the time) in the course of a public share-for-share tender offer. After execution of the takeover offer, Deutsche Wohnen AG acquired further shares of GSW by exercising conversion rights from convertible bonds issued by GSW and acquired by Deutsche Wohnen AG in 2013. As of the date of this Offering Memorandum, Deutsche Wohnen AG owned shares of GSW, which corresponded to 93.77% of outstanding share capital and voting rights in GSW.

On November 22, 2013, the Company issued convertible bonds with a total nominal amount of EUR 250 million.

On September 8, 2014, the Company issued convertible bonds with a total nominal amount of EUR 400 million.

On June 5, 2015, the Company increased its registered share capital by EUR 42,166,532 to EUR 337,332,258 (including shares issued based on contingent capital that have not yet been registered with the commercial register) against contribution in cash.

Registered Office, Fiscal Year, Duration and Purpose of the Company

The Company’s registered office is located at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany, and its telephone number is +49 (0) 69 97 69 70 0.

Since January 1, 2007, the Company’s fiscal year has been the calendar year. The duration of the Company is indefinite.

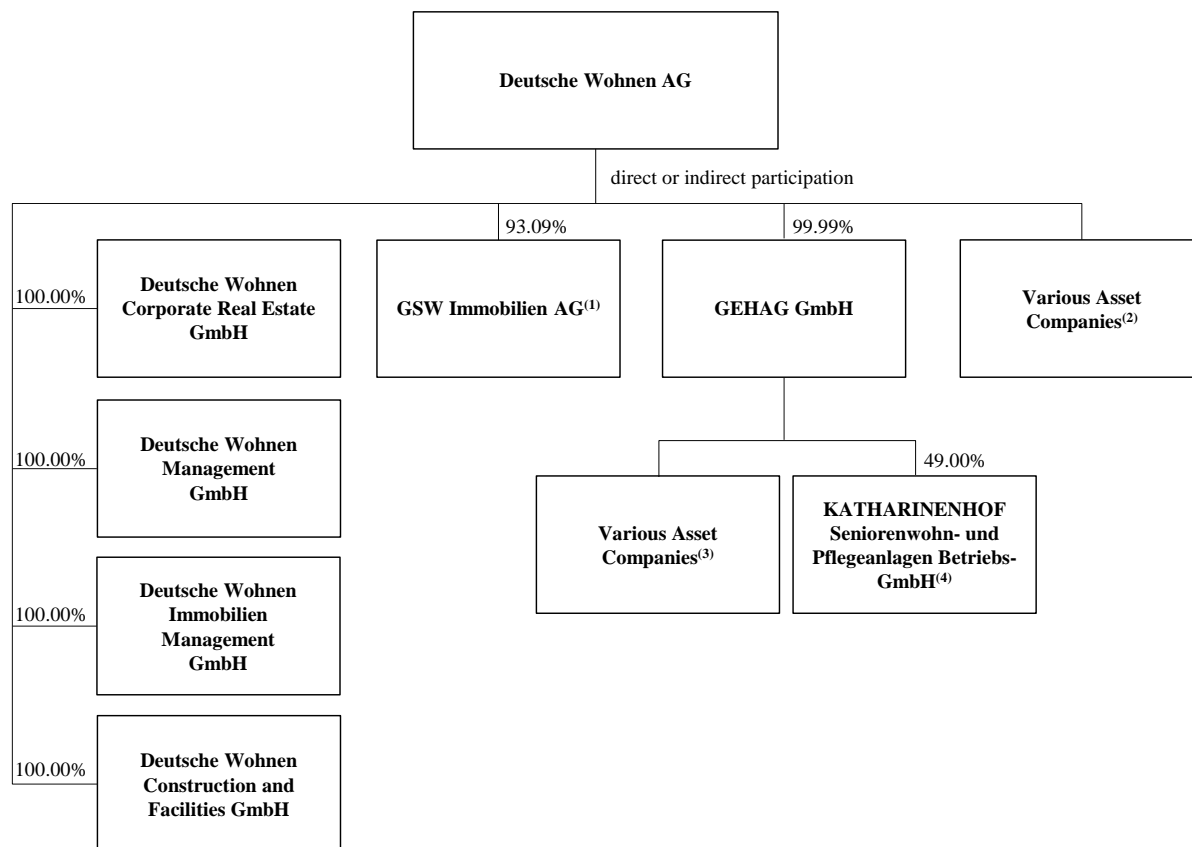
Pursuant to section 2 of the articles of association of the Company (“**Articles of Association**”), the objective of Deutsche Wohnen AG is the acquisition, administration, letting and management, as well as the sale of residential property, nursing care facilities and other real estate. Real estate may be built, modernized and refurbished, services may be provided, and co-operations in all forms may be undertaken by the Company. The Company shall be entitled to be active in the fields listed above, either by itself, or through subsidiaries or portfolio companies; provided, that the purpose of the relevant entity covers the business activities of the Company in full or in part. The Company shall also be entitled to found or acquire such companies; it shall be entitled to manage subsidiaries under joint management or limit itself to the administration of its participating interests, and the Company shall be

entitled to dispose of its interests. The Company is entitled to take all actions related to its purpose and which serve its purpose directly or indirectly.

Structure of the Deutsche Wohnen Group and Significant Shareholdings

Deutsche Wohnen AG is the parent company of Deutsche Wohnen Group and is not dependent on other entities within the Deutsche Wohnen Group. Its primary role within Deutsche Wohnen Group is to function as a finance and management holding company. The operating business is conducted exclusively by subsidiaries, the majority of which were founded and have their registered office in Germany.

The current structure of Deutsche Wohnen Group is as follows (only major subsidiaries are shown; percentages shown as of March 31, 2015):



(1) Major subsidiaries of GSW are: GSW Grundvermögens- und Vertriebsgesellschaft mbH, Grundstücksgesellschaft Karower Damm mbH, GSW Wohnwert GmbH, GSW Corona GmbH, GSW Pegasus GmbH, Wohnanlage Leonberger Ring GmbH, GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, and GSW Fonds Weinmeisterhornweg 170-178 GbR.

(2) Major other subsidiaries of Deutsche Wohnen AG are: Rhein-Main Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Deutsche Wohnen Reisholz GmbH, Main-Taunus Wohnen GmbH & Co. KG, Rhein-Pfalz Wohnen GmbH, DB Immobilien Fonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Larry Group (consisting of the companies Larry Condo S.à r.l., Larry Condo Holdco S.à r.l., Larry Berlin I S.à r.l., Larry Berlin II S.à r.l., Larry Berlin Lichtenberg S.à r.l., Larry II Berlin Marzahn S.à r.l., Larry II Berlin Hellersdorf S.à r.l., Larry II Greater Berlin S.à r.l., Larry II Potsdam S.à r.l.).

(3) Major subsidiaries are: Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, BauBeCon group (BauBeCon Assets GmbH, BauBeCon Immobilien GmbH, BauBeCon Wohnwert GmbH, BauBeCon Bio GmbH, Hannes Investments B.V., Algarobo Holding B.V., Intermetro GmbH), DWRE Group (consisting of eight companies, formerly owned by Kristensen), GEHAG Erste Beteiligungs GmbH, GEHAG Dritte Beteiligungs GmbH, GEHAG Vierte Beteiligung S.E., Fortimo GmbH, Aufbau-Gesellschaft der GEHAG GmbH, Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, SGG Scharnweberstraße Grundstücks GmbH, AGG Auguste-Viktoria-Allee Grundstücks GmbH, GGR Group (consisting of the companies GGR Wohnparks Alte Hellersdorfer Straße GmbH, GGR Wohnparks Kastanienallee GmbH, GGR Wohnparks Nord Leipziger Tor GmbH, GGR Wohnparks Süd Leipziger Tor GmbH), Deutsche Wohnen Dresden I GmbH and Deutsche Wohnen Dresden II GmbH.

- (4) Effective January 1, 2015, GEHAG GmbH's stake in KATHARINENHOF Seniorenwohn- und Pflegeanlagen Betriebs-GmbH decreased to 49%. Major subsidiaries of KATHARINENHOF Seniorenwohn- und Pflegeanlagen Betriebs-GmbH are: Katharinenhof Service GmbH, Seniorenresidenz Am Lunapark GmbH, LebensWerk GmbH.

The following table shows the financial information pursuant to the German Commercial Code (*Handelsgesetzbuch (HGB)*) for selected subsidiaries of Deutsche Wohnen AG (medium-sized and large corporations) as of December 31, 2014 (unless otherwise indicated). The figures are in million euros, unless otherwise indicated. No material change occurred following to this date.

Company name and Registered office	Areas of responsibility	Share of voting rights (direct and indirect) (in %)	Issued capital (in EUR million)	Reserves (in EUR million)	Equity (in EUR million)	Book value of the shares (in EUR million)	Receivables of Deutsche Wohnen AG from affiliated companies (in EUR million)	Liabilities of Deutsche Wohnen AG to affiliated companies (in EUR million)	Net profit/loss (in EUR million)	Dividend recognized by Deutsche Wohnen in the fiscal year 2014 (in EUR million)
Direct participations										
Deutsche Wohnen Management GmbH, Berlin.....	Management Property	100.00	0.0	0.0	0.0	0.0	0.3	1.3	0.0 ²⁾	0.3 ¹⁾
GSW Immobilien AG, Berlin.....	Management	93.08	56.7	497.6	1,111.6	1,929.3	1.7	0.1	3.6	73.9 ⁴⁾
Indirect participations										
BauBeCon Assets GmbH, Berlin.....	Property management	100.00	0.1	57.8	29.6	33.2	7.9	14.1	2.0	n/a
BauBeCon Immobilien GmbH, Berlin.....	Property management	100.00	58.4	804.1	356.2	357.7	0.0	23.9	19.3	n/a
BauBeCon Wohnwert GmbH, Berlin.....	Property management	100.00	5.2	21.5	26.7	26.7	0.0	11.3	0.0 ²⁾	n/a
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn.....	Property management	89.52	30.1 ³⁾	0.0	30.1	58.0	0.0	0.0	0.8	n/a
Eisenbahn-Siedlungsgesellschaft Berlin mit beschränkter Haftung, Berlin.....	Property management	94.90	10.7	1.2	11.9	151.8	0.0	16.8	0.0 ²⁾	n/a
FACILITA Berlin GmbH, Berlin.....	Management	100.00	0.0	0.3	2.0	0.2	0.0	0.0	1.1	n/a
Fortimo GmbH, Berlin.....	Property management	100.00	0.0	6.1	6.1	6.1	24.1	0.0	0.0 ²⁾	n/a
GEHAG Erste Beteiligungs GmbH, Berlin.....	Property management	100.00	0.0	0.0	0.0	0.0	118.7	0.0	0.0 ²⁾	n/a
GEHAG GmbH, Berlin.....	Property management	100.00	13.0	861.4	1,089.4	945.1	0.1	197.5	65.6	n/a
GGR Wohnparks Kastanienallee GmbH, Berlin.....	Property management	100.00	0.0	50.2	21.3	36.0	0.0	10.1	1.7	n/a
GSW Corona GmbH, Berlin.....	Property management	99.70	1.0	2.0	3.1	33.9	0.0	0.0	14.6	n/a
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin.....	Property management	100.00	0.3	90.0	90.3	90.3	0.0	0.0	0.0 ²⁾	n/a
GSW Pegasus GmbH.....	Property management	100.00	0.0	30.7	2.7	110.2	0.0	0.0	13.6	n/a
KATHARINENHOF [®] Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin.....	Management	100.00	2.0	0.0	2.0	1.5	0.0	0.0	0.0 ²⁾	n/a
LebensWerk GmbH, Berlin.....	Management	100.00	0.0	0.0	0.0	9.2	0.0	0.0	0.0 ²⁾	n/a
Rhein-Main Wohnen GmbH, Frankfurt am Main.....	Property management	100.00	13.1	317.2	514.0	469.4	278.5	445.6	(9.2)	n/a
Rhein-Mosel Wohnen GmbH, Mainz.....	Property management	100.00	10.0	76.0	175.9	74.7	208.9	0.0	7.1	n/a
Seniorenresidenz Am Lunapark GmbH, Leipzig.....	Management	100.00	0.1	0.0	0.1	5.3	0.0	0.0	0.0 ²⁾	n/a

- 1) Profit 2014 transferred to Deutsche Wohnen AG and realized as profit in fiscal year 2014 according to a profit-and-loss transfer agreement. The payment will be made in the fiscal year 2015.
- 2) No annual net profit or loss for 2014 due to a profit-and-loss transfer agreement or a domination agreement.
- 3) All capital accounts of limited partnerships are shown as issued capital.

- 4) Dividend for fiscal year 2014 realized by Deutsche Wohnen AG in fiscal 2014. The payment will be made in fiscal year 2015.

Auditor

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, Niederlassung Berlin, Friedrichstraße 140, 10117 Berlin, Deutschland (“EY”), audited in accordance with section 317 of the German Commercial Code (*Handelsgesetzbuch (HGB)*) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, IDW), Deutsche Wohnen AG’s annual financial statements as of and for the fiscal year ended December 31, 2014, prepared in accordance with the German Commercial Code (*Handelsgesetzbuch (HGB)*), and Deutsche Wohnen AG’s consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, prepared in accordance with IFRS, and the additional requirements of German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (*Handelsgesetzbuch (HGB)*), and issued an unqualified auditor’s report, in each case.

EY is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer K.d.ö.R.*), Berlin.

Admission to Stock Exchange Trading

Deutsche Wohnen AG’s shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange on July 14, 2006, at the same time gaining approval for its Prime Standard, a market segment with stricter requirements; starting on November 1, 2007, the regulated market and former regulated market were merged to create the current regulated market. Deutsche Wohnen AG’s share capital (including shares issued based on contingent capital that have not yet been registered with the commercial register) amounted on June 4, 2015 to EUR 337,332,258, divided into 337,332,258 shares.

The bearer shares of Deutsche Wohnen AG have been included in the MDAX[®] Index of the Frankfurt Stock Exchange since December 8, 2010.

Notifications, Paying Agent

Pursuant to the Articles of Association, its announcements are published in the German Federal Gazette (*Bundesanzeiger*). To the extent permitted by law, announcements may also be sent by registered mail. Notices concerning the Company’s shares are published in the German Federal Gazette (*Bundesanzeiger*). Stock market announcements are also published in the German Federal Gazette (*Bundesanzeiger*). This Offering Memorandum and any subsequent additions to the Offering Memorandum are published on the Company website (www.deutsche-wohnen.com, section: “Investor Relations”). Printed copies of the Offering Memorandum are available from the Company free of charge during normal business hours at the following addresses: Deutsche Wohnen AG, Mecklenburgische Straße 57, 14197 Berlin, Germany, and Pfaffenwiese 300, 65929 Frankfurt am Main, Germany.

The paying agent is Deutsche Bank AG.

Selected Consolidated Financial Information

The following tables contain key consolidated financial information of Deutsche Wohnen Group as of and for the three months ended March 31, 2015 and March 31, 2014, and as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The financial information contained in the following tables has been taken or derived from the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 and the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 as well as the Company's accounting records or internal management reporting systems. The Company's consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 have been prepared in accordance with IFRS and the additional requirements of the German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch (HGB)) and were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft who issued an unqualified auditor's report in each case. The Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 have been prepared in accordance with IFRS for interim financial reporting (IAS 34). The other operating data stated below have been derived from the Company's accounting records or internal management reporting systems.

Where the financial information stated in the following tables is labeled as "audited", this means that it has been taken from Deutsche Wohnen AG's audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. Financial information which has not been taken from the aforementioned consolidated financial statements but, instead, is taken or derived from the unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015, the Company's accounting records or internal management reporting systems or which is based on calculations of financial information from the above mentioned sources is labeled in the following tables as "unaudited".

In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013, pursuant to IFRS 3, the allocation of the purchase price for the acquisition of GSW on November 30, 2013 was undertaken on a provisional basis. Due to new findings, the allocation of the purchase price was adjusted pursuant to IFRS 3. Accordingly, certain line items in the comparative financial information as of December 31, 2013 in the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014 were affected by this adjustment and were adjusted retrospectively. Therefore, in principle, financial information as of December 31, 2013, labelled as "audited" was extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Unless otherwise indicated, all the financial information presented in the text and the tables of this section of the Offering Memorandum is shown in millions of euros (EUR million) and is commercially rounded to one digit after the decimal point. Unless otherwise stated, all percentage changes in the text and the tables are rounded to the first digit after the decimal point. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown and the aggregated percentages may not exactly equal 100.0%. Parentheses around any figures in the tables indicate negative values. A dash ("–") means that the relevant figure is not available or not existent, while a zero ("0") means that the relevant figure has been rounded to zero.

The following consolidated financial information of Deutsche Wohnen should be read in conjunction with the section entitled "Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations, the unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 and the audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 reproduced in the equity prospectus of Deutsche Wohnen AG which has been approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") on May 20, 2015 and has been published on Deutsche Wohnen's website (www.deutsche-wohnen.de) under "Investor Relations" (the "Equity Prospectus") in the section entitled "Financial Information" which is incorporated by reference in this Offering Memorandum (see section "Documents Incorpo-

rated by Reference”), as well as the other financial information to be found elsewhere in this Offering Memorandum.

Selected Data from the Consolidated Profit and Loss Statement

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)	(unaudited) (in EUR million)	(audited) (in EUR million)	(audited) (in EUR million)	(audited) (in EUR million)
Income from Residential Property Management.....	158.9	157.0	626.3	372.9	240.1
Expenses from Residential Property Management	(26.4)	(25.3)	(120.5)	(80.6)	(45.6)
Earnings from Residential Property Management	132.5	131.7	505.8	292.3	194.4
Sales proceeds	49.7	86.4	257.4	169.7	167.8
Cost of sales.....	(3.4)	(3.0)	(12.1)	(10.3)	(11.8)
Carrying amounts of assets sold	(36.9)	(67.6)	(192.9)	(136.3)	(136.1)
Earnings from Disposals	9.3	15.8	52.4	23.0	19.9
Income from Nursing and Assisted Living.....	16.3	16.7	68.2	59.9	42.0
Expenses from Nursing and Assisted Living.....	(12.5)	(12.6)	(51.9)	(46.7)	(32.1)
Earnings from Nursing and Assisted Living.....	3.8	4.2	16.3	13.2	9.9
Corporate expenses.....	(18.7)	(22.8)	(90.5)	(52.9)	(40.4)
Other expenses/income.....	(7.9)	(4.3)	(29.6)	(22.7)	12.7
Subtotal.....	119.0	124.5	454.4	252.9	196.5
Gains from the fair value adjustments of investment properties.....	–	–	952.7	101.3	119.2
Depreciation and amortization	(1.3)	(1.6)	(6.1)	(5.5)	(3.1)
Earnings before interest and taxes (EBIT).....	117.7	122.9	1,401.0	348.7	312.6
Finance income.....	0.2	0.3	1.0	1.0	2.0
Gains/Losses from fair value adjustments of derivative financial instruments and convertible bonds ¹⁾	(109.9)	(16.7)	(111.5)	10.6	(0.2)
Gains/losses from companies valued at equity	0.4	–	(0.5)	–	–
Finance expense.....	(35.7)	(52.4)	(268.5)	(142.4)	(108.7)
Profit before taxes.....	(27.3)	54.2	1,021.4	217.9	205.6
Income taxes	(17.0)	(8.6)	(132.2)	(5.2)	(60.1)
Profit for the period.....	(44.2)	45.5	889.3	212.7	145.5

1) In the Company’s consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as “Gains/losses from fair value adjustments of derivative financial instruments”.

Selected Data from the Consolidated Balance Sheet

	March 31, 2015 <small>(unaudited)</small> <small>(in EUR million)</small>	December 31, 2014 <small>(audited)</small>	December 31, 2013 ¹⁾ <small>(audited)</small> <small>(in EUR million)</small>	December 31, 2012 <small>(audited)</small>
Assets				
Non-current assets	10,710.8	10,563.3	9,725.8	4,719.4
of which:				
Investment properties	9,757.1	9,611.0	8,937.1	4,614.6
Property, plant and equipment	25.1	26.0	26.8	20.3
Intangible assets	545.6	546.1	547.1	3.3
Deferred tax assets	354.6	351.7	190.4	80.7
Current assets	1,108.5	882.9	401.2	188.5
of which:				
Land and buildings held for sale	60.4	58.1	97.1	39.1
Cash and cash equivalents	562.4	396.4	196.4	90.6
Total assets	11,819.4	11,446.2	10,127.0	4,907.8
Equity and liabilities				
Total equity	4,846.0	4,876.1	3,944.3	1,609.7
Total non-current liabilities	6,088.7	6,025.9	5,654.6	2,989.5
of which:				
Non-current financial liabilities	4,458.0	4,509.3	4,903.3	2,634.3
Convertible bonds	860.5	747.4	247.9	–
Employee benefit liability	73.0	67.7	55.3	54.5
Tax liabilities	–	–	27.9	36.5
Derivative financial instruments	112.0	126.4	124.8	113.7
Deferred tax liabilities	568.6	557.9	288.9	143.3
Total current liabilities	884.7	544.2	528.2	308.7
Total equity and liabilities	11,819.4	11,446.2	10,127.0	4,907.8

1) Figures extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Selected Data from the Consolidated Statement of Cash Flows

	January 1 – March 31, 2015 <small>(unaudited)</small> <small>(in EUR million)</small>	January 1 – March 31, 2014 <small>(unaudited)</small>	January 1 – December 31, 2014 <small>(audited)</small>	January 1 – December 31, 2013 <small>(audited)</small> <small>(in EUR million)</small>	January 1 – December 31, 2012 <small>(audited)</small>
Net cash flows from operating activities	22.2	44.6	189.4	61.1	59.2
Net cash flows from investing activities	238.8	74.3	37.3	(655.1)	(1,238.0)
Net cash flows from financing activities	(94.9)	(135.3)	(26.8)	699.8	1,101.5
Net change in cash and cash equivalents	166.0	(16.4)	200.0	105.9	(77.3)
Closing balance of cash and cash equivalents	562.4	180.1	396.4	196.4	90.6

Other Financial and Operating Data

The following section describes certain additional operating key performance indicators. Potential investors should note that the following operating key performance indicators of Deutsche Wohnen are not IFRS-defined parameters. For this reason, it is possible that other companies may use

different methods for calculating the same or similarly titled key performance indicators. Accordingly, these key performance indicators are not necessarily comparable with the same or similarly titled key performance indicators used by other companies.

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited)	(unaudited)	(unaudited, unless otherwise indicated) ¹⁾		
EBITDA (adjusted) ²⁾ in EUR million	122.6	126.7	475.3	270.2	180.6
EBT (adjusted) ³⁾ in EUR million	91.7	73.1	283.3	131.9	78.5
Net operating income (NOI) from Residential Property Management ⁴⁾ in EUR million	122.0	121.1	460.6	264.0	172.2
In-place rent ⁵⁾ in the residential portfolio in the strategic core and growth regions in EUR per square meter and month (end of period) ⁶⁾	5.75	n/a ⁷⁾	5.71	5.56	5.54
In-place rent ⁵⁾ in total letting portfolio in EUR per square meter and month (end of period) ⁶⁾	5.73	n/a ⁷⁾	5.69	5.54	5.49
Vacancy rate ⁸⁾ in the total residential portfolio in the strategic core and growth regions in % (end of period) ⁶⁾	2.1	n/a ⁷⁾	2.1	2.2	2.1
Vacancy rate ⁸⁾ in the total residential portfolio in % (end of period) ⁶⁾	2.3	n/a ⁷⁾	2.2	2.4	2.5
EPRA NAV (undiluted) in EUR million ⁹⁾ (end of period)	5,296.1	n/a ⁷⁾	5,326.0	4,153.0	1,824.4
EPRA NAV (undiluted) per share in EUR ⁹⁾ (end of period)	17.96	n/a ⁷⁾	18.10	14.51	12.48
Loan-to-value ratio in % ¹⁰⁾ (end of period)	50.4	n/a ⁷⁾	51.0 ¹¹⁾	57.4 ¹¹⁾	57.2 ¹¹⁾
FFO (without disposals) ¹²⁾ in EUR million	71.3	59.1	217.6	114.5	68.2
FFO (without disposals) per share ¹²⁾ in EUR	0.24	0.21	0.76	0.65	0.54
FFO (including disposals) ¹²⁾ in EUR million	80.6	74.9	270.0	137.5	88.1
FFO (including disposals) per share ¹²⁾ in EUR	0.27	0.26	0.94	0.78	0.70

1) Calculated based on the above mentioned sources, unless otherwise indicated.

2) Deutsche Wohnen calculates this key performance indicator by adjusting earnings before interest and taxes (“**EBIT**”) for gains/losses from the fair value adjustments of investment properties, depreciation and amortization and non-recurring or exceptional items (other non-recurring income from the settlement of the loss compensation agreement with RREEF Management GmbH (“**RREEF**”) in 2012 and from the settlement of the lawsuit BauBeCon Immobilien GmbH in 2013, transaction and integration costs related to restructuring and reorganization expenses in connection with GSW in 2014, transaction and integration costs in connection with the public takeover of GSW in 2013, the acquisition of the BauBeCon Group in 2012 and costs from the deconsolidation of Facilita Berlin GmbH). The Company uses adjusted earnings before interest, taxes, depreciation and amortization (“**EBITDA (adjusted)**”) to measure its operating performance. The following table sets out the calculation of EBITDA (adjusted) for the three months ended March 31, 2015 and March 31, 2014 and for the fiscal years 2014, 2013 and 2012:

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited)	(unaudited)	(audited, unless otherwise indicated)		
	(in EUR million)		(in EUR million)		
Earnings before interest and taxes					
(EBIT)	117.7	122.9	1,401.0	348.7	312.6
Gains/losses from the fair value adjustments of investment properties.....	–	–	(952.7)	(100.9) ^{a)}	(119.2)
Depreciation and amortization	1.3	1.6	6.1	5.5	3.1
Subtotal	119.0	124.5	454.4	253.3	196.5
Non-recurring or exceptional items (unaudited)^{b)}					
Other non-recurring income (unaudited) ^{b)}	(0.9)	–	–	(2.2)	(20.3)
Transaction and integration costs and costs from deconsolidation of Facilita Berlin GmbH	4.5	–	5.6	19.1	4.4
Restructuring and reorganization expenses.....	–	2.2	15.2	–	–
EBITDA (adjusted) (unaudited)^{c)}	122.6	126.7	475.3	270.2	180.6

a) Gains from the fair value adjustments of investment properties less gains from the valuation of land and buildings held for sale amounting to EUR 0.4 million, which are a part of those gains from the fair value adjustments of investment properties; unaudited figures taken or derived from the Company's accounting records or internal management reporting systems.

b) Taken or derived from the Company's accounting records or internal management reporting systems.

c) Calculated based on the above mentioned sources.

- 3) Deutsche Wohnen calculates the adjusted earnings before tax (“**EBT (adjusted)**”) by adjusting profit/loss before taxes for gains/losses from the fair value adjustments of investment properties, non-recurring or exceptional items (other non-recurring income from the settlement on the loss compensation agreement with RREEF in 2012 and from the settlement of the lawsuit BauBeCon Immobilien GmbH in 2013, transaction and integration costs related to restructuring and reorganization expenses in connection with GSW in 2014, integration costs and costs from deconsolidation of Facilita Berlin GmbH in 2014, transaction and integration costs in connection with the public takeover of GSW in 2013 and the acquisition of the BauBeCon Group in 2012 and non-recurring expenses in connection with the refinancing related to the public takeover of GSW and for the issue of the convertible bond in 2013 and related to the BauBeCon Group transaction in 2012) and gains/losses from fair value adjustments of derivative financial instruments and convertible bonds. Deutsche Wohnen uses EBT (adjusted) as an indicator of operating performance. The following table sets out the calculation of EBT (adjusted) for the three months ended March 31, 2015 and March 31, 2014 and for the fiscal years 2014, 2013 and 2012:

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited)	(unaudited)	(audited, unless otherwise indicated)		
	(in EUR million)		(in EUR million)		
Profit before taxes	(27.3)	54.2	1,021.4	217.9	205.6
Gains/losses from the fair value adjustments of investment properties	–	–	(952.7)	(100.9) ^{a)}	(119.2)
Non-recurring or exceptional items					
Other non-recurring income (unaudited) ^{b)}	(0.9)	–	–	(2.2)	(20.3)
Restructuring and reorganization expenses (unaudited) ^{b)}	–	2.2	15.2	–	–
Transaction and integration costs and costs from deconsolidation of Facilita Berlin GmbH (unaudited) ^{b)}	4.5	–	5.6	19.1	4.4
Non-recurring expenses in connection with the refinancing ^{c)}	5.4	–	82.2	8.6	7.8
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds ^{d)}	109.9	16.7	111.5	(10.6)	0.2
EBT (adjusted) (unaudited)^{e)}	91.7	73.1	283.3	131.9	78.5

- a) *Gains from the fair value adjustments of investment properties less gains from the valuation of land and buildings held for sale amounting to EUR 0.4 million, which are a part of those gains from the fair value adjustments of investment properties; unaudited figures taken or derived from the Company's accounting records or internal management reporting systems.*
- b) *Taken or derived from the Company's accounting records or internal management reporting systems.*
- c) *In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "Financing costs" as well as "Financing costs for BauBeCon".*
- d) *In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "Gains/losses from fair value adjustments of derivative financial instruments".*
- e) *Calculated based on the above mentioned sources.*

- 4) Deutsche Wohnen defines net operating income ("NOI") from Residential Property Management as the segment earnings from Residential Property Management less attributable corporate expenses. The attributable corporate expenses comprise the direct and indirect staff and general and administration expenses. To calculate NOI per square meter and month, NOI is divided by the average square meter (quarterly basis) in the relevant period and then by the number of months in that period. The following table sets out the calculation of NOI and NOI per square meter and month for the three months ended March 31, 2015 and March 31, 2014 and for the fiscal years 2014, 2013 and 2012:

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited and in EUR million, unless otherwise indicated)		(unaudited and in EUR million, unless otherwise indicated)		
Earnings from Residential Property Management.....	132.5	131.7	505.8 ^{a)}	292.3 ^{a)}	194.4 ^{a)}
Staff and general and administration expenses ^{b)}	(10.5)	(10.6)	(45.2)	(28.3)	(22.2)
Net operating income (NOI) from Residential Property Management^{c)}.....	122.0	121.1	460.6	264.0	172.2
NOI in EUR per square meter and month^{b)}.....	4.41	4.33	4.14	3.84	4.00

a) *Audited.*

b) *Taken or derived from the Company's accounting records or internal management reporting systems.*

c) *Calculated based on the information shown in the table.*

- 5) In-place rent is defined as the contractually owed net cold rent for the rented units per month divided by the rented floor space. The focus of Deutsche Wohnen's business activities is on increasing in-place rent and simultaneously minimizing the vacancy rate. Deutsche Wohnen seeks to achieve this by increasing rents in accordance with the residential rental index, by realizing rent potential arising from new leases (fluctuation), specific modernization measures, the costs of which can be passed on to the tenants, and measures to reduce vacancies. The in-place rent as of December 31, 2012 also includes new acquisitions with a transfer of benefits and encumbrances as of January 1 and February 1, 2013.
- 6) Taken or derived from the Company's accounting records or internal management reporting systems.
- 7) These numbers relate to a certain date. Accordingly, the numbers as of March 31, 2015 should be compared to the numbers as of December 31, 2014.
- 8) The vacancy rate is the ratio of vacancy losses to the potential gross rental income as of the applicable reporting date. The reference to the potential gross rental income ensures that the size of the residential unit and the actual costs are sufficiently factored into the vacancy rate. One of the Company's strategic goals is to reduce vacancies along with a steady increase in rents. Through vacancy reduction, the vacancy losses and the results of operating costs can be positively affected. The vacancy rate as of December 31, 2012 also includes new acquisitions with a transfer of benefits and encumbrances as of January 1 and February 1, 2013.
- 9) Deutsche Wohnen considers net asset value ("NAV") to be an important indicator of the intrinsic value of a real estate company. In accordance with the definition recommended by the European Public Real Estate Association ("EPRA"), EPRA NAV (undiluted) is defined as equity (before non-controlling interests) adjusted for the net total of derivative financial instruments (assets and liabilities) and certain deferred taxes. Deutsche Wohnen defines adjusted NAV (undiluted) as EPRA NAV (undiluted) adjusted for the goodwill of GSW. Potential investors should note that EPRA NAV per share (undiluted) and adjusted NAV per share (undiluted) are not an indication of the future performance of Deutsche Wohnen AG's shares. The following table sets out the calculation of EPRA NAV (undiluted), adjusted NAV (undiluted), EPRA NAV per share (undiluted) and adjusted NAV per share (undiluted) as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)	(unaudited, unless otherwise indicated)		
	(in EUR million, unless otherwise indicated)	(in EUR million, unless otherwise indicated)		
Equity (before non-controlling interests) ^{a)}	4,655.3	4,692.9	3,777.8	1,609.3
Fair values of derivative financial instruments (net total of assets and liabilities) ^{a)}	144.3	144.9	156.5	152.5
Deferred taxes	496.5 ^{c)}	488.2 ^{c)}	218.7 ^{c)}	62.6 ^{d)}
EPRA NAV (undiluted)^{a)}	5,296.1	5,326.0	4,153.0	1,824.4
Goodwill GSW Immobilien AG	(535.1) ^{b)}	(535.1) ^{e)}	(535.1) ^{e)}	–
Adjusted NAV (undiluted)^{a)}	4,761.0	4,790.9	3,617.9	1,824.4
Number of shares (in millions, end of the period) ^{b)}	294.90	294.26	286.22	146.14
EPRA NAV per share in EUR (undiluted)^{a)}	17.96	18.10	14.51	12.48
Adjusted NAV per share in EUR (undiluted)^{a)}	16.14^{f)}	16.28^{g)}	12.64^{h)}	12.48

a) Calculated based on the above mentioned sources.

b) Taken or derived from the Company's accounting records or internal management reporting systems.

c) Deferred taxes were calculated as follows:

	March 31, 2015	December 31, 2014	December 31, 2013
	(unaudited)	(unaudited, unless otherwise indicated)	
	(in EUR million)	(in EUR million)	
+ Deferred tax liabilities	568.6 ^{*)}	557.9 ^{**)}	288.9 ^{**)}
+ Deferred tax assets on loss carry-forwards	276.5 ^{***)}	276.5 ^{**)}	121.2 ^{**)}
+/- Deferred tax assets/liabilities based on fair value adjustments of convertible bonds ^{***)}	6.0	5.5	(1.0)
- Deferred tax assets	(354.6) ^{*)}	(351.7) ^{**)}	(190.4) ^{**)}
Deferred taxes	496.5	488.2	218.7

*) Figures were extracted from the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

***) Audited. Figures as of December 31, 2013 were extracted from the Company's consolidated financial statements as of and for the year ended December 31, 2014.

***) Taken or derived from the Company's accounting records or internal management reporting systems.

d) Net total of deferred tax assets and liabilities.

e) Audited. The figure as of December 31, 2013 was extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

f) The Adjusted NAV per share (diluted) as of March 31, 2015 would amount to EUR 18.83 per share taking into account the effect of the conversion of the convertible bonds issued in 2014 and 2013 of EUR 855.1 million and 31.71 million additional shares.

g) The Adjusted NAV per share (diluted) as of December 31, 2014 would amount to EUR 18.62 per share taking into account the effect of the conversion of the convertible bonds issued in 2014 and 2013 of EUR 743.1 million and 31.71 million additional shares.

h) The Adjusted NAV per share (diluted) as of December 31, 2013 would amount to EUR 14.69 per share taking into account the effect of the conversion of the convertible bond issued in 2013 of EUR 248.6 million and 13.33 million additional shares.

- 10) The loan-to-value ratio (“**LTV Ratio**”) describes the ratio of net financial liabilities (financial liabilities (current and non-current financial liabilities as well as financial liabilities regarding non-current assets held for sale) and convertible bonds (current and non-current) less cash and cash equivalents) to the value of the total real estate holdings (investment properties plus non-current assets held for sale and land and buildings held for sale). Deutsche Wohnen considers the LTV Ratio to be an important indicator of the capital structure. The Company applies the LTV Ratio to identify scope for optimizing the cost of capital, for possible acquisitions and for necessary financial measures. The following table sets out the calculation of the LTV Ratio as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

	March 31, 2015	December 31, 2014	December 31, 2013 ^{a)}	December 31, 2012
	(unaudited) (in EUR million, unless otherwise indicated)	(audited and in EUR million, unless otherwise indicated)		
Financial liabilities	4,669.6	4,779.0	5,161.5	2,768.6
Convertible bond	861.1	748.7	250.2	0.0
Cash and cash equivalents	(562.4)	(396.4)	(196.4)	(90.6)
Net financial liabilities	4,968.3	5,131.3	5,215.3	2,678.0
Investment properties	9,757.1	9,611.0	8,937.1	4,614.6
Non-current assets held for sale	44.9 ^{b)}	392.9	57.5	24.4
Land and buildings held for sale	60.4	58.1	97.1	39.1
Total real estate holdings (unaudited)	9,862.4	10,062.0	9,091.7	4,678.1
Loan-to-value ratio (in %)	50.4	51.0	57.4	57.2

a) Figures as of December 31, 2013 were extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

b) Non-current assets held for sale (EUR 394.9 million) less carrying amount of non-current assets held for sale (EUR 350.0 million), for which advance payments were received.

- 11) Audited.

- 12) The Company considers FFO to be an important indicator derived from the consolidated profit and loss statement for real estate companies. Deutsche Wohnen distinguishes between FFO (without disposals) and FFO (including disposals). FFO (without disposals) is defined as the profit/loss for the period adjusted for earnings from disposals, depreciation and amortization, gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds, non-cash finance expense arising from accrued interest on liabilities and pensions, non-recurring or exceptional items (transaction and integration costs related to restructuring and reorganization expenses in connection with GSW in 2014, transaction and integration costs in connection with the public takeover of GSW in 2013 and the acquisition of the BauBeCon Group in 2012 and non-recurring financing costs related to the public takeover of GSW and for the issue of the convertible bond in 2013 and related to the BauBeCon transaction in 2012) and other non-recurring income (from the settlement on the loss compensation agreement with RREEF in 2012 and from the settlement of the lawsuit BauBeCon Immobilien GmbH in 2013), deferred taxes (tax expense/income), the tax expense from capital increase costs and FFO (without disposals) attributable to non-controlling interests. FFO (including disposals) is calculated by adding the earnings from disposals to FFO (without disposals) and adjusting for earnings from disposals attributable to non-controlling interests. Whereas FFO (including disposals) is affected by cyclical fluctuation in the market, FFO (without disposals) is the relatively more stable measure of Deutsche Wohnen's ability to make loan payments, investments (e.g., acquisition of new properties) and dividend payments. The following table sets out the calculation of FFO (without disposals), FFO (without disposals) per share, FFO (including disposals) and FFO (including disposals) per share for the three months ended March 31, 2015 and March 31, 2014 and for the fiscal years 2014, 2013 and 2012:

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million, unless otherwise indicated)	(audited and in EUR million, unless otherwise indicated)			
Profit/loss for the period	(44.2)	45.5	889.3	212.7	145.5
Earnings from Disposals	(9.3)	(15.8)	(52.4)	(23.0)	(19.9)
Depreciation and amortization	1.3	1.6	6.1	5.5	3.1
Gains/losses from the fair value adjustments of investment properties	–	–	(952.7)	(100.9) ^{a)}	(119.2)
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds ^{b)}	109.9	16.7	111.5	(10.6)	0.2
Non-cash finance expense arising from accrued interest on liabilities and pensions ^{c)}	(5.0)	5.2	3.0	11.8	11.4

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million, unless otherwise indicated)		(audited and in EUR million, unless otherwise indicated)		
Transaction and non-recurring financing costs (unaudited) ^{d)}	9.9	–	87.8	27.7	12.2
Other non-recurring income (unaudited) ^{d)}	(0.9)	–	–	(2.2)	(20.3)
Restructuring and reorganization expenses (unaudited) ^{d)}	–	2.2	15.2	–	–
Deferred tax expense/income	11.5	5.4	115.3	(8.6)	49.6
Tax expense from capital increase costs ^{e)}	–	–	0.4	2.5	5.6
FFO (without disposals) attributable to non-controlling interests (unaudited) ^{d)}	(1.9)	(1.7)	(5.9)	(0.4)	–
FFO (without disposals) (unaudited)^{d)}	71.3	59.1	217.6	114.5	68.2
Average number of shares issued in millions	294.7	286.2	287.8	175.3	126.1 ^{g)}
FFO (without disposals) per share in EUR (unaudited)^{d)}	0.24	0.21	0.76	0.65	0.54
FFO (without disposals) (unaudited) ^{d)}	71.3	59.1	217.6	114.5	68.2
Earnings from Disposals	9.3	15.8	52.4	23.0	19.9
FFO (incl. disposals) (unaudited)^{d)}	80.6	74.9	270.0	137.5	88.1
Average number of shares issued in millions	294.7	286.2	287.8	175.3	126.1 ^{g)}
FFO (incl. disposals) per share in EUR (unaudited)^{d)}	0.27	0.26	0.94	0.78	0.70

- a) Gains from the fair value adjustments of investment properties less gains from the valuation of land and buildings held for sale amounting to EUR 0.4 million, which are a part of those gains from the fair value adjustments of investment properties; unaudited figures taken or derived from the Company's accounting records or internal management reporting systems.
- b) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "Gains/losses from fair value adjustments of derivative financial instruments".
- c) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 referred to as "accrued interest on liabilities and pensions".
- d) Taken or derived from the Company's accounting records or internal management reporting systems.
- e) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2012 referred to as "Tax benefit from capital increase costs".
- f) Calculated based on the above mentioned sources.
- g) Including scrip adjustment arising from capital increases in 2012.

Selected Data from the Segment Reporting

In accordance with IFRS 8, the Company has identified three segments in its business activities: Residential Property Management, Disposals, and Income from Nursing and Assisted Living. In accordance with the internal reporting approach pursuant to IFRS 8 "Operating segments", segment earnings comprise the subtotal (EBITDA) shown in the consolidated profit and loss statement, which is defined as earnings before interest and taxes (EBIT) adjusted for gains/losses from the fair value adjustments of investment properties and depreciation and amortization.

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)		(audited) (in EUR million)		
Residential Property Management					
Segment revenue (total revenue)	162.4	158.4	632.0	378.1	242.3
Segment earnings	132.5	131.7	505.8	292.3	194.4
Disposals					
Segment revenue (total revenue)	50.6	88.0	261.7	173.7	177.5

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
	(unaudited) (in EUR million)		(audited) (in EUR million)		
Segment earnings	9.3	15.8	52.4	23.0	19.9
Nursing and Assisted Living					
Segment revenue (total revenue).....	16.3	16.7	68.2	59.9	42.0
Segment earnings	3.8	4.2	16.3	13.2	9.9

Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations

Investors are advised to read the following description and analysis of Deutsche Wohnen's net assets, financial position and results of operations in connection with the sections entitled "Business", and "Risk Factors" in this Offering Memorandum and the section entitled "Financial Information" of the Equity Prospectus which is incorporated by reference in this Offering Memorandum (see section "Documents Incorporated by Reference").

The financial information contained in this section is based on the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 and the Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, as well as the Company's accounting records or internal management reporting systems. Deutsche Wohnen AG's audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch (HGB)). The Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 have been prepared in accordance with IFRS for interim financial reporting (IAS 34). The audited consolidated financial statements and the unaudited condensed consolidated interim financial statements are reproduced in the Equity Prospectus in the section entitled "Financial Information" which is incorporated by reference in this Offering Memorandum (see section "Documents Incorporated by Reference"). Additional information as of and for the fiscal year ended December 31, 2014 has been derived from Deutsche Wohnen AG's audited unconsolidated annual financial statements as of and for the fiscal year ended December 31, 2014, which have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch (HGB)) using the total cost method and are also reproduced in the Equity Prospectus in the section entitled "Financial Information" which is incorporated by reference in this Offering Memorandum (see section "Documents Incorporated by Reference"). There are material differences between IFRS and the German Commercial Code (Handelsgesetzbuch (HGB)). Operating data reproduced below have been derived from the Company's accounting records or internal management reporting systems.

Where the financial information stated in the following tables is labeled as "audited", this means that it has been taken from Deutsche Wohnen AG's audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. Financial information which has not been taken from the aforementioned consolidated financial statements but, instead, is taken or derived from the unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015, the Company's accounting records or internal management reporting systems or which is based on calculations of financial information from the above mentioned sources is labeled in the following tables as "unaudited".

In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013, pursuant to IFRS 3, the allocation of the purchase price for the acquisition of GSW on November 30, 2013 was undertaken on a provisional basis. Due to new findings, the allocation of the purchase price was adjusted pursuant to IFRS 3. Accordingly, certain line items in the comparative financial information as of December 31, 2013 in the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014 were affected by this adjustment and were adjusted retrospectively. Therefore, in principle, financial information as of December 31, 2013, labelled as "audited" was extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Unless otherwise indicated, all the financial information presented in the text and the tables of this section of the Offering Memorandum is shown in millions of euros (EUR million) and is commercially rounded to one digit after the decimal point. Unless otherwise stated, all percentage changes in the text and the tables are rounded to the first digit after the decimal point. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown and the aggregated percentages

may not exactly equal 100.0%. Parentheses around any figures in the tables indicate negative values. A dash (“–”) means that the relevant figure is not available or not existent, while a zero (“0”) means that the relevant figure has been rounded to zero.

Overview

Deutsche Wohnen AG is one of the largest publicly listed German residential real estate companies with a market capitalization of approximately EUR 7.5 billion (based on the XETRA closing price on June 12, 2015). The Company’s real estate portfolio includes approximately 149,000 residential and commercial properties, as well as approximately 2,050 nursing and assisted care units/apartments (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships). The fair value of Deutsche Wohnen’s investment properties and properties held for sale amounts to approximately EUR 10 billion (as of December 31, 2014). Deutsche Wohnen’s investment strategy focuses on residential real estate and nursing and assisted care facilities in German metropolitan areas with strong growth, including the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and Dresden, as well as stable urban areas such as Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. As of May 31, 2015, Deutsche Wohnen had 762 employees (excluding 1,380 employees in the Nursing and Assisted Living segment and 100 trainees).

Segments

The Company has organized its business into the following business segments: Residential Property Management, Disposals as well as Nursing and Assisted Living.

The **Residential Property Management** segment is the core segment and focus of the Company’s business. It encompasses the “residential portfolio” and includes all activities relating to residential real estate management, lease management and tenant assistance. Deutsche Wohnen’s strategic goal in this segment is to improve the funds from operations. It aims to accomplish this by focusing on (i) rent increases in line with adjustments to rent indexes, modernization measures and by realizing the potential of existing rent increases through new tenancies (*fluctuation*), (ii) lowering vacancy rates, (iii) ensuring efficient management of its residential properties including targeted investments and (iv) realizing economies of scale by acquiring and integrating new portfolios. Over the last few years, Deutsche Wohnen has demonstrated that by focusing its residential portfolio on the strategic core and growth regions and continually optimizing its residential portfolio, it can generate organic growth, thereby improving its funds from operations (without disposals).

The **Disposals** segment encompasses the “disposals portfolio” and includes all activities relating to the sale of residential units, buildings and land. Deutsche Wohnen’s residential holdings intended for sale can be divided into (i) block sales (institutional sales) and (ii) single-unit privatizations (also referred to as single-unit sales or residential unit privatizations). The residential portfolio for block sales (institutional sales) comprises residential units in Non-Core Regions, *i.e.*, regions that do not fit into Deutsche Wohnen’s long-term business strategy or non-core asset classes that are not expected to be held for the long term. Opportunistic disposals of properties in Deutsche Wohnen’s Core+ and Core regions in the context of sales to institutional investors are also possible in the current market environment. Some residential units in these locations are part of the residential portfolio because they were acquired as part of larger portfolio acquisitions. These mainly include residential units and buildings in rural areas and single scattered holdings. These properties are typically sold to institutional investors, at or above fair value, although at times, below fair value if Deutsche Wohnen believes that a fast adaptation of the portfolio is more important than realizing the highest sales price. Opportunistic sales from the strategic core and growth regions still occur to take advantage of the current market situation. For single-unit privatizations, Deutsche Wohnen aims to sell predominantly to owner-occupants and capital investors at prices significantly above the fair value. All sales of residential units are intended to optimize and consolidate the residential portfolio and occur on an ongoing but staggered basis.

In the **Nursing and Assisted Living** segment, Deutsche Wohnen manages and markets nursing and residential care facilities for the elderly under the KATHARINENHOF® brand; the vast majority of these facilities are owned by Deutsche Wohnen. These facilities provide full inpatient care with the aim of helping nursing care patients preserve their independence as much as possible. Deutsche Wohnen assisted living facilities also provide the elderly with rental apartments along with an extensive range of services tailored to their needs.

Portfolio

As of March 31, 2015, Deutsche Wohnen's total residential portfolio consisted of 146,850 residential units (143,473 residential units in the strategic core and growth portfolio and 3,377 units in the non-core portfolio) with a total residential floor space of approximately 9 million square meters based on the total residential floor space listed in the rental contracts. As of March 31, 2015, the average monthly in-place rent of Deutsche Wohnen's residential portfolio amounted to EUR 5.73 per square meter. The vacancy rate in relation to Deutsche Wohnen's residential portfolio was 2.3% as of this date. In addition to the residential properties, the real estate portfolio of Deutsche Wohnen included 2,085 commercial units. Deutsche Wohnen divides its residential real estate portfolio into strategic core and growth regions and non-core regions. In its strategic core and growth regions, Deutsche Wohnen distinguishes between Core+ and Core regions. The real estate portfolio in the strategic core and growth regions includes both residential units that fall under the Residential Property Management segment as well as the Disposals (residential unit privatizations) segment.

- **Core+ Regions** are dynamic markets in which Deutsche Wohnen sees considerable potential to increase rents and a positive market environment for sales. These markets are characterized by excess demand for housing due to dynamic economic development and an increase in the number of households due to, among others, a growing number of single-person households. Deutsche Wohnen's Core+ Regions are the metropolitan areas of (i) Greater Berlin, (ii) Rhine-Main, (iii) Mannheim/Ludwigshafen, (iv) Rhineland and (v) Dresden. These markets are also the focus of potential future acquisitions. Based on the number of units, around 87% of the units in the residential real estate portfolio were located in Core+ Regions as of March 31, 2015.
- **Core Regions** are regions in which market development is expected to be stable. These markets are characterized by balanced supply and demand, a good economic situation, a stable economic outlook, average purchasing power and a constant number of households. Deutsche Wohnen's Core Regions are: (i) Hanover/Brunswick, (ii) Magdeburg, (iii) Kiel/Lübeck, (iv) Halle/Leipzig, (v) Erfurt and (vi) others. Based on the number of units, around 11% of the units in the residential real estate portfolio were located in Core Regions as of March 31, 2015.
- **Non-Core Regions** are defined as geographic regions whose development is stagnating and/or where the trend is negative. These are mainly rural areas or scattered holdings in Saxony-Anhalt, Brandenburg, Saxony, Rhineland-Palatinate, and others. The real estate in Deutsche Wohnen's portfolio that falls under Non-Core Regions amounted to 3,377 units, or around 2% of the total residential real estate portfolio based on the number of units as of March 31, 2015.

In 2014, about 9,700 residential units were reclassified from Core to Core+. These units are predominantly located in Dresden and Mannheim/Ludwigshafen. In addition, about 1,600 residential units were reclassified from Core to Non-Core.

Based on the strategic clustering into Core+, Core and Non-Core clusters, Deutsche Wohnen deploys three different investment strategies, "operate", "develop" and "dispose".

- **Operate.** The focus for units in the cluster "operate" is on re-letting these units and on the realization of rent potential according to the market trends. The units in the "operate" cluster are in a good or excellent condition. The cluster "operate" accounts for 76% of Deutsche Wohnen's portfolio (measured by units).

- Develop. Units located at promising locations that have less than average conditions are grouped in a cluster “develop”. They account for 12% of Deutsche Wohnen’s portfolio (measured by units). Deutsche Wohnen expects to invest significant amounts in modernization measures in order to increase the rent potential of these units.
- Dispose. Units that are in the cluster “dispose” are being sold in single units privatizations and block sales. They account for 10% of Deutsche Wohnen’s portfolio (measured by units).

In 2014, Deutsche Wohnen engaged in selective acquisitions of smaller portfolios encompassing a total of approximately 3,100 residential units in the Rhine-Main area (650 units), Berlin (1,950 units) and Dresden (500 units) for a gross acquisition price of approximately EUR 300 million. These portfolios are all located in Deutsche Wohnen’s Core+ markets. Notarized purchase agreements have been signed for all these 3,100 units in 2014 and for 940 units, the acquisitions closed already in fiscal 2014.

As of March 31, 2015, Deutsche Wohnen’s nursing and assisted living portfolio comprised 20 facilities, of which 15 are solely nursing facilities, 3 are facilities for assisted living and 2 are combined facilities. The facilities provide about 2,048 nursing care places and apartments for assisted living. Of the 20 properties that are nursing facilities and assisted living facilities, there are 2 facilities that Deutsche Wohnen does not own but still operates via strategic partnerships. Around 70% of the nursing and assisted living portfolio is situated in Berlin and Brandenburg in terms of the number of nursing care places.

The Property Appraisal Report incorporated in this Offering Memorandum by reference reports the fair value (pursuant to IAS 40) of Deutsche Wohnen’s entire residential portfolio to be EUR 9,782 million (of which EUR 19.2 million account for undeveloped plots of land) as of December 31, 2014 and of Deutsche Wohnen’s nursing and assisted living facilities to be EUR 143.8 million as of June 30, 2014. While these valuations only speak to the relevant valuation date and have not been updated by CBRE to reflect the value as of a more recent date, Deutsche Wohnen AG hereby affirms that it is not aware of any material change in the total value of the properties appraised in the Property Appraisal Report since the respective appraisal date. The Company valued the entire real estate portfolio (residential and commercial real estate as well as nursing and assisted living facilities excluding undeveloped plots of land as of December 31, 2014) at EUR 9,930 million. The value according to the Property Appraisal Report and the Company’s internal value deviates by 0.20% based on the total valued portfolio. Based on individual property, the values deviate by no more than 10%, or less than EUR 250,000, from one another. Since the valuations were conducted independently of one another, the discrepancies lie within a range of independent valuations and are not attributable to fundamentally different valuation methods. Deutsche Wohnen plans to perform an updated assessment of the fair value of its investment properties as of June 30, 2015 in the third quarter of 2015.

Material Factors Impacting the Company’s Net Assets, Financial Position and Results of Operations

Deutsche Wohnen is exposed to different trends. This section describes the main factors that the Company believes could be influential for Deutsche Wohnen’s business performance.

General Economic and Demographic Trends in Germany

The market value and rental income of Deutsche Wohnen’s total portfolio depend to a significant degree on the economic environment. Cyclical economic trends beyond the Company’s control, including economic growth, unemployment rates, price trends and interest rate levels, affect rental income, potential real estate sales, opportunities and purchase prices paid in the context of acquisitions. In addition, the Company’s expenses are exposed to inflation-related price increases. To the extent permissible under applicable law, and taking into account the market environment, cost increases are compensated for by rent increases and/or allocated ancillary costs.

Several factors, such as changes in per-capita living space, average household size, home ownership rate and migration patterns, affect the market value and rental yield of Deutsche Wohnen’s

total residential portfolio. The number of households is forecast to increase by 2.9% between 2010 and 2025 (Source: BBSR – Regional Planning 2030).

Portfolio Size, Vacancy Rate, Tenant Turnover and Rent Restrictions Drive Rental Income

The development of current gross rental income is a material factor affecting income from Residential Property Management. The current gross rental income is primarily determined by the relevant in-place rent and the floor space actually let. These two factors are influenced by the location and condition of the properties. In-place rents are not exposed to any material seasonal fluctuation. Significant changes primarily arise from portfolio additions and sales, which determine the size and composition of Deutsche Wohnen's total residential real estate portfolio and affect the average in-place rent. The number of residential units in Deutsche Wohnen's total residential portfolio increased significantly from 82,738 units as of December 31, 2012 to 146,850 units as of March 31, 2015, largely due to the takeover of GSW in late 2013 and acquisitions of smaller real estate portfolios. These acquisitions were only partially offset by disposals.

Vacancy rates are another factor impacting Deutsche Wohnen's income as an increase in the vacancy rate adversely affects rental income and ancillary costs. The vacancy rate for Deutsche Wohnen's total residential real estate portfolio decreased slightly from 2.5% as of December 31, 2012 to 2.4% as of December 31, 2013. In 2014, the vacancy rate decreased to 2.2% as of December 31, 2014. In the three months ended March 31, 2015, the vacancy rate increased to 2.3% as of March 31, 2015. The vacancy rate in the residential portfolio in the strategic core and growth regions increased from 2.1% as of December 31, 2012 to 2.2% as of December 31, 2013 and decreased to 2.1% as of December 31, 2014. As of March 31, 2015, the vacancy rate stood unchanged at 2.1%. There are significant regional differences in the vacancy rate.

Deutsche Wohnen's income is also affected by its ability to increase rents in its Residential Property Management segment. For example, on May 19, 2015, a revised rent index (*Mietspiegel*) was published for Berlin. Deutsche Wohnen is currently in the process of assessing the possible impact of the revised rent index and, in particular, whether there is potential to increase the in-place rent for some of the residential units located in Berlin. Tenant fluctuation helps Deutsche Wohnen to increase rents, as in-place rents for newly-let units tend to be higher than Deutsche Wohnen's average in-place rent. As of March 31, 2015, the monthly in-place rent for the residential portfolio in the Core+ Regions not subject to price restrictions was EUR 5.83 per square meter, whereas the in-place rent under newly signed leases taking effect in 2015 in the residential portfolio in the Core+ Regions not subject to price restrictions was EUR 7.25 per square meter. Any increase in tenant turnover will accelerate the reduction in the differences between existing and new in-place rents. However, regulations such as rental restrictions imposed in connection with programs for the construction of additional housing and public advances for redeveloping and renovating buildings place limits on upside rent potential. As of March 31, 2015, around 17% of Deutsche Wohnen's residential units were subject to price restrictions (December 31, 2014: 18%, December 31, 2013: 18%, December 31, 2012: 15%).

Maintenance and Modernization Measures

Deutsche Wohnen's net assets and results of operations are influenced by maintenance and modernization measures concerning its portfolio. Maintenance expenses are recorded as expenses in the profit and loss statement in the period in which it is incurred, whereas modernization expenses are capitalized and depreciated over several years.

Maintenance serves the purpose of maintaining a certain quality standard throughout Deutsche Wohnen's residential real estate entire portfolio. Deutsche Wohnen uses modernization measures to enhance the quality of individual units with the aim of increasing rental income. The costs and the time required to implement maintenance and modernization measures depend on the size, quality and location of the units in question, the tenants' quality expectations and the purpose of the work performed.

Total maintenance and capitalized modernization expenses for Deutsche Wohnen's total portfolio increased from EUR 67.9 million in 2012 to EUR 152.9 million in 2014, due primarily to an increase in the Group's residential property portfolio. Maintenance and capitalized modernization ex-

penses for Deutsche Wohnen's total portfolio decreased on a per square meter basis from EUR 18.94 per square meter in 2012 to EUR 16.51 per square meter in 2014.

Sales Prices and Proceeds

Deutsche Wohnen sells residential units from its residential real estate portfolio in the strategic core and growth regions as well as the residential real estate portfolio in the disposal regions. It engages in sales to current occupiers (also referred to as residential unit privatization) and institutional sales (block sales). With respect to the residential privatization of units, Deutsche Wohnen's goal is to sell residential units mostly to tenants at a price that amounts to at least no less than its fair value. Deutsche Wohnen's residential real estate portfolio in its disposal regions comprises residential units that are no longer part of Deutsche Wohnen's business strategy. As margins on institutional sales are usually substantially smaller than on residential unit privatizations, earnings from disposals are primarily driven by the latter.

Sales proceeds depend on the number of units sold and the sales price per square meter. Deutsche Wohnen plans the target number of units to be sold in a year based on the liquidity contribution sought and any intended portfolio structure changes as well as market opportunities. Sales prices are determined by supply and demand, which in turn primarily depend on the location and condition of the units, the expected rental income and financing conditions. In addition, the tenant structure and regional purchasing power also play an important role. Further, any increase in housing construction may exert pressure on market demand for Deutsche Wohnen's real estate portfolio and adversely affect its earnings from disposals. Similarly, political and administrative decisions, such as the granting of public assistance for housing, legal or regulatory limitations on rent increases or an increase in real estate transfer tax ("RETT"), influence the residential real estate market and influence the prices of residential real estate.

In 2012, the Group sold 3,000 residential units (or 3.6% of its total residential portfolio). In 2013, the Group sold 3,499 residential units (or 2.3% of its total residential portfolio). In 2014, the Group sold 4,115 residential (or 2.8% of its total residential portfolio).

The cost of sales, which includes pre-sales expenses and broker commissions, decreased from EUR 11.8 million in 2012 (7.0% of sales proceeds) to EUR 10.3 million (6.1% of sales proceeds) in 2013 and increased to EUR 12.1 million in 2014 (4.7% of sales proceeds).

Gains/Losses from the Fair Value Adjustments of Investment Properties

Deutsche Wohnen remeasures the fair value of its investment properties in regular intervals. The fair value of Deutsche Wohnen's investment properties is influenced by two main factors. The first factor is the expected cash flows arising from operational performance and the second is the discount and capitalization rates. The expected cash flows arising from operational performance are mainly dependent on assumptions concerning current gross rental income per square meter and vacancy rate trends, total portfolio size, maintenance and administrative expenses as well as operating expenses. The discount and capitalization rates are influenced by market interest rates and risk premiums. If discount and capitalization rates increase, the fair value of the portfolio will decrease and vice versa. Even small changes in one or more of these factors can have a considerable influence on the fair value of Deutsche Wohnen's investment properties and its net assets and results of operations. The contribution to earnings before interest and taxes (EBIT) made by gains from the fair value adjustments of investment properties was EUR 119.2 million (38.1%) in 2012, EUR 101.3 million (29.1%) in 2013 and EUR 952.7 million (68.0%) in 2014. Deutsche Wohnen plans to perform an assessment of the fair value of its investment properties as of June 30, 2015, which may lead to a positive contribution to Deutsche Wohnen's results for the six months ended June 30, 2015.

Financial Liabilities and Financing Costs

Deutsche Wohnen's business is to a significant extent debt-financed. Accordingly, it is of considerable importance for Deutsche Wohnen to enter into financing agreements on favorable terms, particularly at low interest rates and with moderate amortization payments.

Deutsche Wohnen's net financial liabilities (current and non-current financial liabilities plus financial liabilities referable to assets held for sale plus current and non-current convertible bonds less cash and cash equivalents) increased by 85.5% from EUR 2,678.0 million as of December 31, 2012 to EUR 4,968.3 million as of March 31, 2015, primarily due to the takeover of GSW and the inclusion of GSW's net financial debt in Deutsche Wohnen's consolidated balance sheet.

Although Deutsche Wohnen's net financial liabilities increased between December 31, 2012 and March 31, 2015 for acquisition-related reasons, the LTV Ratio decreased from 57.2% as of December 31, 2012 to 50.4% as of March 31, 2015. The average interest rate for Deutsche Wohnen's financial liabilities decreased from 3.7% as of December 31, 2012 to 2.35% as of March 31, 2015 (including convertible bonds).

Effects of Interest Rate Changes

Changes in interest rates impact Deutsche Wohnen's business activities in many ways. Interest rates influence the discount and capitalization rates used by Deutsche Wohnen, which in turn affect the fair value of the investment properties. Moreover, lower interest rates in Germany generally result in increased demand for home ownership, resulting in higher prices partially driven by lower financing costs. On the other hand, rising interest rates result in economically less favorable funding conditions and tend to have an adverse effect on real estate prices. Changes in interest rates also impact Deutsche Wohnen's financing costs. They determine the conditions at which Deutsche Wohnen may obtain fixed-rate finance and influence the interest rate payment obligations in the case of floating-rate finance. With respect to its floating-rate debt, Deutsche Wohnen has entered into a substantial volume of interest rate swaps. As of March 31, 2015, approximately 86% of Deutsche Wohnen's financial liabilities (including convertible bonds) were either fixed-rate or hedged by means of interest rate swaps. Deutsche Wohnen fulfills the requirements of the IAS 39 hedge accounting rules applicable to accounting for hedging instruments (interest rate swaps) with respect to hedging against cash flow risks from variable interest loans. When interest rate levels fluctuate, the fair value of the interest rate swaps also fluctuates. For interest rate swaps that have been entered into by Deutsche Wohnen to hedge against cash flow risks from variable interest loans and that are an asset, increases in interest rate levels lead to an increase in the fair value of the interest rate swaps and vice versa. Under hedge accounting, changes in the fair value of hedging instruments forming part of an effective hedge relationship are recognized directly in equity. Only those portions that do not meet the effectiveness requirements of IAS 39 are recognized in the consolidated profit and loss statement.

Payments Related to EK-02 Inventories

Within the Deutsche Wohnen Group there are different housing companies with substantial EK-02 tax liabilities (flat-rate withholding tax), which have arisen from changes in the taxation status of non-profit organizations, resulting in tax assessment at the standard rate. The EK-02 flat-rate tax has to be paid in ten equal annual installments from 2008 to 2017 or as a lump-sum payment equaling the present value. Deutsche Wohnen's EK-02 tax liabilities stood at EUR 96.0 million at the beginning of 2008. Due to the integration of the BauBeCon Group, Deutsche Wohnen's EK-02 liabilities increased. The annual installments amounted to EUR 10.4 million, payable until 2017. As of December 31, 2013 the present value from the payment of the EK-02-holdings resulted in a liability totaling EUR 38.1 million. In 2014, Deutsche Wohnen paid its remaining EK-02 liabilities in full.

Income Taxes

Income taxes include current tax expense and deferred tax expense. In the period from 2012 through 2014, corporations domiciled in Germany were taxed at an annual corporation tax rate of 15% plus a solidarity surcharge of 5.5% on the corporation tax owed. Corporations domiciled in Germany are also subject to a trade tax at a rate which is determined by the respective local authorities. Deutsche Wohnen AG's anticipated nominal income tax rate stood at 30.18% in 2014 and at 31.93% in 2013 and 2012. At the same time, it has useable tax losses with which it is able to lower its actual tax burden significantly.

Comparability of the Financial Information Contained in the Consolidated Financial Statements

Deutsche Wohnen closed a number of significant acquisitions that influence the comparability of the financial information contained in the consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012. The most significant of these were the acquisition of the BauBeCon Group in 2012 and the takeover of GSW in 2013, which are described in more detail below.

On May 27, 2012, Deutsche Wohnen entered into an investment agreement (purchase contract) with Barclays Bank PLC and a number of companies affiliated with Barclays Bank PLC concerning the acquisition of the BauBeCon Group for a total price of around EUR 1.235 billion. The BauBeCon Group comprises 23,320 residential units and was consolidated in the consolidated financial statements from September 1, 2012. The periods prior to September 1, 2012 do not include the assets and liabilities or the income and expenses of the BauBeCon Group.

On August 20, 2013, Deutsche Wohnen announced its intention to submit a public takeover offer for the acquisition of all shares of GSW (“**GSW Shares**”) in exchange for newly-issued shares of the Company (the “**Exchange Offer**”). The Exchange Offer was made on October 2, 2013 to the shareholders of GSW for the acquisition of their registered shares of GSW. The Exchange Offer was accepted by the shareholders of GSW with a quorum of 91.05% of GSW Shares (based on outstanding share capital as of November 18, 2013) tendered and completed on November 27, 2013. After consummation of the Exchange Offer, the Company acquired additional GSW Shares. GSW’s income and expenses and assets and liabilities have been fully consolidated in Deutsche Wohnen AG’s consolidated financial statements with effect from November 30, 2013. The periods prior to November 30, 2013 do not include the assets and liabilities or the income and expenses of GSW.

In connection with the acquisition, the Company had to determine GSW’s goodwill by allocating the purchase price paid to GSW’s various assets and liabilities and recording the remainder as goodwill. The allocation of the purchase price paid by the Company for GSW in the Exchange Offer as of December 31, 2013 was preliminary in nature. Due to the proximity of the settlement under the Exchange Offer and the balance sheet date, the Company had to rely on publicly available information with respect to GSW’s assets and liabilities. Pursuant to IFRS 3.45, Deutsche Wohnen may retroactively, with effect as of the date of the acquisition, reflect new insights relating to the allocation of the purchase price that were gained within a period of twelve months post consummation of the acquisition. Deutsche Wohnen made use of this possibility and adjusted the purchase price allocation with effect as of November 30, 2013. The new insights included, among other things, accrued interests of short term financial liabilities acquired by GSW, accruals and deferrals to be considered in the allocation of the purchase price under IFRS 3, reserves due to deconstruction obligations and potential risks from past fiscal years. In total, the retroactive adjustments increased the total goodwill by EUR 43.5 million to EUR 535.1 million.

The following table presents the allocation of the purchase price pre and post adjustments:

GSW	November 30, 2013 pre-adjustment	November 30, 2013 post adjustment (audited) (in EUR million)	Adjustment total
Investment properties	3,376.9	3,376.9	
Goodwill.....	491.6	535.1	43.5
Other non-current assets	9.6	9.6	
Current assets	42.7	43.3	0.6
thereof receivables from rental activities	11.0	11.0	
thereof other trade receivables	12.8	12.8	
thereof tax receivables.....	0.8	0.8	
thereof other current assets.....	18.2	18.8	0.6
Cash and cash equivalents	145.2	145.2	
Acquired assets	4,066.0	4,110.1	44.1
Acquired non-controlling interests	(0.4)	(0.4)	

GSW	November 30, 2013	November 30, 2013	Adjustment total
	pre-adjustment	post adjustment (audited)	
	(in EUR million)		
Non-current liabilities.....	(1,882.4)	(1,885.1)	(2.8)
thereof loans.....	(1,809.6)	(1,809.6)	
thereof provisions.....	(7.2)	(10.0)	(2.8)
thereof liabilities from derivatives.....	(64.7)	(64.7)	
thereof other liabilities.....	(1.0)	(1.0)	
Current liabilities.....	(361.4)	(402.5)	(41.1)
thereof loans.....	(69.8)	(76.7)	(6.9)
thereof convertible bonds.....	(215.3)	(215.3)	
thereof trade payables.....	(41.6)	(41.6)	
thereof tax liabilities.....	(0.2)	(12.0)	(11.8)
thereof other liabilities.....	(34.3)	(31.0)	3.3
thereof deferred tax liabilities.....	–	(26.0)	(26.0)
Acquired liabilities.....	(2,243.8)	(2,288.3)	(44.1)
Net assets at 100%.....	1,821.8	1,821.8	
Non-controlling interests.....	(163.1)	(163.1)	
Acquisition costs for 91.05%.....	1,658.7	1,658.7	

The adjustment with regard to the allocation of the purchase price resulted in the following adjustments to the balance sheet of Deutsche Wohnen AG as of December 31, 2013 in the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2014:

	As of December 31, 2013	Change (audited)	As of December 31, 2013
	Pre-adjustment		Post-adjustment
	(in EUR million)		
ASSETS			
Investment properties.....	8,937.1		8,937.1
Property, plant and equipment.....	26.8		26.8
Intangible assets.....	503.7	43.5	547.1
Derivative financial instruments.....	2.7		2.7
Other non-current assets.....	21.7		21.7
Deferred tax assets.....	280.5	(90.1)	190.4
Non-current assets.....	9,772.5	(46.7)	9,725.8
Land and buildings held for sale.....	97.1		97.1
Other inventories.....	3.3		3.3
Trade receivables.....	29.8		29.8
Income tax receivables.....	2.6		2.6
Derivative financial instruments.....	0.1		0.1
Other current assets.....	13.7	0.6	14.2
Cash and cash equivalents.....	196.4		196.4
Subtotal current assets.....	343.0	0.6	343.6
Non-current assets held for sale.....	57.5		57.5
Current assets.....	400.6	0.6	401.2
Total assets.....	10,173.1	(46.1)	10,127.0
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company.....			
Issued share capital.....	286.2		286.2
Capital reserve.....	2,601.8		2,601.8
Retained earnings.....	889.8		889.8

	As of December 31, 2013		As of December 31, 2013
	Pre-adjustment	Change (audited) (in EUR million)	Post-adjustment
Non-controlling interests.....	166.5	0.0	166.5
Total equity	3,777.8	0.0	3,777.8
Non-current financial liabilities.....	4,903.3		4,903.3
Convertible bonds.....	247.9		247.9
Employee benefit liabilities.....	55.3		55.3
Liabilities to limited partners in funds.....	–		–
Tax liabilities.....	27.9		27.9
Derivative financial instruments.....	124.8		124.8
Other provisions.....	6.5		6.5
Deferred tax liabilities.....	353.1	(64.2)	288.9
Total non-current liabilities	5,718.8	(64.2)	5,654.6
Current financial liabilities.....	251.3	6.9	258.2
Convertible bonds.....	2.2		2.2
Trade payables.....	120.6		120.6
Liabilities to limited partners in funds.....	4.0		4.0
Other provisions.....	9.8	2.8	12.5
Derivative financial instruments.....	34.5		34.5
Tax liabilities.....	34.7	11.8	46.4
Other liabilities.....	53.0	(3.3)	49.7
Subtotal current liabilities	510.1	18.1	528.2
Financial liabilities arising in connection with non-current assets held for sale.....	–		–
Total current liabilities	510.1	18.1	528.2
Total equity and liabilities	10,173.1	(46.1)	10,127.0

Results of Operations

The following discussion compares Deutsche Wohnen's results of operations for the three months ended March 31, 2015 and March 31, 2014 and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012:

Comparison of the Three Months Ended March 31, 2015 and March 31, 2014

The following discussion of Deutsche Wohnen's results of operations for the three months ended March 31, 2015 and March 31, 2014 is based on the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015, unless otherwise indicated. The following table sets out Deutsche Wohnen AG's consolidated profit and loss statement for the three months ended March 31, 2015 and March 31, 2014.

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Income from Residential Property Management.....	158.9	157.0
Expenses from Residential Property Management.....	(26.4)	(25.3)
Earnings from Residential Property Management	132.5	131.7
Sales proceeds.....	49.7	86.4
Cost of sales.....	(3.4)	(3.0)
Carrying amounts of assets sold.....	(36.9)	(67.6)
Earnings from Disposals	9.3	15.8

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Income from Nursing and Assisted Living.....	16.3	16.7
Expenses from Nursing and Assisted Living	(12.5)	(12.6)
Earnings from Nursing and Assisted Living.....	3.8	4.2
Corporate expenses.....	(18.7)	(22.8)
Other expenses/income.....	(7.9)	(4.3)
Subtotal.....	119.0	124.5
Depreciation and amortization	(1.3)	(1.6)
Earnings before interest and taxes (EBIT).....	117.7	122.9
Finance income.....	0.2	0.3
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds	(109.9)	(16.7)
Gains/losses from companies valued at equity.....	0.4	–
Finance expense.....	(35.7)	(52.4)
Profit before taxes.....	(27.3)	54.2
Income taxes.....	(17.0)	(8.6)
Profit for the period.....	(44.2)	45.5

Residential Property Management

The Residential Property Management segment generates income from the management of Deutsche Wohnen's residential units (particularly short-term gross rental income). The income from Residential Property Management is derived entirely from real estate located in Germany. Expenses are primarily incurred in connection with maintenance of Deutsche Wohnen's real estate portfolio, operating costs and marketing. Residential Property Management is Deutsche Wohnen's core segment. Earnings from Residential Property Management are derived from income earned from letting residential units (including subsidies). A very small contribution to earnings in this segment comes from the letting of commercial real estate and parking space.

The following table sets out the business performance of the Residential Property Management segment for the three months ended March 31, 2015 and March 31, 2014.

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Income from Residential Property Management	158.9	157.0
Non-recoverable operating expenses.....	(3.6)	(3.2)
Rental loss	(1.8)	(2.5)
Maintenance costs	(19.0)	(17.2)
Other expenses	(2.0)	(2.4)
Expenses from Residential Property Management	(26.4)	(25.3)
Earnings from Residential Property Management	132.5	131.7
Staff expenses and general and administration expenses ¹⁾	(10.5)	(10.6)
Net Operating Income (NOI) from Residential Property Man- agement²⁾	122.0	121.1
NOI margin in % ²⁾³⁾	76.8	77.1
NOI in EUR per square meter and month ¹⁾⁴⁾	4.41	4.33

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Calculated based on the above mentioned sources.

3) The NOI margin is the ratio of net operating income (NOI) from Residential Property Management to income from Residential Property Management.

- 4) Including the average floor space on a quarterly basis in the respective period; taken or derived from the Company's internal management reporting systems.

Income from Residential Property Management increased by 1.2% from EUR 157.0 million in the three months ended March 31, 2014 to EUR 158.9 million in the three months ended March 31, 2015. This increase was primarily due to an increase in contractual rents, which was only partially offset by a slight decrease in the size of the portfolio. Specifically, monthly contractual rents in the residential portfolio in the strategic core and growth markets increased by 2.5% from EUR 5.61 per square meter as of March 31, 2014 to EUR 5.75 per square meter as of March 31, 2015 for the real estate which was consistently managed throughout the 12-month-period ended March 31, 2015 (like-for-like comparison). The like-for-like increase in the contractual rents of the letting portfolio amounted to 2.4% in the Core+ Regions and to 3.1% in the core portfolio. The increase in the Core+ Regions was driven by new contractual rents (contractually owed rent from newly signed leases for residential portfolio units not subject to price restrictions which took effect or will take effect in 2015). At EUR 7.25 per square meter, these were 24.3% higher than the existing contract rents for residential units in the Core+ Regions as of March 31, 2015.

The vacancy rate for the total residential real estate portfolio decreased from 2.6% as of March 31, 2014 to 2.3% as of March 31, 2015, primarily due to a focus on letting activities. On a like-for-like basis, the vacancy rate for the residential portfolio in the strategic core and growth regions decreased from 2.1% as of March 31, 2014 to 1.9% as of March 31, 2015.

Expenses from Residential Property Management increased by 4.3% from EUR 25.3 million in the three months ended March 31, 2014 to EUR 26.4 million in the three months ended March 31, 2015. Maintenance costs, the largest cost item, increased by 10.5% from EUR 17.2 million in the three months ended March 31, 2014 to EUR 19.0 million in the three months ended March 31, 2015. At EUR 8.25 per square meter for the three months ended March 31, 2015, maintenance costs per square meter increased by 11.8% compared to the three months ended March 31, 2014 (EUR 7.38 per square meter).

Earnings from Residential Property Management increased by 0.6% from EUR 131.7 million in the three months ended March 31, 2014 to EUR 132.5 million in the three months ended March 31, 2015, primarily due to an increase in contractual rents, which was only partially offset by a slight decrease in the size of the portfolio and an increase in expenses from residential property management.

Including staff expenses and general and administration expenses that are directly and indirectly attributable to the Residential Property Management segment, net operating income (NOI) from Residential Property Management increased by 0.7% from EUR 121.1 million in the three months ended March 31, 2014 to EUR 122.0 million in the three months ended March 31, 2015. The NOI margin, *i.e.*, net operating income (NOI) from Residential Property Management divided by income from Residential Property Management, remained nearly stable at 76.8% in the three months ended March 31, 2015 compared to 77.1% in the three months ended March 31, 2014. NOI per square meter and month increased by 1.8% from EUR 4.33 per square meter and month in the three months ended March 31, 2014 to EUR 4.41 per square meter and month in the three months ended March 31, 2015 due to an increase in earnings from Residential Property Management and a decrease in the number of residential units.

Disposals

Earnings from Disposals correspond to the difference between the sales proceeds and the sum of the carrying amounts of the assets sold and the cost of sales. Sales proceeds include all income in connection with the sale of the residential units, commercial units or other properties. Historically, sales proceeds were derived entirely from properties sold that are located in Germany. The Company distinguishes between single-unit sales to current occupiers and block sales (institutional sales). Proceeds are recognized upon the execution of the transfer of benefits and encumbrances. The cost of sales primarily comprises sales commissions and marketing costs.

The following table sets out the business performance of the Disposals segment for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Sales proceeds	49.7	86.4
Cost of sales.....	(3.4)	(3.0)
Net sales proceeds¹⁾	46.2	83.4
Carrying amounts of assets sold	(36.9)	(67.6)
Earnings from Disposals	9.3	15.8

1) Calculated based on the above mentioned sources.

In the three months ended March 31, 2015, the transfer of benefits and encumbrances was effected for 561 units (1,502 units in the three months ended March 31, 2014). Sales proceeds decreased by 42.5% from EUR 86.4 million in the three months ended March 31, 2014 to EUR 49.7 million in the three months ended March 31, 2015 due to a decrease in the number of units sold.

Earnings from Disposals decreased by 41.1% from EUR 15.8 million in the three months ended March 31, 2014 to EUR 9.3 million in the three months ended March 31, 2015, primarily due to a decrease in the number of units sold.

The following table sets out the business performance of single-unit sales (residential unit privatizations) for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015 ¹⁾	January 1 – March 31, 2014 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	40.0	43.8
Average sales price in EUR per square meter	1,285	1,260
Number of residential units	453	520
Cost of sales in EUR million	(3.2)	(2.7)
Net sales proceeds in EUR million	36.8	41.1
Carrying amounts of assets sold in EUR million	(28.1)	(28.8)
Earnings from single-unit sales (residential unit privatizations) in EUR million	8.7	12.3
Gross margin in % ²⁾	42.3	52.1

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from single-unit sales decreased by 8.7% from EUR 43.8 million in the three months ended March 31, 2014 to EUR 40.0 million in the three months ended March 31, 2015 due to a decrease in the number of residential units sold that was only partially offset by an increase in the average sales price per square meter. Net sales proceeds from single-unit sales decreased by 10.5% from EUR 41.1 million in the three months ended March 31, 2014 to EUR 36.8 million in the three months ended March 31, 2015. Earnings from single-unit sales (residential unit privatizations) decreased by

29.3% from EUR 12.3 million in the three months ended March 31, 2014 to EUR 8.7 million in the three months ended March 31, 2015.

The following table shows the business performance of institutional sales for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015 ¹⁾	January 1 – March 31, 2014 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	9.7	42.6
Average sales price in EUR per square meter	951	649
Number of residential units	108	982
Cost of sales in EUR million	(0.3)	(0.3)
Net sales proceeds in EUR million	9.4	42.3
Carrying amounts of assets sold in EUR million	(8.8)	(38.8)
Earnings from institutional sales in EUR million.....	0.6	3.5
Gross margin in % ²⁾	10.2	9.8

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from institutional sales decreased by 77.2% from EUR 42.6 million in the three months ended March 31, 2014 to EUR 9.7 million in the three months ended March 31, 2015 due to a significant decrease in the number of residential units sold that was only partially offset by a significant increase in the average sales price per square meter. Net sales proceeds from institutional sales decreased by 77.8% from EUR 42.3 million in the three months ended March 31, 2014 to EUR 9.4 million in the three months ended March 31, 2015. Earnings from institutional sales decreased from EUR 3.5 million in the three months ended March 31, 2014 to EUR 0.6 million in the three months ended March 31, 2015.

Nursing and Assisted Living

The Nursing and Assisted Living segment records the income and expenses from the business of the KATHARINENHOF® Group, which primarily operates or manages nursing and assisted living facilities in five German federal states, namely Berlin, Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate. The income from Nursing and Assisted Living is entirely derived from facilities located in Germany.

The following table shows the business performance of the Nursing and Assisted Living segment for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Income from Nursing ¹⁾	12.9	13.7
Income from Assisted Living ¹⁾	1.5	1.5
Other income ¹⁾	1.9	1.6
Income from Nursing and Assisted Living.....	16.3	16.8
Nursing and corporate costs	(4.3)	(4.4)
Staff expenses.....	(8.2)	(8.2)
Earnings from Nursing and Assisted Living.....	3.8	4.2

1) Taken or derived from the Company's accounting records or internal management reporting systems.

Income from Nursing and Assisted Living decreased by 3.0% from EUR 16.8 million in the three months ended March 31, 2014 to EUR 16.3 million in the three months ended March 31, 2015. This decrease was particularly due to the sale of the operating business of a leased care facility with 126 beds in Rhineland-Palatinate. This sale led to a reduction in segment income from Nursing of

about EUR 0.8 million in the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The average occupancy rate of the facilities decreased slightly from 96.0% in the three months ended March 31, 2014 to 95.8% in the three months ended March 31, 2015.

Earnings from Nursing and Assisted Living (earnings of KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH (“KATHARINENHOF®” and together with its subsidiaries, the “KATHARINENHOF® Group”) excluding the rentals, interest on loans for rented properties, maintenance and similar costs as these are absorbed or not recharged by real estate companies belonging to the GEHAG Group) decreased by 9.5% from EUR 4.2 million in the three months ended March 31, 2014 to EUR 3.8 million in the three months ended March 31, 2015 primarily due to a decrease in income from Nursing and Assisted Living because of the sale of the operating business of a leased care facility in Rhineland-Palatinate mentioned above, which was only partially compensated by a decrease in segment costs and expenses.

Corporate Expenses

Corporate expenses include staff expenses and general and administration expenses excluding corporate expenses from the Nursing and Assisted Living segment, which are reported under the line item nursing and corporate costs shown above.

The following table shows the composition of corporate expenses for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Staff expenses ¹⁾	(11.9)	(14.3)
General and administration expenses ¹⁾	(6.8)	(8.5)
Corporate expenses	(18.7)	(22.8)

1) Taken or derived from the Company’s accounting records or internal management reporting systems.

Staff expenses decreased by 16.8% from EUR 14.3 million in the three months ended March 31, 2014 to EUR 11.9 million in the three months ended March 31, 2015. General and administration expenses decreased by 20.0% from EUR 8.5 million in the three months ended March 31, 2014 to EUR 6.8 million in the three months ended March 31, 2015. The decreases reflected the synergy effects of the integration of GSW’s overhead activities into the Deutsche Wohnen Group. As a result, corporate expenses decreased by 18.0% from EUR 22.8 million in the three months ended March 31, 2014 to EUR 18.7 million in the three months ended March 31, 2015. The proportion of corporate expenses to income from Residential Property Management improved from 14.5% in the three months ended March 31, 2014 to 11.8% in the three months ended March 31, 2015.

Depreciation and Amortization

Depreciation and amortization relates to intangible assets and equipment.

Depreciation and amortization decreased by 18.8% from EUR 1.6 million in the three months ended March 31, 2014 to EUR 1.3 million in the three months ended March 31, 2015.

Financial Result

The financial result comprises finance expenses, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds and finance income. Finance expenses include current interest expenses, accrued interest on liabilities and pensions and one-off financing costs.

The following table shows the composition of the financial result for the three months ended March 31, 2015 and March 31, 2014:

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Current interest expenses.....	(35.2)	(47.1)
Accrued interest on liabilities and pensions	5.0	(5.2)
Non-recurring expenses in connection with refinancing	(5.4)	–
Gains/losses from fair value adjustments of derivative financial in- struments ¹⁾	3.1	(9.1)
Gains/losses from fair value adjustments of convertible bonds ¹⁾	(113.0)	(7.6)
Finance income.....	0.2	0.3
Financial result²⁾	(145.3)	(68.7)

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Calculated based on the above-mentioned sources.

The financial result deteriorated from negative EUR 68.7 million in the three months ended March 31, 2014 to negative EUR 145.3 million in the three months ended March 31, 2015. This deterioration was primarily due to an increase in the Company's share price, which led to an increase in the fair value of the convertible bonds issued by the Company. This increase in fair value resulted in losses from fair value adjustments of convertible bonds. These losses were only partially offset by a significant reduction in current interest expenses due to the refinancing of loans with a nominal amount of EUR 1.4 billion in late 2014.

Profit before Taxes

Profit before taxes deteriorated from a profit of EUR 54.2 million in the three months ended March 31, 2014 to a loss of EUR 27.3 million in the three months ended March 31, 2015 primarily due to a deterioration in the financial result driven by losses from fair value adjustments of convertible bonds.

Income Taxes

The following table shows the development of income taxes:

	January 1 – March 31, 2015	January 1 – March 31, 2014
	(unaudited)	
	(in EUR million)	
Current tax expense ¹⁾	(5.5)	(3.3)
Deferred tax expense ¹⁾	(11.5)	(5.4)
Income taxes	(17.0)	(8.6)

1) Taken or derived from the Company's accounting records or internal management reporting systems.

Income tax expenses doubled from EUR 8.6 million in the three months ended March 31, 2014 to EUR 17.0 million in the three months ended March 31, 2015.

Profit for the Period

Profit for the period deteriorated from a profit of EUR 45.5 million in the three months ended March 31, 2014 to a loss of EUR 44.2 million in the three months ended March 31, 2015, primarily due to a deterioration in the financial result driven by losses from fair value adjustments of convertible bonds.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

The following table sets out Deutsche Wohnen AG's consolidated profit and loss statement for the fiscal years ended December 31, 2014 and December 31, 2013, based on Deutsche Wohnen AG's audited consolidated financial statements as of and for the fiscal years December 31, 2014 and December 31, 2013.

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited) (in EUR million)	
Income from Residential Property Management.....	626.3	372.9
Expenses from Residential Property Management.....	(120.5)	(80.6)
Earnings from Residential Property Management	505.8	292.3
Sales proceeds	257.4	169.7
Cost of sales.....	(12.1)	(10.3)
Carrying amounts of assets sold	(192.9)	(136.3)
Earnings from Disposals	52.4	23.0
Income from Nursing and Assisted Living.....	68.2	59.9
Expenses from Nursing and Assisted Living	(51.9)	(46.7)
Earnings from Nursing and Assisted Living	16.3	13.2
Corporate expenses.....	(90.5)	(52.9)
Other expenses/income.....	(29.6)	(22.7)
Subtotal	454.4	252.9
Gains/losses from fair value adjustments of investment properties	952.7	101.3
Depreciation and amortization	(6.1)	(5.5)
Earnings before interest and taxes (EBIT)	1,401.0	348.7
Finance income.....	1.0	1.0
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds ¹⁾	(111.5)	10.6
Gains/losses from companies valued at equity	(0.5)	–
Finance expense.....	(268.5)	(142.4)
Profit before taxes	1,021.4	217.9
Income taxes	(132.2)	(5.2)
Profit for the period	889.3	212.7

1) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013 referred to as "Gains/losses from fair value adjustments of derivative financial instruments".

Residential Property Management

The following table sets out the business performance of the Residential Property Management segment for the fiscal years ended December 31, 2014 and December 31, 2013.

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited, unless otherwise indicated) (in EUR million)	
Income from Residential Property Management	626.3	372.9
Non-recoverable operating expenses.....	(13.8)	(9.6)
Rental loss	(8.9)	(4.9)
Maintenance costs	(88.8)	(59.4)
Other income/expenses.....	(9.0)	(6.7)
Expenses from Residential Property Management	(120.5)	(80.6)
Earnings from Residential Property Management	505.8	292.3
Staff expenses and general and administration expenses (unaudit- ed) ¹⁾	(45.2)	(28.3)

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited, unless otherwise indicated)	
	(in EUR million)	

Net Operating Income (NOI) from Residential Property Management (unaudited)²⁾	460.6	264.0
NOI margin in % (unaudited) ²⁾³⁾	73.5	70.8
NOI in EUR per square meter and month (unaudited) ¹⁾⁴⁾	4.14	3.84

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Calculated based on the above mentioned sources.

3) The NOI margin is the ratio of net operating income (NOI) from Residential Property Management to income from Residential Property Management.

4) Including the average floor space on a quarterly basis in the respective period; taken or derived from the Company's internal management reporting systems.

Income from Residential Property Management increased by 68.0% from EUR 372.9 million in 2013 to EUR 626.3 million in 2014. This increase was primarily due to the acquisition-driven growth in the portfolio resulting from the takeover of GSW. In addition, monthly contractual rents in the residential portfolio in the strategic core and growth markets increased by 2.5% from EUR 5.57 per square meter on December 31, 2013 to EUR 5.71 per square meter on December 31, 2014 for the real estate which was consistently managed throughout the year 2014 (like-for-like comparison). The like-for-like increase in the contractual rents of the letting portfolio amounted to 2.5% in the Core+ Regions and to 3.1% in the core portfolio. The increase in the Core+ Regions was driven by new contractual rents (contractually owed rent from newly signed leases for residential portfolio units not subject to price restrictions which took effect in 2014). At EUR 7.11 per square meter, these were 22.7% higher than the existing contract rents on residential units in the Core+ Region as of December 31, 2014.

The vacancy rate for the total residential real estate portfolio decreased from 2.4% on December 31, 2013 to 2.2% on December 31, 2014, primarily due to a focus on letting activities. On a like-for-like basis, the vacancy rate for the residential portfolio in the strategic core and growth regions decreased from 2.0% on December 31, 2013 to 1.9% on December 31, 2014.

Expenses from Residential Property Management increased by 49.5% from EUR 80.6 million in 2013 to EUR 120.5 million in 2014. Maintenance costs, the largest cost item, increased by 49.5% from EUR 59.4 million in 2013 to EUR 88.8 million in 2014. This increase was primarily due to the expansion of the portfolio. At EUR 9.59 per square meter for 2014, maintenance costs per square meter decreased by 7.4% compared to 2013 (EUR 10.36 per square meter).

Earnings from Residential Property Management increased by 73.0% from EUR 292.3 million in 2013 to EUR 505.8 million in 2014, primarily due to the increased size of the portfolio.

Including staff expenses and general and administration expenses that are directly and indirectly attributable to the Residential Property Management segment, NOI in this segment increased by 74.5% from EUR 264.0 million in 2013 to EUR 460.6 million in 2014. The NOI margin (net operating income (NOI)) from Residential Property Management relative to income from Residential Property Management increased from 70.8% in 2013 to 73.5% in 2014. NOI per square meter and month increased by 7.8% from EUR 3.84 per square meter and month in 2013 to EUR 4.14 per square meter and month in 2014 due to the changes to the structure of the portfolio as a result of the takeover of GSW.

Disposals

The following table sets out the business performance of the Disposals segment for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited, unless otherwise indicated)	
	(in EUR million)	
Sales proceeds	257.4	169.6
Cost of sales.....	(12.1)	(10.3)
Net sales proceeds (unaudited)¹⁾	245.3	159.3
Carrying amounts of assets sold	(192.9)	(136.3)
Earnings from Disposals	52.4	23.0

1) Calculated based on the above mentioned sources.

In 2014, the transfer of benefits and encumbrances was effected for 4,115 units (3,499 units in 2013). Sales proceeds increased by 51.8% from EUR 169.6 million in 2013 to EUR 257.4 million in 2014 due to an increase in the number of units sold, which was driven by demand for real estate as a form of investment for owner-occupiers and investors.

Earnings from Disposals more than doubled from EUR 23.0 million in 2013 to EUR 52.4 million in 2014. This strong increase was due to the favorable economic environment. Buyers consider residential real estate – in particular, residential real estate located in metropolitan areas – to be an attractive investment and a hedge against inflation. Demand for real estate was also supported by low interest rates for debt financing.

The following table sets out the business performance of single-unit sales (residential unit privatizations) for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014 ¹⁾	January 1 – December 31, 2013 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	160.5	100.7
Average sales price in EUR per square meter	1,181	1,171
Number of residential units	2,016	1,342
Cost of sales in EUR million	(10.5)	(8.7)
Net sales proceeds in EUR million	150.0	92.0
Carrying amounts of assets sold in EUR million	(111.8)	(68.6)
Earnings from single-unit sales (residential unit privatizations) in EUR million	38.2	23.4
Gross margin in % ²⁾	43.6	46.8

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from single-unit sales increased by 59.4% from EUR 100.7 million in 2013 to EUR 160.5 million in 2014 due to an increase in the number of units sold and, to a lesser extent, an increase in the average sales price per square meter. Net sales proceeds from single-unit sales increased by 63.0% from EUR 92.0 million in 2013 to EUR 150.0 million in 2014. Earnings from single-unit sales (residential unit privatizations) increased by 63.2% from EUR 23.4 million in 2013 to EUR 38.2 million in 2014.

The following table shows the business performance of institutional sales for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014 ¹⁾	January 1 – December 31, 2013 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	96.9	68.9
Average sales price in EUR per square meter	734	492
Number of residential units	2,099	2,157
Cost of sales in EUR million	(1.6)	(1.6)
Net sales proceeds in EUR million	95.3	67.3
Carrying amounts of assets sold in EUR million	(81.1)	(67.7)
Earnings from institutional sales in EUR million	14.2	(0.4)
Gross margin in % ²⁾	19.5	1.8

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from institutional sales increased by 40.6% from EUR 68.9 million in 2013 to EUR 96.9 million in 2014 due to an increase in the average sales price per square meter, which was only partially offset by a slight decrease in the number of units sold. Net sales proceeds from institutional sales increased by 41.6% from EUR 67.3 million in 2013 to EUR 95.3 million in 2014. Earnings from institutional sales improved from negative EUR 0.4 million in 2013 to EUR 14.2 million in 2014, as the favorable market environment allowed Deutsche Wohnen to effect sales at prices that exceeded the carrying amounts of the assets sold.

Nursing and Assisted Living

The following table shows the business performance of the Nursing and Assisted Living segment for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 - December 31, 2014	January 1 - December 31, 2013
	(audited, unless otherwise indicated) (in EUR million)	
Income from Nursing (unaudited) ¹⁾	55.4	52.0
Income from Assisted Living (unaudited) ¹⁾	6.0	3.0
Other income (unaudited) ¹⁾	6.8	4.9
Income from Nursing and Assisted Living	68.2	59.9
Nursing and corporate costs	(18.6)	(16.4)
Staff expenses.....	(33.3)	(30.3)
Earnings from Nursing and Assisted Living	16.3	13.2

1) Taken or derived from the Company's accounting records or internal management reporting systems.

Income from Nursing and Assisted Living increased by 13.9% from EUR 59.9 million in 2013 to EUR 68.2 million in 2014. This was particularly due to the acquisition of facilities with about 675 places in 2013. The average occupancy rate of the facilities remained constant at 96.1% for 2013 and 2014.

Earnings from Nursing and Assisted Living (earnings of KATHARINENHOF® and the KATHARINENHOF® Group) excluding the rentals, interest on loans for rented properties, maintenance and similar costs as these are absorbed or not recharged by real estate companies belonging to the GEHAG Group) increased by 23.5% from EUR 13.2 million in 2013 to EUR 16.3 million in 2014 primarily due to the acquisition of facilities mentioned above.

Corporate Expenses

The following table shows the composition of corporate expenses for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited unless otherwise indicated) (in EUR million)	
Staff expenses.....	56.9	31.8
General and administration expenses	33.6	17.7
Total staff expenses and general and administration expenses (unaudited)¹⁾	90.5	49.5
Property management.....	–	3.4
Corporate expenses	90.5	52.9

1) Calculated based on the above mentioned sources.

Staff expenses increased by 78.9% from EUR 31.8 million in 2013 to EUR 56.9 million in 2014 due to the takeover of GSW which resulted in an increased real estate portfolio compared to 2013 and higher staff numbers. General and administration expenses increased by 89.8% from EUR 17.7 million in 2013 to EUR 33.6 million in 2014 mainly due to the takeover of GSW. Deutsche Wohnen did not incur property management expenses in 2014, as the contract with an external provider of property management services relating to the management of units in the BauBeCon Group expired in February 2013. Corporate expenses increased by 71.1% from EUR 52.9 million in 2013 to EUR 90.5 million in 2014 mainly due to the takeover of GSW. The proportion of corporate expenses to income from Residential Property Management increased slightly from 14.2% in 2013 to 14.4% in 2014.

Other expenses/income

The following table shows the composition of other expenses/income for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014 ¹⁾	January 1 – December 31, 2013 ¹⁾
	(unaudited, unless otherwise indicated) (in EUR million)	
Restructuring and reorganization expenses	(15.2)	–
Transaction costs	(2.8)	(19.1)
Deconsolidation of Facilita Berlin GmbH.....	(2.8)	–
Miscellaneous expenses/income.....	(8.7)	(3.6)
Other expenses/income (audited)	(29.6)	(22.7)

1) Taken or derived from the Company's accounting records or internal management reporting systems.

Other expenses/income increased by 30.4% from expenses of EUR 22.7 million in 2013 to expenses of EUR 29.6 million in 2014. This increase in expenses was primarily due to integration costs related to the integration of GSW into the Deutsche Wohnen Group and an increase in miscellaneous expenses, which was only partially offset by a decrease in transaction costs. Transaction costs in 2013 reflected in particular costs associated with the takeover of GSW.

Gains/Losses from the Fair Value Adjustments of Investment Properties

Gains from the fair value adjustments of investment properties increased significantly from EUR 101.3 million in 2013 to EUR 952.7 million in 2014. The continued improvement in the operating performance and the resulting increase in cash flows contributed EUR 279 million to this increase. In addition, the rent and real estate price levels in Deutsche Wohnen's Core+ regions, in which the majority of Deutsche Wohnen real estate units are located, continued to increase stronger than the market average. Accordingly, the valuation parameter relating to the market development and the tar-

get vacancy rates were adjusted, which contributed EUR 117 million to the gains from the fair value adjustments of investment properties in 2014. Further, the discount and capitalization rates were adjusted to reflect price and market developments. This adjustment contributed EUR 557 million to the gains from the fair value adjustments of investment properties in 2014.

The internal valuation of Deutsche Wohnen's entire real estate portfolio largely corresponds to the external valuations carried out by CBRE GmbH as of December 31, 2013 and December 31, 2014.

Depreciation and Amortization

Depreciation and amortization increased by 10.9% from EUR 5.5 million in 2013 to EUR 6.1 million in 2014, primarily for acquisition-related reasons.

Financial Result

The following table shows the composition of the financial result for the fiscal years ended December 31, 2014 and December 31, 2013:

	January 1 – December 31, 2014	January 1 – December 31, 2013
	(audited, unless otherwise indicated)	
	(in EUR million)	
Current interest expenses.....	(183.4)	(122.0)
Accrued interest on liabilities and pensions	(3.0)	(11.8)
Non-recurring expenses in connection with refinancing ¹⁾	(82.2)	(8.6)
Gains/losses from fair value adjustments of derivative financial instruments and convertible bonds ²⁾	(111.5)	10.6
Finance income.....	1.0	1.0
Financial result (unaudited)³⁾	(379.1)	(130.8)

1) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013 referred to as "Financing costs".

2) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2013 referred to as "Gains/losses from fair value adjustments of derivative financial instruments".

3) Calculated based on the above mentioned sources.

The financial result deteriorated from negative EUR 130.8 million in 2013 to negative EUR 379.1 million in 2014. This deterioration was primarily driven by a swing in gains/losses from fair value adjustments of derivative financial instruments and convertible bonds. An increase in one-off financing costs related to the refinancing of liabilities in October 2014 and an increase in current interest expenses due to an increase in financial liabilities in connection with the acquisition of GSW also contributed to the deterioration of the financial result.

Profit before Taxes

Profit before taxes more than quadrupled from EUR 217.9 million in 2013 to EUR 1,021.4 million in 2014. Profit before taxes benefited primarily from the strong increase in gains from fair value adjustments of investment properties. In addition, earnings of all three segments continued to increase. These increases were only partially offset by an increase in finance expense and corporate expenses and a deterioration in gains/losses from fair value adjustments of derivative financial instruments. EBT (adjusted) increased by 114.8% from EUR 131.9 million in 2013 to EUR 283.3 million in 2014.

Income Taxes

The following table shows the development of income taxes:

	January 1 - December 31, 2014	January 1 - December 31, 2013
	(audited)	
	(in EUR million)	
Current tax expense	(16.5)	(11.3)
Tax expense from capital increase costs.....	(0.4)	(2.5)
Deferred tax expense		
Properties	(266.8)	(52.3)
Loss carry-forwards	155.3	58.2
Loans and convertible bond	(1.0)	7.7
Other provisions.....	(2.1)	(0.6)
Interest rate swaps.....	(4.7)	(4.3)
Pensions	(2.9)	(0.5)
Other	6.7	0.3
	(115.3)	8.6
Income taxes	(132.2)	(5.2)

Income tax expenses increased strongly from EUR 5.2 million in 2013 to EUR 132.2 million in 2014. The increase in income tax expenses was primarily due to an increase in deferred tax expenses. The gains from fair value adjustments of investment properties resulted in a strong increase in deferred tax expenses for properties, which was only partially offset by an increase in tax credits for loss carry-forwards.

Current tax expenses increased in line with the improved operating performance.

Profit for the Period

Profit for the period more than quadrupled from EUR 212.7 million in 2013 to EUR 889.3 million in 2014. Profit for the period benefited primarily from the strong increase in gains from fair value adjustments of investment properties. In addition, earnings of all three segments continued to increase. These increases were only partially offset by an increase in finance expense mostly due to one-off effects, income taxes and corporate expenses and a deterioration in gains/losses from fair value adjustments of derivative financial instruments.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

The following table shows Deutsche Wohnen AG's consolidated profit and loss statement for the fiscal years ended December 31, 2013 and December 31, 2012, based on the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years December 31, 2013 and December 31, 2012.

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited)	
	(in EUR million)	
Income from Residential Property Management.....	372.9	240.1
Expenses from Residential Property Management.....	(80.6)	(45.6)
Earnings from Residential Property Management	292.3	194.4
Sales proceeds	169.7	167.8
Cost of sales.....	(10.3)	(11.8)
Carrying amounts of assets sold	(136.3)	(136.1)
Earnings from Disposals	23.0	19.9
Income from Nursing and Assisted Living.....	59.9	42.0
Expenses from Nursing and Assisted Living	(46.7)	(32.1)

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited)	
	(in EUR million)	
Earnings from Nursing and Assisted Living	13.2	9.9
Corporate expenses.....	(52.9)	(40.4)
Other expenses/income.....	(22.7)	12.7
Subtotal	252.9	196.5
Gains/losses from fair value adjustments of investment properties	101.3	119.2
Depreciation and amortization	(5.5)	(3.1)
Earnings before interest and taxes (EBIT)	348.7	312.6
Finance income.....	1.0	2.0
Gains/losses from fair value adjustments of derivative financial instruments	10.6	(0.2)
Finance expense.....	(142.4)	(108.7)
Profit before taxes	217.9	205.6
Income taxes.....	(5.2)	(60.1)
Profit for the period	212.7	145.5

Residential Property Management

The following table shows the performance of the Residential Property Management segment for the fiscal years ended December 31, 2013 and December 31, 2012:

	January 1 – December 31, 2013	January 1 - December 31, 2012
	(audited, unless otherwise indicated)	
	(in EUR million)	
Income from Residential Property Management	372.9	240.1
Non-recoverable expenses.....	(9.6)	(4.1)
Rental loss	(4.9)	(3.0)
Maintenance costs	(59.4)	(34.7)
Other expenses	(6.7)	(3.8)
Expenses from Residential Property Management	(80.6)	(45.6)
Earnings from Residential Property Management	292.3	194.4
Staff expenses and general and administration expenses (unaudited) ¹⁾	(28.3)	(22.2)
Net Operating Income (NOI) from Residential Property Management (unaudited) ²⁾	264.0	172.2
NOI margin in % (unaudited) ²⁾³⁾	70.8	71.7
NOI in EUR per square meter and month (unaudited) ¹⁾	3.84 ⁴⁾	4.00 ⁵⁾

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Calculated based on the above mentioned sources.

3) The NOI margin is the ratio of net operating income (NOI) from Residential Property Management to income from Residential Property Management.

4) Based on the average floor space on a quarterly basis in the relevant period; as of June 30, 2013 excluding floor space pertaining to companies that were consolidated for the first time as of June 30, 2013; the floor space of GSW's portfolio was only included for December 2013.

5) Taking into consideration the average floor space on a quarterly basis in the relevant periods; in the figure for the third quarter of 2012, the floor space of BauBeCon's portfolio was only included for one month.

Income from Residential Property Management increased by 55.3% from EUR 240.1 million in 2012 to EUR 372.9 million in 2013. This increase was primarily due to acquisitions that became fully effective in 2013. These acquisitions include in particular the acquisition of the BauBeCon Group, the income of which has been fully consolidated since September 1, 2012, and the takeover of GSW, which closed in late November 2013. GSW's income has been fully consolidated since December 1, 2013. In addition, monthly in-place rents in the residential portfolio in the strategic core and growth

regions increased by 3.3% from EUR 5.65 per square meter on December 31, 2012 to EUR 5.84 per square meter on December 31, 2013 for the real estate which was consistently managed throughout the entire year 2013 (like-for-like comparison). This increase was primarily due to a like-for-like increase in in-place rents of 4.2% in the residential portfolio in the Core+ Regions. In the Core regions, the increase in in-place rents was 0.9% over the same period on a like-for-like basis. The increase was mainly due to adjustments of rent indices (*Mietspiegelanpassungen*) and re-letting. Specifically, new leases for non-rent-controlled units in the letting portfolio in Deutsche Wohnen's Core+ Regions supported the increase in monthly in-place rent, as the re-letting of non-rent-controlled units in the letting portfolio in Deutsche Wohnen's Core+ Regions effective in 2013 was effected at a monthly new letting rent of EUR 7.58 per square meter on average, compared to an in-place rent of EUR 6.10 per square meter.

The vacancy rate for the total portfolio decreased slightly from 2.5% as of December 31, 2012 to 2.4% as of December 31, 2013. On a like-for-like basis, the vacancy rate for the total portfolio increased from 2.0% as of December 31, 2012 to 2.5% as of December 31, 2013, whereas the vacancy rate for the residential portfolio in the strategic core and growth regions increased from 1.7% as of December 31, 2012 to 1.9% as of December 31, 2013. These increases were in particular due to the integration of BauBeCon units located in Hanover/Brunswick/Magdeburg.

Expenses from Residential Property Management increased by 76.8% from EUR 45.6 million in 2012 to EUR 80.6 million in 2013 due to an increase of all components of expenses from Residential Property Management. Maintenance costs, which are the largest cost item, increased by 71.2% from EUR 34.7 million in 2012 to EUR 59.4 million in 2013. This increase was mainly due to the growth in the portfolio and an increase in maintenance costs per square meter from EUR 9.68 per square meter in 2012 to EUR 10.36 per square meter in 2013.

Earnings from Residential Property Management increased by 50.4% from EUR 194.4 million in 2012 to EUR 292.3 million in 2013, mainly as a result of the acquisition-related increase in income from Residential Property Management.

Including the staff expenses and general and administration expenses directly and indirectly attributable to the Residential Property Management segment, the NOI of this segment increased by 53.3% from EUR 172.2 million in 2012 to EUR 264.0 million in 2013. The NOI margin decreased slightly from 71.7% in 2012 to 70.8% in 2013, and NOI per square meter and month decreased by 4.0% from EUR 4.00 per square meter and month in 2012 to EUR 3.84 per square meter and month in 2013, mainly due to an increase in maintenance costs per square meter and acquisition driven changes in the portfolio structure.

Disposals

The following table shows the business performance of the Disposals segment for the fiscal years ended December 31, 2013 and December 31, 2012:

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited, unless otherwise indicated) (in EUR million)	
Sales proceeds	169.6	167.8
Cost of sales.....	(10.3)	(11.8)
Net sales proceeds (unaudited)¹⁾	159.3	156.0
Carrying amounts of assets sold	(136.3)	(136.1)
Earnings from Disposals	23.0	19.9

1) Calculated based on the above mentioned sources.

Sales proceeds increased by 1.1% from EUR 167.8 million in 2012 to EUR 169.6 million in 2013 due to an increase in sales proceeds from institutional sales that was only partially offset by a decrease in sales proceeds from residential unit privatizations.

Earnings from Disposals increased by 15.6% from EUR 19.9 million in 2012 to EUR 23.0 million in 2013. This increase was primarily due to a significant increase in the gross margin for residential unit privatizations.

The following table summarizes the single-unit sales (residential unit privatizations) for the years ended December 31, 2013 and December 31, 2012:

	January 1 - December 31, 2013 ¹⁾	January 1 - December 31, 2012 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	100.7	115.4
Average sales price in EUR per square meter	1,171	1,114
Number of residential units	1,342	1,623
Cost of sales in EUR million	(8.7)	(9.2)
Net sales proceeds in EUR million	92.0	106.2
Carrying amounts of assets sold in EUR million	(68.6)	(86.3)
Earnings from single-unit sales (residential unit privatizations) in EUR million.....	23.4	19.9
Gross margin in % ²⁾	46.8	33.7

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from single-unit sales (residential unit privatizations) decreased by 12.7% from EUR 115.4 million in 2012 to EUR 100.7 million in 2013 due to a planned decrease in the number of units sold, which was only partially offset by an increase in the average sales price per square meter. Earnings from single-unit sales (residential unit privatizations) increased by 17.6% from EUR 19.9 million in 2012 to EUR 23.4 million in 2013 due to a significant gross margin increase.

The following table summarizes the institutional sales for the years ended December 31, 2013 and December 31, 2012:

	January 1 - December 31, 2013 ¹⁾	January 1 - December 31, 2012 ¹⁾
	(unaudited)	
Sales proceeds in EUR million.....	68.9	52.4
Average sales price in EUR per square meter	492	573
Number of residential units	2,157	1,377
Cost of sales in EUR million	(1.6)	(2.6)
Net sales proceeds in EUR million	67.3	49.8
Carrying amounts of assets sold in EUR million	(67.7)	(49.8)
Earnings from institutional sales in EUR million.....	(0.4)	0.0
Gross margin in % ²⁾	1.8	5.2

1) Taken or derived from the Company's accounting records or internal management reporting systems.

2) Gross margin is the ratio of the excess of sales proceeds over carrying amounts of assets sold to carrying amounts of assets sold.

Sales proceeds from institutional sales increased by 31.5% from EUR 52.4 million in 2012 to EUR 68.9 million in 2013 due to a significant increase in the number of residential units sold, which was only partially offset by a decrease in the average sales price per square meter. Earnings from institutional sales decreased slightly to negative EUR 0.4 million in 2013 (2012: EUR 0.0 million) due to a significant decrease in the gross margin. The gross margin decrease was due to accelerated sales of units located in economically less developed regions, which were effected in line with Deutsche Wohnen's effort to further improve its portfolio structure. Out of the total 2,157 units sold, 2,066 units were located in non-core regions.

Nursing and Assisted Living

The following table shows the business performance of the Nursing and Assisted Living segment for the fiscal years ended December 31, 2013 and December 31, 2012:

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited unless otherwise indicated) (in EUR million)	
Income from Nursing (unaudited) ¹⁾	52.0	36.4
Income from Assisted Living (unaudited) ¹⁾	3.0	2.0
Other income (unaudited) ¹⁾	4.9	3.6
Income from Nursing and Assisted Living	59.9	42.0
Nursing and corporate costs	(16.4)	(11.3)
Staff expenses	(30.3)	(20.8)
Earnings from Nursing and Assisted Living	13.2	9.9

1) Taken or derived from the Company's accounting records or internal management reporting systems.

Income from Nursing and Assisted Living increased by 42.6% from EUR 42.0 million in 2012 to EUR 59.9 million in 2013. This increase was primarily due to the transfer of risks and rewards of five acquired facilities, all of which are located in Berlin. About 425 places were added to the Nursing and Assisted Living portfolio in the first quarter of 2013, and about 250 places were added to the Nursing and Assisted Living portfolio in the fourth quarter of 2013.

Earnings from Nursing and Assisted Living increased by 33.3% from EUR 9.9 million in 2012 to EUR 13.2 million in 2013. The segment's EBITDA margin (ratio of earnings from Nursing and Assisted Living to the fair value of the facilities at the end of the relevant period) decreased from 11.6% in 2012 to 9.1% in 2013, largely due to the purchase of five facilities during 2013 that only contributed to earnings from Nursing and Assisted Living during a fraction of the fiscal year.

Corporate expenses

The following table contains information on corporate expenses for the fiscal years ended December 31, 2013 and December 31, 2012. Corporate expenses do not include corporate expenses of the Nursing and Assisted Living segment, which are reported under the line item nursing and corporate costs shown above.

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited unless otherwise indicated) (in EUR million)	
Staff expenses	31.8	23.6
General and administration expenses	17.7	12.7
Total staff expenses and general and administration expenses (unaudited)¹⁾	49.5	36.3
Property management ²⁾	3.4	4.1
Corporate expenses	52.9	40.4

1) Calculated based on the above mentioned sources.

2) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2012 referred to as "Property management (external management BauBeCon)".

Staff expenses increased by 34.7% from EUR 23.6 million in 2012 to EUR 31.8 million in 2013 mainly due to acquisitions. The inclusion of GSW's staff expenses for December 2013 contributed about EUR 2.4 million to the increase.

General and administration expenses increased by 39.4% from EUR 12.7 million in 2012 to EUR 17.7 million in 2013. This increase was due to acquisitions. With EUR 2.4 million, nearly half of the increase was attributable to the inclusion of GSW for the month of December 2013.

The cost ratio of corporate expenses, *i.e.*, the ratio between corporate expenses and income from residential property management, decreased from 16.8% in 2012 to 14.2% in 2013 due to economies of scale resulting from the integration of recent acquisitions.

Gains/Losses from the Fair Value Adjustments of Investment Properties

Gains from the fair value adjustments of investment properties were EUR 101.3 million in 2013. The increase in fair value of investment properties in 2013 was driven by the continued favorable operating performance of the total portfolio. Fair value was measured on the basis of various parameters, including assumptions with respect to annual rental increases, the target vacancy rate and discount and capitalization rates.

Gains from the fair value adjustments of investment properties amounted to EUR 119.2 million in 2012.

The internal valuation of Deutsche Wohnen's entire real estate portfolio largely corresponds to the external valuations carried out by CBRE GmbH as of December 31, 2013 and December 31, 2012.

Depreciation and Amortization

Depreciation and amortization increased by 77.4% from EUR 3.1 million in 2012 to EUR 5.5 million in 2013.

Financial Result

The following table breaks down the financial result for the years ended December 31, 2013 and December 31, 2012:

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited, unless otherwise indicated) (in EUR million)	
Current interest expenses.....	(122.0)	(89.6)
Accrued interest on liabilities and pensions	(11.8)	(11.4)
Financing costs ¹⁾	(8.6)	(7.8)
Gains/losses from fair value adjustments of derivative financial instruments	10.6	(0.2)
Finance income.....	1.0	2.0
Financial Result (unaudited)²⁾	(130.8)	(107.0)

1) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2012 referred to as "financing costs for BauBeCon".

2) Calculated based on the above mentioned sources.

The financial result deteriorated by 22.2% from negative EUR 107.0 million in 2012 to negative EUR 130.8 million in 2013. This deterioration was mainly due to a 36.2% increase in current interest expenses from EUR 89.6 million in 2012 to EUR 122.0 million in 2013. The main reason was an acquisition related increase in liabilities, which was only partially offset by a reduction of the average interest rate from 3.7% as of December 31, 2012 to 3.5% as of December 31, 2013. In addition, non-recurring financing costs of EUR 8.6 million arose in 2013 primarily for commitment fees and commissions in connection with the public takeover of GSW and in connection with the issuance of Deutsche Wohnen's convertible bond. Finance income decreased from EUR 2.0 million in 2012 to EUR 1.0 million in 2013.

Profit before Taxes

Profit before taxes increased by 6.0% from EUR 205.6 million in 2012 to EUR 217.9 million in 2013. As stated above, the improved earnings were due to a better operating performance of all three segments, which was only partially offset by an acquisition-related deterioration in the financial result, lower gains from the fair value adjustments of investment properties and an increase in corporate expenses on absolute terms. EBT (adjusted) increased by 68.0% from EUR 78.5 million in 2012 to EUR 131.9 million in 2013. In both periods, the adjustments related primarily to the neutralization of

gains from fair value adjustments of investment properties, and non-recurring or exceptional items as other non-recurring income from the settlement on the loss compensation agreement with RREEF in 2012 and transaction and integration costs as well as non-recurring financing costs.

Income taxes

Income taxes improved significantly from EUR 60.1 million in 2012 to EUR 5.2 million in 2013. This swing was due to a technical effect. Deutsche Wohnen capitalized tax assets on losses carried forward for entities that joined the Deutsche Wohnen's fiscal group (*Organschaft*) in 2013. The change in deferred taxes was only partially offset by an increase in current tax expense by 31.4% from EUR 10.5 million in 2012 to EUR 13.8 million in 2013.

The following table shows the development of income taxes:

	January 1 - December 31, 2013	January 1 - December 31, 2012
	(audited)	
	(in EUR million)	
Current tax expense	(11.3)	(4.9)
Tax expense from capital increase costs ¹⁾	(2.5)	(5.6)
Deferred tax expense		
Properties.....	(52.3)	(49.8)
Loss carry-forwards.....	58.2	(2.0)
Loans and convertible bond.....	7.7	1.8
Other provisions	(0.6)	0.0
Interest rate swaps	(4.3)	0.1
Pensions.....	(0.5)	0.3
Other.....	0.3	0.0
	8.6	(49.6)
Income taxes	(5.2)	(60.1)

1) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2012 referred to as "Tax benefit from capital increase costs".

Profit for the Period

Profit for the period increased significantly from EUR 145.5 million in 2012 to EUR 212.7 million in 2013, primarily due to the decrease in income taxes described above and the factors summarized under "*—Profit before Taxes*" above.

Investment Properties

Investment properties are the largest item in the consolidated balance sheet. The following table shows the development in investment properties from December 31, 2012 to March 31, 2015:

	As of March 31, 2015	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
	(unaudited)		(audited)	
	(in EUR million)		(in EUR million)	
Investment properties	9,757.1	9,611.0	8,937.1	4,614.6

Investment properties are properties that are held for generating rental income or capital appreciation rather than for use by the owner itself or for sale in the ordinary course of business. Investment properties include land with residential or commercial buildings, undeveloped land or land subject to third-party hereditary rights. Upon initial recognition, investment properties are measured at cost including incidental costs. After initial recognition, investment properties are measured at fair value. Gains or losses from fair value adjustments are recognized as income or expenses in the consolidated profit and loss statement. Measurement in each case is at the balance sheet date. Prepayments or assets under construction related to investment properties are measured at fair value and reported under investment properties.

The Deutsche Wohnen Group carries investment properties as “non-current assets held for sale” under current assets if notarized purchase contracts exist on the reporting date, but the transfer of ownership will take place at a later date; these assets are reclassified and recognized at the lower of either the sales price or carrying amount. Non-current assets held for sales amounted to EUR 394.9 million as of March 31, 2015, EUR 392.9 million as of December 31, 2014, EUR 57.5 million as of December 31, 2013 and EUR 24.4 million as of December 31, 2012. These amounts are not included in the investment property numbers shown in the table above.

An internal discounted cash flow (DCF) model is used to measure fair value. The valuations as of December 31, 2014, December 31, 2013 and December 31, 2012 were carried out according to the following principles. For valuations on the basis of defined clusters, the expected annual rent increases and target vacancies were determined based on the location and physical characteristics of the properties. For valuations of individual properties, the market rent as of the relevant reporting date and the expected development of the rent per square meter of lettable area based on the market rent and in-place rent were determined and a forecast of the development of costs was prepared. Then, the cash flows from annual proceeds and payments and the terminal value at the end of year ten (based on the recurring cash flows expected in year eleven or an expected average sales price less sales expenses) are forecast. In addition to assumptions on expected future cash flows, discount and capitalization rates are the key value drivers for investment properties. They are derived based on a risk-free interest rate (10-year average of net yields on German government bonds) and real estate-specific risk estimates. Discount rates between 6.6% and 6.8% were used for the valuation as of December 31, 2014 for units in Deutsche Wohnen’s Core and Core+ Regions. The capitalization rates fell within a range of 5.5% to 5.8% for units in Deutsche Wohnen’s Core and Core+ Regions.

March 31, 2015 Compared to December 31, 2014

Investment properties increased from EUR 9,611.0 million as of December 31, 2014 to EUR 9,757.1 million as of March 31, 2015. This increase was primarily due to acquisitions. The purchase price for these acquisitions was paid in the three months ended March 31, 2015. The transfer of benefits and encumbrances will take place after March 31, 2015. In addition, expenses for modernization measures and new constructions amounting to EUR 16.6 million were capitalized in the three months ended March 31, 2015. As of March 31, 2015, investment properties accounted for 82.6% of the Deutsche Wohnen Group’s total assets.

December 31, 2014 Compared to December 31, 2013

Investment properties increased from EUR 8,937.1 million as of December 31, 2013 to EUR 9,611.0 million as of December 31, 2014. This increase was primarily due to fair value adjustments of investment properties as of December 31, 2014. As of December 31, 2014, investment properties accounted for 84.0% of the Deutsche Wohnen Group’s total assets.

December 31, 2013 Compared to December 31, 2012

Investment properties nearly doubled from EUR 4,614.6 million as of December 31, 2012 to EUR 8,937.1 million as of December 31, 2013. The primary driver of this increase was the inclusion of GSW’s investment properties as of December 31, 2013. Gains from fair value adjustments of investment properties contributed EUR 101.3 million to this increase. Disposals of EUR 86.5 million in 2013 and reclassifications of investment properties as non-current assets held for sale of EUR 57.5 million as of December 31, 2013 had the opposite effect. As of December 31, 2013, investment properties accounted for 87.9% of the Deutsche Wohnen Group’s total assets.

Liquidity and Capitalization

Overview

Net cash flows from operating activities is one of the main sources of liquidity for Deutsche Wohnen Group, amounting to EUR 189.4 million in 2014 (EUR 61.1 million in 2013; 2012: EUR 59.2 million). In addition, sales proceeds generally exceed the liabilities related to the sold units and there-

fore provide a liquidity contribution. Deutsche Wohnen also receives financing from banks, which is included in cash flows from financing activities.

Consolidated Statements of Cash Flows

The following table shows Deutsche Wohnen AG's consolidated statements of cash flows for the three months ended March 31, 2015 and March 31, 2014 and the years ended December 31, 2014, December 31, 2013 and December 31, 2012 based on Deutsche Wohnen AG's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 and audited consolidated financial statements as of and for the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012.

	January 1 – March 31, 2015 (unaudited) (in EUR million)	January 1 – March 31, 2014 (unaudited) (in EUR million)	January 1 - December 31, 2014 (audited) (in EUR million)	January 1 - December 31, 2013 (audited) (in EUR million)	January 1 - December 31, 2012 (audited)
Operating activities					
Profit for the period	(44.2)	45.5	889.3	212.7	145.5
Finance income	(0.2)	(0.3)	(1.0)	(1.0)	(2.0)
Finance expenses	35.7	52.4	268.5	142.4	108.7
Gains/losses from companies val- ued at equity	(0.4)	–	0.5	–	–
Income taxes	17.0	8.6	132.2	5.2	60.1
Profit for the period before inter- est and taxes	7.9	106.3	1,289.5	359.4	312.4
Non-cash expenses/income					
Fair value adjustments of invest- ment properties	–	–	(952.7)	(101.3)	(119.2)
Depreciation and amortization	1.3	1.6	6.1	5.5	3.1
Fair value adjustments of deriva- tive financial instruments and convertible bonds ¹⁾	109.9	16.7	111.5	(10.6)	0.2
Other non-cash operating expens- es/income	(18.7)	(20.4)	(42.5)	(43.0)	(33.9)
Change in net working capital					
Change in receivables, inventories and other current assets	3.3	4.2	14.8	12.7	(3.1)
Change in operating liabilities	23.3	(16.2)	12.2	(11.7)	2.8
Net operating cash flows	126.9	92.2	438.9	210.9	162.2
Interest paid	(37.6)	(47.2)	(203.1)	(132.8)	(93.5)
Interest received	0.2	0.3	1.0	1.0	2.0
Taxes paid/received excluding EK-02 payments	(67.3)	(0.6)	(8.9)	(7.6)	(1.1)
Net cash flows from operating activities before EK-02 pay- ments	22.2	44.6	227.9	71.5	69.6
EK-02 payments	–	–	(38.5)	(10.4)	(10.4)
Net cash flows from operating activities	22.2	44.6	189.4	61.1	59.2
Investing activities					
Sales proceeds	426.3	83.5	261.3	184.1	163.5
Purchase of property, plant and equipment/investment property and other non-current assets ²⁾	(187.6)	(9.2)	(220.4)	(771.8)	(1,400.6)
Payments for the purchase of the convertible bond of GSW	–	–	–	(213.1)	–
Receipt of investment subsidies	–	–	0.9	1.3	0.4
Proceeds from acquisition of com-	–	–	–	145.7	–

	January 1 – March 31, 2015	January 1 – March 31, 2014	January 1 - December 31, 2014	January 1 - December 31, 2013	January 1 - December 31, 2012
	(unaudited) (in EUR million)	(unaudited) (in EUR million)	(audited) (in EUR million)	(audited) (in EUR million)	(audited) (in EUR million)
panies.....					
Payments from sales of companies.....	–	–	(4.3)	–	–
Payments to limited partners in funds	–	–	(0.1)	(1.3)	(1.4)
Net cash flows from investing Activities	238.8	74.3	37.3	(655.1)	(1,238.0)
Financing activities					
Proceeds from borrowings.....	6.0	0.1	1,413.6	640.4	847.4
Repayment of borrowings	(112.2)	(133.5)	(1,781.7)	(331.0)	(158.5)
Proceeds from the issuance of con- vertible bonds	–	–	400.0	250.0	–
Payments from repayment of con- vertible bonds	–	(1.9)	(1.9)	–	–
One-off financing costs ³⁾	(5.4)	–	(101.2)	(13.0)	(7.8)
Proceeds from the sale of non- controlling interests	16.8	–	103.1	–	–
Proceeds from the capital increase	–	–	–	195.1	461.2
Costs of the capital increase	–	–	(1.3)	(7.9)	(17.2)
Dividend paid ⁴⁾	–	–	(57.4)	(33.8)	(23.5)
Net cash flows from financing activities	(94.9)	(135.3)	(26.8)	699.8	1,101.5
Net change in cash and cash equivalents	166.0	(16.3)	200.0	105.9	(77.3)
Opening balance of cash and cash equivalents.....	396.4	196.4	196.4	90.6	167.8
Closing balance of cash and cash equivalents.....	562.4	180.1	396.4	196.4	90.6

- 1) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "Fair value adjustment to interest rate swaps".
- 2) In the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014 referred to as "Payments for investments".
- 3) In the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2013 and December 31, 2012 referred to as "One-off financing costs for transactions" and "One-off financing costs for the BauBeCon transaction".
- 4) In the Company's audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 referred to as "Payment of dividend".

Comparison of the Three Months Ended March 31, 2015 and March 31, 2014

Operating Activities

Net cash flows from operating activities decreased from cash inflows of EUR 44.6 million in the three months ended March 31, 2014 to cash inflows of EUR 22.2 million in the three months ended March 31, 2015, primarily due to higher tax payments.

Investing Activities

Net cash flows from investing activities increased from cash inflows of EUR 74.3 million in the three months ended March 31, 2014 to cash inflows of EUR 238.8 million in the three months ended March 31, 2015. The increase in cash inflows from investing activities in the three months ended March 31, 2015 was due to an increase in cash inflows from advance payments for sales.

Financing Activities

Net cash flows from financing activities decreased from cash outflows of EUR 135.3 million in the three months ended March 31, 2014 to cash outflows of EUR 94.9 million in the three months ended March 31, 2015, primarily due to a decrease in repayment of borrowings and an increase in proceeds from the sale of non-controlling interests.

Funds from Operations

FFO (without disposals) increased by 20.6% from EUR 59.1 million in the three months ended March 31, 2014 to EUR 71.3 million in the three months ended March 31, 2015 due to a decrease in personnel and administrative expenses related to the integration of GSW into the Deutsche Wohnen Group and a decrease in interest expenses due to the refinancing of liabilities with a nominal amount of EUR 1.4 billion in late 2014. FFO (including disposals) increased by 7.6% from EUR 74.9 million in the three months ended March 31, 2014 to EUR 80.6 million in the three months ended March 31, 2015.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Operating Activities

Net cash flows from operating activities increased from cash inflows of EUR 61.1 million in 2013 to cash inflows of EUR 189.4 million in 2014, primarily due to the GSW acquisition related increase in the scale of Deutsche Wohnen's operations.

Investing Activities

Net cash flows from investing activities changed from cash outflows of EUR 655.1 million in 2013 to cash inflows of EUR 37.3 million in 2014. Cash outflow in 2013 included in particular cash outflows related to the acquisition of 6,900 residential units in the Greater Berlin area from companies affiliated with Blackstone Group L.P. Cash inflows in 2014 were primarily due to cash inflows from the sales proceeds.

Financing Activities

Net cash flows from financing activities changed from cash inflows of EUR 699.8 million in 2013 to cash outflows of EUR 26.8 million in 2014, primarily due to higher cash outflows for the repayment of borrowings that were only partially offset by a net increase in proceeds from borrowings and from the issuance of convertible bonds.

Funds from Operations

FFO (without disposals) increased by 90.0% from EUR 114.5 million in 2013 to EUR 217.6 million in 2014 due to the acquisition-driven growth in the portfolio resulting from the takeover of GSW and increases in monthly contractual rents. FFO (including disposals) increased by 96.4% from EUR 137.5 million in 2013 to EUR 270.0 million in 2014.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Operating Activities

Net cash flows from operating activities increased from cash inflows of EUR 59.2 million in 2012 to cash inflows of EUR 61.1 million in 2013 primarily as a result of an increase in profit for the period before interest and taxes, which was only partially offset by increased cash outflows for interest paid.

Investing Activities

Net cash flows from investing activities decreased from cash outflows of EUR 1,238.0 million in 2012 to cash outflows of EUR 655.1 million in 2013. Cash outflows in 2012 included in particular

cash outflows from the purchase of property, plant and equipment/investment property and other non-current assets of EUR 1.4 billion for the acquisition of the BauBeCon Group, while the cash outflows related to the purchase of property, plant and equipment/investment property and other non-current assets amounting to EUR 0.8 billion in 2013. In addition, cash outflows in 2013 reflected payments for the purchase of the convertible bond of GSW of EUR 213.1 million.

Financing Activities

Net cash flows from financing activities decreased from cash inflows of EUR 1,101.5 million in 2012 to cash inflows of EUR 699.8 million in 2013. The cash inflows in 2012 were driven by new borrowings and the proceeds from a capital increase, which were only partially offset by repayments of borrowings. In 2013, Deutsche Wohnen recorded cash inflows from financing activities primarily from borrowings and from the issuance of convertible bonds. The proceeds from the issuance of convertible bonds were largely used to refinance the purchase of the convertible bond of GSW.

Funds from Operations

FFO (without disposals) increased by 67.9% from EUR 68.2 million in 2012 to EUR 114.5 million in 2013 primarily as a result of acquisitions and operational improvements. FFO (without disposals) per share increased on a scrip adjusted basis by 20.4% from EUR 0.54 in 2012 to EUR 0.65 in 2013.

FFO (including disposals) increased by 56.1% from EUR 88.1 million in 2012 to EUR 137.5 million in 2013. FFO (including disposals) per share increased on a scrip adjusted basis by 11.4% from EUR 0.70 in 2012 to EUR 0.78 in 2013.

Cash Management System

The Deutsche Wohnen Group has implemented a cash management system. The companies of the Deutsche Wohnen Group can deposit surplus liquidity and borrow cash to cover their liquidity requirements.

Financial Liabilities and Convertible Bonds, Other Liabilities, Commitments and Contingencies

The following tables show Deutsche Wohnen's financial liabilities and convertible bonds, other liabilities (excluding financial liabilities and convertible bonds) and commitments and contingencies as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

Financial Liabilities and Convertible Bonds

	As of March 31, 2015	As of December 31, 2014	As of December 31, 2013 ¹⁾	As of December 31, 2012
	(unaudited) (in EUR million)	(audited)	(audited) (in EUR million)	(audited)
Financial liabilities ²⁾	4,669.6 ³⁾	4,779.0	5,161.5	2,768.6
Convertible bonds.....	861.1 ³⁾	748.7	250.2	—

1) Figures taken from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.

2) Financial liabilities as of March 31, 2015 and financial liabilities as of December 31, 2014 include financial liabilities regarding non-current assets held for sale in the amount of EUR 6.0 million and EUR 6.0 million, respectively.

3) Figures derived from the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

Financial liabilities are liabilities to banks, insurance companies and similar lenders. As of March 31, 2015, approximately 86% of the financial liabilities (including convertible bonds) were either fixed interest loans or variable rate loans with interest rate hedging transactions. As of the same date, approximately 87.8% of the nominal value of financial liabilities (including convertible bonds) were secured by real estate owned by Deutsche Wohnen.

The convertible bonds were issued in November 2013 and September 2014. For more information, see “*Business—Deutsche Wohnen Convertible Bonds 2013*” and “*Business—Deutsche Wohnen Convertible Bonds 2014*”.

The average interest rate weighted according to the value of the financial liabilities and the convertible bonds outstanding was 2.35% as of March 31, 2015. Interest-free/low-interest loans, which were granted in return for contractual rents below the market level, are recognized at amortized cost.

As of March 31, 2015, the weighted average remaining term of the loans outstanding (excluding convertible bonds) was approximately 8.9 years.

The following table shows the loan renewal structure based on the nominal value of the financial liabilities outstanding as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

	Total	Residual term up to within 1 year	Residual term more than 1 and less than 3 years	Residual term over 3 years
	(audited, unless otherwise indicated)			
	(in EUR million)			
Financial liabilities as of March 31, 2015 (unaudited) ¹⁾	4,780.3	88.5	108.8	4,583.0
Financial liabilities as of December 31, 2014	4,888.2	89.2	115.0 ²⁾	4,684.0 ²⁾
Financial liabilities as of December 31, 2013 ³⁾	5,253.9	110.4	870.5 ²⁾	4,273.0 ²⁾
Financial liabilities as of December 31, 2012	2,872.8	66.1	342.2 ²⁾	2,464.5 ²⁾

1) Derived from the Company’s accounting records or internal management reporting systems.

2) Unaudited; calculated based on the above mentioned sources.

3) Figures extracted or derived from the Company’s consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Other Liabilities (excluding financial liabilities and convertible bonds)

	As of March 31, 2015	As of December 31, 2014	As of December 31, 2013²⁾	As of December 31, 2012
	(unaudited)	(audited, unless otherwise indicated)		
	(in EUR million)	(in EUR million)		
Non-current				
Employee benefit liabilities	73.0 ¹⁾	67.7	55.3	54.5
Tax liabilities	—	—	27.9	36.5
Derivative financial instruments	112.0 ¹⁾	126.4	124.8	113.7
Other provisions	16.6 ¹⁾	17.2	6.5	7.1
Deferred tax liabilities	568.6 ¹⁾	557.9	288.9	143.3
Total non-current liabilities (excluding financial liabilities and convertible bonds) (unaudited)³⁾	770.2	769.2	503.4	355.2
Current				
Trade payables	547.5 ¹⁾	138.0	120.6	72.0
Liabilities to limited partners in funds	6.4 ¹⁾	6.3	4.0	5.1
Other provisions	12.8 ¹⁾	19.2	12.5	7.3
Derivative financial instruments	32.3 ¹⁾	18.5	34.5	38.8
Tax liabilities	37.2 ¹⁾	46.1	46.4	27.1
Other liabilities	36.4 ¹⁾	45.1	49.7	24.1
Total current liabilities (excluding financial liabilities and convertible bonds) (unaudited)³⁾	672.6	273.3	267.7	174.3
Total liabilities (excluding financial liabilities and convertible bonds) (unaudited)³⁾	1,442.8	1,042.5	771.1	529.5

- 1) Figures extracted from the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 2) Figures extracted from the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- 3) Calculated based on the above mentioned sources.

Employee benefit liabilities generally reflect future pension payments, newly vesting entitlement (*Dienstzeitaufwand*) and interest expense. Employee benefit provisions are recognized for liabilities (retirement, invalidity and surviving dependent benefits) arising from entitlement and current benefits for eligible active and former employees and their surviving dependents. No new employees are currently being admitted to the pension plans. Employee benefit liabilities increased slightly by 1.5% from EUR 54.5 million as of December 31, 2012 to EUR 55.3 million as of December 31, 2013 and increased further to EUR 67.7 million as of December 31, 2014. As of March 31, 2015, employee benefit liabilities stood at EUR 73.0 million.

Current and non-current tax liabilities (March 31, 2015: EUR 37.2 million; December 31, 2014: EUR 46.1 million; December 31, 2013: EUR 74.3 million; December 31, 2012: EUR 63.6 million) included primarily the present value of the payment for EK-02 inventories held by Deutsche Wohnen Group until December 31, 2013. In 2014, Deutsche Wohnen paid its remaining EK-02 liabilities in full. As a result, Deutsche Wohnen did not report non-current tax liabilities as of December 31, 2014. Deutsche Wohnen's current tax liabilities as of December 31, 2014, related primarily to current tax expense and potential tax risks of the ongoing tax audits of GSW.

Liabilities to limited partners in funds relate to a right of sell-out granted by individual agreements, which Rhein-Pfalz Wohnen GmbH entered into with the limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG ("**DB 14**") for their limited partner interests from 2005 to 2019. As limited partners exercise their sell-out rights, the liabilities decrease. As of March 31, 2015, the remaining liabilities to limited partners in funds amounted to EUR 6.4 million.

Derivative financial instruments consist almost entirely of interest rate swaps entered in order to hedge cash flow risks arising from future interest payments. Changes in the fair value of the interest rate swaps result from changes in the interest rate (EURIBOR curve).

Commitments and Contingencies

The following table shows Deutsche Wohnen's commitments and contingencies:

	As of March 31, 2015	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
	(unaudited) (in EUR million)	(audited, unless otherwise indicated) (in EUR million)		
Obligations from				
Hereditary building rights contracts ¹⁾	1.9 ²⁾	1.9	1.9	1.7
Other financial commitments ³⁾	18.2 ²⁾	19.9	16.5	9.9
Other service contracts ⁴⁾	4.6 ²⁾	5.7	6.6	3.4
Fiduciary tasks.....	–	–	0.6	3.2
Contractual modernization obligations.....	2.5 ²⁾	2.5 ⁵⁾	5.9 ⁵⁾	1.5 ⁵⁾
Acquisition agreements	–	166.5	–	255.7
Lease commitments				
Thereof due				
up to 1 year.....	4.5 ²⁾	5.4	9.0	2.6
1 to 5 years	6.3 ²⁾	6.5	13.2	6.8
more than 5 years	3.9 ²⁾	3.9	5.2	4.5

- 1) This item comprises the interest on heritable building rights for one year.
- 2) Derived from the Company's accounting records or internal management reporting systems.
- 3) This item comprises the payments over the term of the contract.
- 4) Relating to the Company's fiduciary capacity in relation to property refurbishment and development measures.
- 5) Unaudited; derived from the Company's accounting records or internal management reporting systems.

Obligations from agency agreements mainly relate to obligations arising from IT services.

Rhein-Pfalz Wohnen GmbH performs certain tasks as a development and redevelopment agency assigned to it by municipal governments as their trustee. As of March 31, 2015, no material bank balances were assigned to the Company in trust in connection with these restructuring and development measures.

In 2012, the Company entered into several acquisition agreements. Since the transfer of benefits and encumbrances was not completed in 2012, the payments outstanding under these agreements in the amount of EUR 255.7 million were reported as other financial obligations as of December 31, 2012.

Obligations from leasing contracts mainly relate to office buildings.

Capital Expenditures (capex)

Past Principal Investments

The following table shows Deutsche Wohnen Group's main capital expenditure in the three months ended March 2015 and March 31, 2014 and in 2014, 2013 and 2012. The numbers in the following table were derived from the Company's accounting records or internal management reporting systems:

	January 1 - March 31, 2015	January 1 - March 31, 2014	January 1 - December 31, 2014	January 1 - December 31, 2013	January 1 - December 31, 2012
	(unaudited) ¹⁾ (in EUR million)		(unaudited) ¹⁾ (in EUR million)		
Acquisitions ²⁾	170.4	0.7	142.0	741.8	1,362.5
Capitalized modernization measures and new constructions ³⁾ ...	16.6	7.9	69.4	26.8	33.2
Equipment and software	0.5	0.6	5.0	5.3	3.8
Total	187.5	9.2	211.1	773.9	1,399.5

1) Derived from the Company's accounting records or internal management reporting systems.

2) Includes payments made for investments in real estate, customer lists, unconsolidated subsidiaries and related receivables as well as goodwill.

3) Only includes real estate rented by third parties (*Fremdgenutzte Immobilien*).

As shown in the table above, past principal investments, *i.e.*, capital expenditures between January 1, 2012 and March 31, 2015 were mostly related to acquisitions. These primarily related to the acquisition of around 107,305 residential units by Deutsche Wohnen Group (transfer of benefits/encumbrances from January 1, 2012 to March 31, 2015). The majority of the total residential units acquired were located in the Greater Berlin area, with the remainder being located in other parts of Germany. Investments for acquisitions in 2012 amounted to EUR 1,362.5 million and were largely driven by the acquisition of the BauBeCon portfolio of around 23,400 residential units. In 2013, Deutsche Wohnen made further investments for acquisitions of EUR 741.8 million. These investments were financed partially through debt capital, from equity capital increases and net cash flows from operating activities. In 2014, Deutsche Wohnen invested in total EUR 142.0 million in acquisitions. In the three months ended March 31, 2015, Deutsche Wohnen invested in total EUR 170.4 million in acquisitions compared to EUR 0.7 million in the three months ended March 31, 2014.

The following table shows Deutsche Wohnen Group's acquisition of residential units in the three months ended March 31, 2015 and in 2014, 2013 and 2012 (transfer of risks and rewards). The numbers in the following table were derived from the Company's accounting records or internal management reporting systems:

	January 1 - March 31, 2015 ¹⁾	January 1 - December 31, 2014 ¹⁾	January 1 - December 31, 2013 ¹⁾	January 1 - December 31, 2012 ¹⁾	Total ¹⁾
Greater Berlin	-	293	68,545 ²⁾	13,628 ³⁾	82,466
Rhein-Main	-	549	-	350	899
Mannheim/Ludwigshafen	-	-	-	-	-
Rhineland	-	97	261	495	853

Dresden.....	293	–	1,882	242	2,417
Hanover/Brunswick.....	–	–	181	8,879	9,060
Magdeburg.....	–	–	–	–	2,100
Kiel/Lübeck.....	–	–	–	–	2,196
Halle/Leipzig.....	–	–	62	–	1,537
Erfurt.....	–	–	–	–	592
Other.....	–	–	–	6,146	5,185
Sum.....	293	939	70,931	35,142	107,305

- 1) Derived from the Company's accounting records or internal management reporting systems.
- 2) Numbers include acquisitions with transfer of risks and rewards as of January 1/2, 2013.
- 3) Numbers exclude acquisitions with transfer of risks and rewards as of January 1/2, 2013.

In addition to acquisitions, Deutsche Wohnen spends significant amounts on modernization measures. The aim of these capital expenditures is to improve the quality of the real estate portfolios and thus to achieve a sustainable increase in realizable contractual rents and the market value of the residential units concerned. The capital expenditures for modernization measures amounted to EUR 33.2 million in 2012 in line with the acquisition-driven increase in the size of Deutsche Wohnen's real estate portfolio. In 2013, capital expenditures for modernization measures decreased to EUR 26.8 million. Capital expenditures for modernization measures and investment in new construction amounted to EUR 69.4 million in 2014. Capital expenditures for modernization measures and investment in new construction increased from EUR 7.9 million in the three months ended March 31, 2014 to EUR 16.6 million in the three months ended March 31, 2015.

Principal Investments in Progress

Deutsche Wohnen signed purchase agreements concerning the acquisition of approximately 6,500 residential units, predominantly located in Berlin, for an aggregate purchase price of approximately EUR 500 million or approximately EUR 1,180 per square meter. Closing for the vast majority of these acquisitions is expected to take place at the end of the first half of 2015. The annual net cold rent for these acquisitions is approximately EUR 25.6 million. The average vacancy rate is approximately 2.6%. Deutsche Wohnen expects, based on historical numbers, that these acquisitions will make a positive EBITDA contribution of more than EUR 20 million on an annualized basis.

The Deutsche Wohnen Group started a EUR 20 million modernization project of 1,300 residential and commercial units in Berlin's Marzahn-Hellersdorf district. The investments are expected to be finalized in 2017.

In 2014, Deutsche Wohnen commenced construction work for 103 new residential units in Potsdam. The apartments will be built in three construction phases lasting until 2016. The investment will amount to EUR 26.4 million.

Further, in July 2013, Deutsche Wohnen started the modernization of 127 units in Elstal near Berlin. The total investment is expected to amount to EUR 15 million.

Ongoing investments in modernization projects will be financed through equity and debt and, in part, subsidized by Germany and the Federal State of Berlin. The geographic focus of Deutsche Wohnen's investments is Germany.

Principal Future Investments

There are no principal future investments on which Deutsche Wohnen's management bodies have already made firm commitments. Deutsche Wohnen does not intend to significantly change its business by introducing significant new products or significant new activities.

Quantitative and Qualitative Description of Market Risks

Interest Rate Risks

Interest rate risks can occur, as changes in market interest rates impact on the fair value of fixed-interest financial instruments and also result in changes in interest expenditure on floating-rate

financial instruments. It is not possible to simultaneously minimize both types of interest rate risks. As the Deutsche Wohnen Group recognizes fixed-interest liabilities at amortized cost, any changes in the fair value of these fixed-interest financial instruments do not affect Deutsche Wohnen AG's consolidated balance sheet and consolidated profit and loss statement.

The Deutsche Wohnen Group manages its interest expense through a combination of fixed-interest and floating-rate loans. In order to manage interest rate risks, the Deutsche Wohnen Group generally uses interest rate swaps where it swaps the difference between fixed-interest and floating-rate amounts calculated on the basis of an agreed-upon nominal amount with its counterparty at regular intervals. These interest rate swaps hedge the underlying debt. Accordingly, only floating-rate financial liabilities not hedged by interest rate swaps are exposed to interest rate risk. Applied to these financial liabilities and the convertible bonds, a 1% increase/decrease in the interest rate as of December 31, 2014 would have led to an increase/decrease of EUR 7.9 million in interest expenses (December 31, 2013: EUR 6.4 million). Applied to Deutsche Wohnen Group's total equity a similar interest rate adjustment would have resulted in an increase/decrease of approximately EUR 96 million (December 31, 2013: approximately EUR 120 million).

Default Risk

Default risks, or the risk that a counterparty will not be able to meet its obligations, is managed through credit limits and control processes. Where appropriate, the Company is provided with collateral. Deutsche Wohnen does not face any considerable default risk concentration from a single counterparty or a group of counterparties with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the consolidated balance sheet.

Liquidity Risk

The Deutsche Wohnen Group monitors the risk of liquidity shortfalls daily by means of a liquidity planning program. This tool takes into account the cash inflows and outflows from the operating business as well as payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available at all times to cover future obligations at all times. As of December 31, 2014, Deutsche Wohnen had a debt capital ratio (defined as sum of total non-current liabilities and total current liabilities divided by total equity and liabilities) of 57% (December 31, 2013: 61%) and an LTV Ratio of 51.0% (December 31, 2013: 57.4%).

Market Risks

Financial instruments not recognized at fair value comprise mainly cash and cash equivalents, trade receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value given the short-term nature of these financial instruments. Similarly, the carrying amount of receivables and liabilities based on normal trade credit arrangements, which are recognized at amortized cost, is also very close to their fair value.

Fair value risks can arise primarily from fixed-interest loans. A large part of Deutsche Wohnen's liabilities to banks have fixed interest rates or are hedged, so that the effects of interest rate fluctuations can be estimated in the medium term.

Critical Accounting Policies

To prepare the consolidated financial statements in accordance with IFRS, the management must make judgments, estimates and assumptions that have an impact on the reported amounts of the income and revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. The uncertainty about these assumptions and estimates could lead to results that require considerable material adjustments to the carrying amounts of the assets and liabilities concerned in future periods.

Critical accounting policies are those that often require very complex or subjective judgments, often as a result of the need to make estimates of inherently uncertain effects. The critical accounting

policies cover the fair value of the investment properties, pensions and other post-employment benefits and liabilities to limited partners in funds.

Impairment of Non-Financial Assets

The non-financial assets (other than investment properties) consist mainly of property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that any of these assets may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the following: an asset's or cash-generating unit's fair value less disposal costs and its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is depreciated to its recoverable amount.

Goodwill acquired in the context of the acquisition of companies and businesses and intangible assets with uncertain useful lives are subjected to an impairment review at least once a year. For impairment testing purposes, these assets are attributed to those cash-generating units which are expected to benefit from the synergies resulting from the acquisitions of the companies and businesses. These cash-generating units represent the lowest level at which these assets are monitored for corporate management purposes. After gaining control of the GSW Group, Deutsche Wohnen set up a corresponding group of cash-generating units for the letting activities of the GSW Group.

The impairment test is carried out by determining the recoverable amount of the cash generating units and comparing them to their carrying amounts. The recoverable amount was determined as value in use. The value in use is based on estimated future cash flows: those from the planned FFO (without disposals), which have been derived from actual values and are projected for a three-year period with a customary growth rate. The value in use of the cash generating units are, however, essentially determined by the end value, which will be dependent on the projected cash flows in the third year of the medium-term planning as well as the growth rate of the cash flows thereafter and the discount rate. After the three-year period, the cash flows are extrapolated using a growth rate of 1.0%, which does not exceed the presumed average market or industry growth rate.

A discount rate, based on the Group's weighted capital cost rate, of 4.03% before taxes is used to determine the present value of the future cash flows.

Impairment losses are recognized in the profit and loss statement in those expense categories consistent with the function of the impaired asset within the company.

For all assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortization had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the consolidated profit and loss statement. There is no revaluation of any unscheduled depreciation and amortization of goodwill.

Accounting for Investment Properties

The fair value of investment properties was determined internally by means of a portfolio valuation using the DCF method as of December 31, 2013. The properties are clustered on the basis of their location and property quality. Assumptions are made regarding the development of rents, vacancies, vacancy losses, maintenance costs and discount rates on the basis of these clusters. These valuation assumptions are subject to uncertainties on account of their long-term nature that may lead to either positive or negative adjustments in the future. The carrying amount of investment properties amounted to EUR 9,611.0 million as of December 31, 2014 (December 31, 2013: EUR 8,937 million).

The internal measurement of Deutsche Wohnen's residential real estate portfolio largely corresponds to the external valuations carried out by CBRE GmbH as of December 31, 2014, December 31, 2013 and December 31, 2012.

Investment properties are transferred from this category if there is a change of use by the Company, either due to the commencement of disposal-related development activities or the use of the property by the Company. Due to the different accounting treatment of investment properties and land and buildings available for sale, the reclassification of a property in one category or another may have a significant effect on Deutsche Wohnen Group's net assets and results of operations. Land and buildings available for sale are reported at the lower value between the cost and the net realizable value in accordance with IAS 2. If the assessed value exceeds the costs, no adjustment is made to the carrying amount, meaning that such changes do not affect the consolidated profit and loss statement or consolidated balance sheet.

Pensions and Other Post-Employment Benefits

Expenses relating to post-employment defined-benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future salary increases, mortality tables and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. Employee benefit liabilities from pension obligations amounted to EUR 67.7 million as of December 31, 2014 (December 31, 2013: EUR 55.3 million).

Information from the Unconsolidated Annual Financial Statements (in Accordance with the German Commercial Code (Handelsgesetzbuch (HGB)) as of and for the Fiscal Year Ended December 31, 2014

Deutsche Wohnen AG's unconsolidated annual financial statements as of and for the fiscal year ended December 31, 2014 were prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch (HGB)*). According to these annual financial statements, Deutsche Wohnen AG's equity increased from EUR 3,018.3 million as of December 31, 2013 to EUR 3,309.2 million as of December 31, 2014, primarily due to a capital increase against contribution in kind in connection with the domination agreement concerning GSW partially offset by a dividend payment of EUR 57.4 million in 2014 for the fiscal year ended December 31, 2013. Provisions increased from EUR 13.8 million as of December 31, 2013 to EUR 16.7 million as of December 31, 2014, primarily due to an increase in other provisions, which was driven by increases in provisions for outstanding invoices for consulting and transaction costs. Liabilities increased from EUR 441.3 million as of December 31, 2013 to EUR 1,752.4 million as of December 31, 2014. This increase was due to an increase in liabilities to affiliated companies as a result of the introduction of a cash pool. The cash pool also led to an increase in receivables from affiliated companies. The difference between the net profit for the year of EUR 177.4 million for 2014 shown in the unconsolidated annual financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch (HGB)*) and the profit for the period of EUR 889.3 million for 2014 according to the consolidated financial statements prepared in accordance with IFRS was mainly due to the fact that Deutsche Wohnen AG's operating subsidiaries are not consolidated in the unconsolidated annual financial statements and Deutsche Wohnen AG has not entered into any profit transfer agreements with its subsidiaries. In addition, there are accounting differences between IFRS and the German Commercial Code (*Handelsgesetzbuch (HGB)*) in particular with respect to the valuation of investment properties. For further information on Deutsche Wohnen AG's unconsolidated annual financial statements, please refer to the Notes to Deutsche Wohnen AG's unconsolidated annual financial statements as of and for the fiscal year ended December 31, 2014, which are reproduced on pages F-139 *et seq.* of the Equity Prospectus in the section entitled "*Financial Information*" which is incorporated by reference in this Offering Memorandum (see section "*Documents Incorporated by Reference*"). Deutsche Wohnen AG paid a dividend of EUR 57.4 million for the fiscal year ended December 31, 2013 in 2014.

Profit Forecast

Forecast of Funds from Operations (FFO) Without Disposals (“FFO (without disposals)”) for the Fiscal Year 2015 for Deutsche Wohnen Group

The forecast of funds from operations (FFO) for the current fiscal year 2015 set out in this section refers to FFO (without disposals) (the “**FFO Forecast**”). The FFO Forecast is not a statement about facts and should therefore not be interpreted as such by potential investors. Rather, it reflects the forward-looking expectations of the Management Board of Deutsche Wohnen AG (also the “**Company**”, and together with its subsidiaries, “**Deutsche Wohnen Group**”) with respect to the FFO (without disposals) for Deutsche Wohnen Group. Potential investors should not place unreasonable reliance on this FFO Forecast.

For the purposes of this FFO Forecast, Deutsche Wohnen AG has defined FFO (without disposals) as follows:

Profit/loss for the period adjusted for earnings from disposals, depreciation and amortization, gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and of convertible bonds, non-cash finance expense arising from accrued interest on liabilities and pensions, non-recurring or exceptional items, prepayment compensation, deferred taxes (tax expense/income), tax expense from capital increase costs and FFO (without disposals) attributable to non-controlling interests.

The FFO Forecast is based on the following assumptions made by the Management Board of Deutsche Wohnen AG. These assumptions relate to factors outside the Company’s influence, factors that can be influenced by the Company only to a limited extent and factors that can be influenced by the Company. Although the Company believes that these assumptions are reasonable on the date on which the FFO Forecast is published, they may subsequently prove to be incorrect or unfounded. If one or more of these assumptions prove to be incorrect or unfounded, Deutsche Wohnen Group’s actual FFO (without disposals) may differ materially from the forecast FFO (without disposals).

FFO Forecast for the Current Fiscal Year 2015 for Deutsche Wohnen Group

On the basis of developments to date in the fiscal year 2015, the Company currently anticipates that Deutsche Wohnen Group’s FFO (without disposals) will amount to approximately EUR 250 million in 2015.

Explanatory notes to the FFO Forecast

Basis of Presentation

The FFO Forecast for the current fiscal year 2015 was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, “**IDW**”) *IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance With the Specific Requirements of the Regulation on Prospectuses and Profit Estimates on the basis of Preliminary Figures (IDW AcPS HFA 2.003) (IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und –schätzungen nach den besonderen Anforderungen der Prospektverordnung sowie Gewinnschätzungen auf Basis vorläufiger Zahlen (IDW RH HFA 2.003))*.

For this purpose, the FFO Forecast for the current fiscal year 2015 has been prepared on the basis of the accounting principles of the International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). The accounting policies applied are described in the respective notes to Deutsche Wohnen AG’s consolidated financial statements as of and for the fiscal year ended December 31, 2014, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (*Handelsgesetzbuch* “**HGB**”).

The FFO Forecast for the current fiscal year 2015 is influenced by a number of factors and is based on certain assumptions made by the Company's Management Board, which are described below:

Factors and Assumptions

Factors outside the Company's influence

The FFO Forecast for the current fiscal year 2015 for Deutsche Wohnen Group is subject to factors outside the Company's influence. These factors and the Company's related assumptions are outlined below:

Factor: Unforeseen events such as "force majeure"

For purposes of the FFO Forecast the Company assumes that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the entities of Deutsche Wohnen Group, such as force majeure (e.g., fires, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

Factor: Legislative and other regulatory measures

When preparing the FFO Forecast, the Company assumes that the current legal and regulatory framework and environment will be subject to no or only insignificant changes and that there will be no material legal and regulatory changes, e.g., to tenancy or tax law or to regulations in the Nursing and Assisted Living segment.

Factor: Economic development in the real estate industry

For the purpose of the FFO Forecast, the Company assumes that:

- there will be no negative economic development in Germany;
- there will be no negative development in the real estate industry, particularly in Germany; and
- the Company can maintain its current competitive position.

Factor: Interest rate development

When preparing the FFO Forecast, the Company assumes that current interest rate levels will remain stable. As Deutsche Wohnen AG has hedged a substantial part of its variable interest-bearing financial liabilities with interest rate swaps, it anticipates no significant deterioration in financing conditions in the current fiscal year 2015.

Factors that can be influenced by the Company to a limited extent

Further factors that can be influenced by the Company to a limited extent may also affect the FFO Forecast for the current fiscal year 2015. The relevant assumptions are listed below:

Factor: Income from Residential Property Management

Income from Residential Property Management comprises potential gross rental income plus subsidies less vacancy loss. For the purpose of the FFO Forecast, the Company assumes that income from Residential Property Management will amount to around EUR 615 million in the current fiscal year 2015 on the basis of current in-place rents. The Company believes it can forecast the income from Residential Property Management with reasonable certainty for the purposes of the FFO Forecast. For planning purposes, the Company assumes that most of the units for which the lease contracts will expire or be terminated for the 2015 planning period can be re-let in this planning period. When preparing the FFO Forecast the Company also assumes that there will be no material change in the average vacancy rate and in the in-place rent per square meter in 2015 compared to 2014.

Factor: Expenses from Residential Property Management

Expenses from Residential Property Management include all costs arising from rental activities such as maintenance costs, non-recoverable operating expenses, rental loss and other expenses. For the purpose of the FFO Forecast the Company assumes that the expenses from Residential Property Management relative to the income from Residential Property Management in the fiscal year 2015 will remain almost stable compared to the fiscal year 2014.

Factor: Earnings from Nursing and Assisted Living

For the purpose of the FFO Forecast, the Company assumes the Nursing and Assisted Living segment will generate earnings of around EUR 14 million in the current fiscal year 2015. It is assumed that (i) the average occupancy rate will remain largely unchanged at around 96% compared to the fiscal year 2014; and (ii) expenses from Nursing and Assisted Living relative to income from Nursing and Assisted Living will remain at largely the similar level as in the fiscal year 2014. The decrease in earnings from Nursing and Assisted Living segment is owed to the disposal of 51% of the shares in KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH with effect from 1 January 2015.

Factor: Corporate expenses

Corporate expenses are divided into staff expenses and general and administration expenses (excluding expenses for Nursing and Assisted Living). For the purpose of the FFO Forecast, the Company assumes that the staff expenses and general and administration expenses relative to income from Residential Property Management will fall compared to 2014 considering a similar group structure for the entire fiscal year 2014 as it currently is in 2015. The Company assumes, for the purpose of the FFO Forecast, a ratio of approximately 13% between corporate expenses and income from residential property management in the current fiscal year 2015.

Factor: Other expenses/income

For the purpose of the FFO Forecast, the Company assumes that, with respect to other expenses/income, other expenses incurred in the current fiscal year 2015 will be at the same level relative to income from Residential Property Management compared with the fiscal year 2014.

Factor: Finance expense

For the purpose of the FFO Forecast, the Company assumes that:

- the debt ratio for the entire real estate portfolio will remain stable in the current fiscal year 2015;
- it will comply with all agreed financial covenants;
- the interest rate risk will remain low based on the existing hedging instruments (interest rate swaps); and
- the liquidity risk will remain low as the Company assumes that sufficient liquidity will be available and that the financing conditions for existing loan agreements can be retained in the event of any loan extension with the banks.

Factor: Current income tax expense

The Company assumes there will be no changes in the corporation tax and trade tax rates, and that there will be no further changes in the tax environment or in tax legislation in the current fiscal year 2015. The current income tax expense relevant for the FFO Forecast will amount to around EUR 22 million for the current fiscal year 2015.

Factor: Non-recurring or exceptional items

Non-recurring or exceptional items relating to transaction and integration costs are expected in other expenses/income and in finance expenses and have been eliminated from the FFO Forecast.

Factors that can be influenced by the Company

Factor: Expenditures in connection with tenant fluctuations

The following factor that can be influenced by the Company may also affect the FFO Forecast for the current fiscal year 2015: In the event of tenant fluctuations, the Company can determine the amount that is to be invested to enhance rent potential prior to new lettings. The amount of these expenses affects the rents of new lettings. The Company assumes for the current fiscal year 2015 a fluctuation rate of around 8% and expenses per residential unit comparable with the corresponding expenses incurred in the fiscal year 2014.

Factor: Acquisitions

The FFO Forecast takes account of the effects of already closed acquisitions with net acquisition costs of approximately EUR 166 million which will contribute income from residential property management for up to EUR 6 million respectively. Further acquisitions, in particular the ongoing acquisition of around 6,500 residential units, in the current fiscal year 2015 are not taken into account for the FFO Forecast.

Other Explanatory Notes

The FFO Forecast does not include any extraordinary items or results from non-recurring activities within the meaning of the IDW Accounting Practice Statement IDW AcPS HFA 2.003 (IDW RH HFA 2.003).

The FFO Forecast for the current fiscal year 2015 has been prepared on May 20, 2015. As the FFO Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that Deutsche Wohnen Group's actual FFO (without disposals) for the current fiscal year 2015 may differ materially from the forecast FFO (without disposals).

The following auditor's report is a translation of the German-language auditor's report (*Bescheinigung*) on the Funds from Operations (FFO (without disposals)) Forecast of Deutsche Wohnen Group.

Auditor's Report on the Funds from Operations (FFO (without disposals)) Forecast of Deutsche Wohnen Group

To Deutsche Wohnen AG, Frankfurt/Main

We have audited whether the forecast of the Funds from Operations (FFO) without Disposals ("**FFO (without disposals)**") of Deutsche Wohnen Group, defined for purposes of the forecast as the profit/loss for the period adjusted for earnings from disposals, depreciation and amortization, gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and of convertible bonds, non-cash finance expense arising from accrued interest on liabilities and pensions, non-recurring or exceptional items, prepayment compensation, deferred taxes (tax expense/income), tax expense from capital increase costs and FFO (without disposals) attributable to non-controlling interests (the "**FFO (without disposals) Forecast**"), prepared by Deutsche Wohnen AG, Frankfurt/Main (the "**Company**"), for the period from January 1, 2015 to December 31, 2015 has been properly compiled on the basis stated in the explanatory notes to the FFO (without disposals) Forecast and whether this basis is consistent with the accounting policies of the Company. The FFO (without disposals) Forecast comprises the FFO (without disposals) of Deutsche Wohnen Group for the period from January 1, 2015 to December 31, 2015 and explanatory notes to the FFO (without disposals) Forecast.

The preparation of the forecast of FFO (without disposals) including the factors and assumptions presented in the explanatory notes to the FFO (without disposals) Forecast is the responsibility of the Company's management.

Our responsibility is to express an opinion based on our audit on whether the forecast of the FFO (without disposals) has been properly compiled on the basis stated in the explanatory notes to the (FFO (without disposals) Forecast and whether this basis is consistent with the accounting policies of the Company. Our engagement does not include an audit of the factors and assumptions identified by the Company underlying the forecast of the FFO (without disposals).

We conducted our audit in accordance with *IDW Prüfungshinweis: Prüfung von Gewinnprognosen und -schätzungen i.S.v. IDW RH HFA 2.003 und Bestätigung zu Gewinnschätzungen auf Basis vorläufiger Zahlen (IDW PH 9.960.3) (IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS HFA 2.003 and Confirmation regarding Profit Estimates on the basis of Preliminary Figures (IDW AuPS 9.960.3))* issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that material errors in the compilation of the FFO (without disposals) on the basis stated in the explanatory notes to the FFO (without disposals) Forecast and in the compilation of this basis in accordance with the accounting policies of the Company are detected with reasonable assurance.

As the forecast of the FFO (without disposals) relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of the uncertainties it is possible that the actual FFO (without disposals) of Deutsche Wohnen Group for the period from January 1, 2015 to December 31, 2015 may differ materially from the forecast FFO (without disposals) of Deutsche Wohnen Group.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the forecast of the FFO (without disposals) has been properly compiled on the basis stated in the explanatory notes to the FFO (without disposals) Forecast. This basis is consistent with the accounting policies of the Company.

Berlin, May 20, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner
Wirtschaftsprüfer
(German Public Auditor)

Wehner
Wirtschaftsprüfer
(German Public Auditor)

Capitalization and Indebtedness

The following tables provide an overview of the capital and debt of Deutsche Wohnen based on the Company's historical figures taken or derived from the Company's unaudited condensed consolidated interim financial statements in accordance with IFRS for interim financial reporting (IAS 34) as of and for the three months ended March 31, 2015 and accounting records prior to the issuance of new ordinary bearer shares with no par-value (*Stückaktien*) of Deutsche Wohnen AG.

Capitalization

	As of March 31, 2015
	(unaudited)
	(in EUR million)
Total current debt ¹⁾	884.7
of which guaranteed ²⁾	4.2
of which secured ³⁾	244.0
of which unguaranteed/unsecured	636.5
Total non-current debt (excluding current portion of long-term debt) ⁴⁾	6,088.7
of which guaranteed ²⁾	–
of which secured	4,562.9
of which unguaranteed/unsecured	1,525.8
Shareholder's equity ⁵⁾	4,846.0
Share capital ⁶⁾	294.9
Legal reserve ⁷⁾	2,751.4
Other reserves ⁸⁾	1,608.9
Non-controlling interests	190.8
Total	11,819.4

- 1) Referred to as total current liabilities in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 2) Liabilities that are secured by bank guarantees.
- 3) Secured by mortgages and therefore also via rent assignments, assignment of insurance claims and claims from interest hedging and management contracts.
- 4) Referred to as total non-current liabilities in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 5) Referred to as total equity in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 6) Referred to as issued share capital in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 7) Referred to as capital reserve in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.
- 8) Referred to as retained earnings in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

Net Indebtedness

	<u>As of March 31, 2015</u>
	(unaudited)
	(in EUR million)
A. Cash ¹⁾	562.4
B. Cash equivalents	–
C. Trading securities	–
D. Liquidity (A) + (B) + (C)	562.4
E. Current financial receivable²⁾	33.9
F. Current bank debt	81.6
G. Current portion of the non-current debt	129.9
H. Other current financial debt ³⁾	0.7
I. Current financial debt (F)+(G)+(H)	212.2
J. Net current financial indebtedness (I)-(E)-(D)	(384.1)
K. Non-current liabilities to banks	4,221.2
L. Bonds issued ⁴⁾	860.5
M. Other non-current financial liabilities ⁵⁾	236.8
N. Non-current financial indebtedness (K)+(L)+(M)	5,318.5
O. Net financial indebtedness (J)+(N)	4,934.4

1) Referred to as cash and cash equivalents in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

2) Referred to as trade receivables in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

3) Referred to as current convertible bonds in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

4) Referred to as non-current convertible bonds in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

5) Difference between non-current financial liabilities amounting to EUR 4,458.0 million as shown in the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2015 less non-current liabilities to banks amounting to EUR 4,221.2 million.

As of March 31, 2015, the indirect liabilities and contingent liabilities (defined as commitments and contingencies) becoming due within one year amounted to EUR 17.5 million, thereof EUR 1.0 million indirect liabilities as modernization obligations and purchase prices and EUR 16.5 million contingent liabilities as obligations under long-term hereditary building rights, agency, other service or lease contracts. For more information, see "*Description of the Issuer—Financial Liabilities and Convertible Bonds, Other Liabilities, Commitments and Contingencies*".

Working Capital Statement

The Company believes that from today's perspective, Deutsche Wohnen Group is able to meet its payment obligations for at least the next twelve months.

Market and Competition

Introduction

Deutsche Wohnen AG is one of the largest publicly listed German residential real estate companies with a market capitalization of approximately EUR 7.5 billion (based on the XETRA closing price on June 12, 2015). The Company's real estate portfolio includes approximately 149,000 residential and commercial properties, as well as approximately 2,050 nursing and assisted care units/apartments (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships). The fair value of Deutsche Wohnen's investment properties and properties held for sale amounts to approximately EUR 10 billion (as of December 31, 2014). Deutsche Wohnen's investment strategy focuses on residential real estate and nursing and assisted care facilities in German metropolitan areas with strong growth, including the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and Dresden, as well as stable urban areas such as Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. As of May 31, 2015, Deutsche Wohnen had 762 employees (excluding 1,380 employees in the Nursing and Assisted Living segment and 100 trainees).

Market and German Metropolitan Areas

Overview

Deutsche Wohnen AG's business operations are influenced by numerous factors. These include demographic and political factors, as well as economic developments in Germany. The development of the residential real estate market in Germany is extremely important to the Company. This market environment plays a decisive role in the future development of purchase prices and rents within the residential housing portfolio, home ownership rates (which are relatively low in Germany when compared to other European countries) and the new construction activity.

Economic Data in Germany

With approximately 81.1 million inhabitants as of year-end 2014 and a GDP of approximately EUR 2.9 trillion in 2014, Germany is the largest country in the European Union ("EU") in terms of population and economic output (Source: German Federal Statistical Office, Population and German Federal Statistical Office, Domestic Product). Following the sharp decline of 5.6% in real GDP in 2009 due to the financial and economic crisis, which triggered the most serious recession since World War II, Germany's economy significantly recovered from 2010 through 2014. Real GDP increased by 3.6% in 2011. This was followed by a moderate rise of 0.5% in 2012, 0.1% in 2013 and an above average rise of 1.5% in 2014 (Sources: German Federal Statistical Office, Domestic Product and German Federal Statistical Office, 2015 Press Release No. 016). This price-adjusted increase in GDP over the last few years was mainly driven by net exports, which increased 11.5% in 2011, 3.3% in 2012 and decreased slightly by 0.2% in 2013 before another 3.7% rise in 2014 (Source: German Federal Statistical Office, 2013 Foreign Trade Report and German Federal Statistical Office, 2015 Press Release No. 038).

The strong growth in economic performance is also reflected in the unemployment figures. The unemployment rate in Germany was 5.9% in February 2013, 5.4% in February 2014 and 5.3% in February 2015 (Source: German Federal Statistical Office, Unemployment).

The continued positive economic situation in Germany was clearly reflected in employees' earnings. In 2014, gross wages and salaries rose by 3.8% following an increase of 3.0% the year before. Households' disposable income increased 2.4% in 2014 while the households' saving ratio increased slightly by 0.3 percentage points from 2013 to 9.4% (Source: Deutsche Bundesbank, Monthly Report, March 2015). GfK predicts an increase of 4.6% in purchasing power from EUR 20,621 in 2013 to EUR 21,579 per German citizen in 2014 (Source: GfK Press Release).

In an environment characterized by moderate levels of inflation – the rate of inflation amounted to 0.8% in 2014 and is forecast to decrease to 0.2% in 2015 (Source: IMF, World Economic Out-

look, April 2015)– the German domestic economy is mainly based on the consumption of private households. Similarly, the sustained build-up of employment along with an overall favorable development of personal incomes had a supporting effect. Thus, the labor force climbed to a record high for the eighth consecutive time with an additional 371,000 employees, totaling 42.7 million in 2014 (Source: German Federal Statistical Office). In addition, German exporters benefited from growing exports resulting from significantly increased demand out of the USA and Asia, as well as from a moderate growth in eurozone demand.

Demographic Development in Germany

Germany is a densely populated country. Its population density, measured by the number of inhabitants per square kilometer, was approximately 225 people per square kilometer as of 2011, although there are large disparities among the 16 German federal states. The Federal State of Berlin (3,785), Hamburg (2,296) and Bremen (1,562) are the most densely populated, while Saxony-Anhalt (110), Brandenburg (83) and Mecklenburg-Vorpommern (69) are the least densely populated (Source: German Federal Statistical Office, Statistical Yearbook 2014).

For the fourth consecutive time, the German Federal Statistical Office forecasts a growing population in Germany. As of 2014 some 81.1 million people lived in Germany, approximately 300,000 more than at the beginning of the year. In 2013, 1,226,000 people immigrated to Germany while 789,000 people emigrated, resulting in a net immigration of approximately 437,000 people into Germany. This influx represents the highest level of immigration to Germany since 1993 (Source: German Federal Statistical Office, 2014 Press Release No. 179). The percentage of inhabitants under the age of 20 is expected to decrease from 18.4% in 2010 to 16.7% by 2030 and the percentage of inhabitants over the age of 60 is projected to increase from 26.3% in 2010 to 36.2% by 2030 (Source: German Office for Political Education (*Bundeszentrale für politische Bildung*) 2012). This development, however, is not uniform for the entire country but varies from state to state as well. Migration could thus have positive effects for individual regions and cities in the future.

Residential Real Estate Market in Germany

Residential Real Estate Portfolio and Home Ownership Rates

According to current assessments by the Urban Land Institute, Germany is the largest investment market for residential properties in Europe. The demand for rental apartments continues to be high in the country's seven major cities, while the share of rent payment relative to discretionary income is still relatively moderate. In 2013, there were 41.0 million apartments and 18.5 million residential buildings in Germany, with a total living space of about 3.7 billion square meters (Source: German Federal Statistical Office, Housing). The number of apartments in newly constructed buildings completed in Germany declined by 19.9% between 2003 and 2013 from 268,103 to 214,817. The number of building permits issued for new residences also decreased by 9.5% between 2003 and 2013 from 267,576 to 242,149 (Source: German Federal Statistical Office, Building Activity). The decline in building permits and new housing units was largely attributable to high construction costs, the scarcity of building land, low risk-adjusted returns for developers and strict construction regulations, particularly for buildings. In recent years, low construction activities were confronted with an increased demand on the side of prospective buyers and tenants. In 2014, condominiums continued to rank amongst the most popular assets on the German real estate market. This fact was evidenced by enduring high transactional volumes in the year 2014. According to studies by CBRE, the title to some 226,000 residential units with an aggregate value of EUR 13.3 billion changed hands. This figure has been the second highest since 2007, falling only 3% short of the record year 2013.

In contrast to this development, the number of households in Germany increased by 1.9% from 39.2 million in 2005 to approximately 39.9 million in 2013 (Source: German Federal Statistical Office, Population, accessed February 17, 2015). The number of households is expected to grow by 2.9% between 2010 and 2025 (Source: Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), Regional Planning Forecast 2030). The average household in 2015 has 1.99 people (Source: German Federal Statistical Office, Population and Labor Market). Household size, starting from the 1991 figure of 2.27 people per household (former West and East Germany), is

projected to generally decrease to 1.9 people per household in former West Germany and 1.8 people per household in former East Germany by 2030 (Source: German Federal Statistical Office, Population and Household Development 2011). These figures are underscored by the general growth in the number of one- and two-person households. Between 1991 and 2012, the number of one- and two-person households rose by 10.6% (Source: German Federal Statistical Office, Press Release 2013 No. 233). It is expected that the number of single-person households will increase from 2011 levels by 11% to 17.8 million by 2030 and the number of two-person households will increase by 13% to 15.5 million (Source: German Federal Statistical Office, Statistical Yearbook 2014). Expectations are that from 2010 onwards the number of households will increase, particularly in cities and densely populated areas. The demand for residential floor space per capita is also expected to grow 6% by 2025 from 2010 levels, due to growing demand for more living space and the aging population (Source: BBSR Housing Market Forecast 2025).

Latest home ownership data for 2011 indicate that approximately 46% of the apartments in Germany were owner-occupied (Source: German Federal Statistical Office, Statistical Yearbook 2014). Home ownership rates for 2011 range from 16% in Berlin and 24% in Hamburg to 57% and 63% in Rhineland-Palatinate and Saarland, respectively (Source: German Federal Statistical Office, Statistical Yearbook 2014). In comparison to other European countries, home ownership in Germany is relatively low. This is mainly due to the low rents which create a strong incentive for renting instead of owning a home. In response to the housing shortage after World War II and the strong housing demand resulting from the recovery of the German economy in the 1950s and 1960s, the German public and private sectors built a high proportion of subsidized or low price rental properties.

The housing market in Germany's major cities and in rural areas is marked by stark regional disparities. Major cities and university towns, which are expanding due to positive net migration, are characterized by significant housing shortages, which entail substantial appreciations in rental rates and resale prices. Pursuant to the F+B rent index locally prevailing comparative rates of existing rents (*Bestandsmieten*) increased by 1.7% to EUR 6.28 per square meter raised in 2014 (2013: up 1.3% to EUR 6.21 per square meter). In larger cities such as Frankfurt am Main, Hamburg, Munich or Stuttgart the existing rents are significantly above the German national average.

The quality of housing in Germany varies. In 2011, of the 38.77 million residential units, about half (20.71 million) were located in 3 million buildings with three or more units. The majority of Germans thus live in multi-family houses. German apartments have an average size of 42.7 square meters per capita (Source: German Federal Statistical Office, Statistical Yearbook 2014).

Price Trends for Resales

The prices of residential real estate have increased steadily in Germany since 2003: in 2014 they were 22.0% higher than in 2003. Prices have continued to rise, with prices for multi-family houses in Q4 2014 increasing by 7.2% over Q4 2013, while prices for owner-occupied residential housing rose by 4.3%. (Sources: Association of German Mortgage Banks, Residential Property Price Index Q4 2014).

Interest rates for medium- and long-term mortgages, which remain low compared to the past, have not influenced residential property sales in Germany to the same extent as they have in other European real estate markets. In January 2015, the effective interest rates *per annum* for housing loans to private households with a term of more than 5 years were 3.69% (from 3.96% in January 2014) (Source: Deutsche Bundesbank, Monthly Report, March 2015).

Development of Residential Rents

The effective in-place rent is the rent per square meter excluding service charges and ancillary costs which are allocated to the tenant (such as the costs for heating and warm water). The average in-place rent includes all rents paid (including the rent for apartments that have been rented out for many years). Average in-place rent in Germany increased by 1.3% from 2012 to 2013 (Source: German Federal Statistical Office, Statistical Yearbook 2014). In the same period, the German Consumer Price Index increased by 1.5% from 104.1 points to 105.7 in 2013 (Source: German Federal Statistical Office, Statistical Yearbook 2014). The available residential floor space increased by 16.0% between

2000 and 2012, from 3,245 million square meters to 3,763 million square meters (Source: German Federal Statistical Office, Statistical Yearbook 2014).

Latest Privatizations in Germany

With regard to the purchase of additional residential property portfolios, the low price level compared to other European countries makes the German market interesting for investors like Deutsche Wohnen, especially because of the wide range of large-volume residential real estate portfolios. However, the Company cannot foresee if this trend will continue in the secondary market through the sale of large-volume residential real estate portfolios.

In the past, large stocks of residential real estate were sold due to the government's financial shortfalls and the sales activities of German corporate groups: these included the sale of GAGFAH S.A. ("GAGFAH") with approximately 82,000 residential units by the Bundesversicherungsanstalt für Angestellte (BfA) (2004); the sale of GSW with approximately 66,000 residential units by the State of Berlin (2004); the sale of approximately 48,000 residential units by ThyssenKrupp AG (2004); NILEG Immobilien Holding GmbH's sale of approximately 30,000 apartments by NORD/LB (2005); the sale of Viterra AG with approximately 115,000 residential properties by E.ON AG (2005); the sale of BauBeCon Immobilien GmbH with approximately 20,000 residential units by the Beteiligungsgesellschaft der Gewerkschaften (2005); the sale of WOBA DRESDEN GmbH with approximately 48,000 apartments by the City of Dresden (2006); and finally, the sale of the TLG with around 12,000 residential units to TAG Immobilien AG (2012).

The continued uncertainty in 2011 about how to resolve the sovereign debt crisis in Europe further increased the transaction volume of the residential portfolio to a total of EUR 5.0 billion. Most investments were made in metropolitan areas. This trend continued in 2012: the transaction volume of EUR 10.8 billion exceeded the previous year's figure by 116% and became the best annual result since 2007. 2013 again saw record volumes of EUR 13.8 billion, or 28% over 2012, and EUR 13.3 billion in 2014. Sales of large residential packages to institutional investors made up the majority of the volume for these years (Source: CBRE Press Releases, CBRE Residential Market Germany 2013 and CBRE Residential Investment Germany MarketView 2014 Q4).

To the knowledge of the Company, in February 2012 Landesbank Baden-Württemberg (LBBW) sold approximately 21,500 residential units at a price of approximately EUR 1.4 billion to Patrizia Immobilien AG, a listed real estate company. Following LBBW, the Bavarian Landesbank (BayernLB) sold its real estate operations bundled in DKB Immobilien AG with approximately 25,000 residential units for approximately EUR 980 million to TAG Immobilien AG. In addition, an investor consortium headed up by Patrizia Immobilien AG acquired the shares in the German housing association GBW AG in April 2013 that are held by the Bayerische Landesbank (company sales price EUR 2.45 billion). The portfolio has around 32,000 apartments.

Residential Real Estate Market in Selected German Locations

Berlin/Brandenburg

With a population of approximately 3.4 million, Berlin, the core city of the German Metropolitan Area Berlin/Brandenburg, is the most populated city in Germany. The three largest universities in Germany are also located in Berlin. Migration to the city has been steady for many years. According to the Berlin-Brandenburg Statistical Office (Source: Statistical Yearbook Berlin), the population of Berlin was 3,421,829 on December 31, 2013, or 46,600 inhabitants (+1.4%) more than December 31, 2012 (Source: Statistical Yearbook Berlin).

Berlin's per capita GDP in 2013 was EUR 30,642 compared to the average German per capita GDP of EUR 33,355 in the same year. Berlin's per capita GDP increased by 2.6% from EUR 29,865 in 2012 to EUR 30,642 in 2013 (Source: Federal and State Statistical Offices, Macroeconomic data of the federal states, GDP). In recent years, companies and institutions have relocated to Berlin or have announced to do so in the future. Besides this, the long-awaited opening of the new Berlin-Brandenburg International Airport is expected to become a further stimulus of the region. These developments have contributed to Berlin's attractiveness as a city (Source: Berlin Senate).

The unemployment rate was 11.0% in Berlin in March 2015 (202,253 people). This represents a decrease of 3.9%, or 8,115 people, from March 2014 (11.7% unemployed, or 210,368 people). The unemployment rate in Berlin was 11.0% in March 2015 (Source: German Federal Employment Agency).

Growth industries such as information, communication and health continue to develop dynamically and the digital media sector bolsters Berlin's image as a growing metropolis. With an additional 31,600 companies founded in the first nine months of 2014, Berlin shows the most business start-ups per capita.

Disposable per capita income decreased by 0.4% from an average of EUR 3,521 in 2012 to EUR 3,396 in 2013 (Source: Federal and State Statistical Offices, Macroeconomic data of the federal states disposable income). The average monthly gross salaries of Berlin employees, including special payments, have increased 4.2% in 2013 compared to the previous year and hence that increase substantially outpaced the rise of consumer prices (+0.7%). Similarly, per capita purchasing power increased by 3.1% to EUR 20,517. Still, this figure ranks below the national average of EUR 21,879 per capita.

The number of apartments constructed in Berlin declined by 8.3% from 4,180 in 2012 to 4,526 in 2013, while, the number of newly built apartments is expected to rise. Although some 4,560 new condominiums were completed in 2013, *i.e.* a 10.65% increase compared with the previous year, only 2,629 were part of multi-floor residential buildings. The number of issued construction permits rose significantly by 75.2% in the first nine months of 2014, having increased by 40% over the same period in the previous year.

According to the most recent survey of the Office for Statistics Berlin-Brandenburg (*Amt für Statistik Berlin-Brandenburg*), the population growth which has been ongoing for approximately ten years is continuing. At the end of 2014, more than 3.56 million people lived in Berlin, approximately 44,700 more than at the beginning of the year (Source: Berlin-Brandenburg Statistical Office, Press Release February 2015). In particular, this is caused by positive net migration. The number of households on the demand side is an essential figure for the housing market. In Berlin, the number of one-person-households has increased to currently about 1.05 million. Thus, more than half of all households were single-households, with, in particular, elderly and young people living by themselves. In 2013, an average of 1.8 persons lived in a household, distributed over a total of 1.9 million private households. This trend is likely to continue in the future. According to estimates by the Senate Administration for Urban Development and the Environment (*Senatsverwaltung für Stadtentwicklung und Umwelt*), the number of households in Berlin will rise by 120,000 until 2025; single-households will increase even further.

The residential vacancy rate in Berlin amounted to 2.0% in 2012 (Source: IBB 2013). In addition, the average rent for residential real estate has been rising. With an average rent of EUR 8.65 per square meter in Berlin, rents have increased by 7.7% from the first half of 2013 to the first half of 2014, following a 7.9% rent increase from 2012 to 2013 (Source: JLL-Report Berlin 2013 and JLL-Report Berlin 2014).

According to the latest home ownership data (from 2011), the home ownership rate in Berlin was approximately 16%, which is significantly lower than the average German home ownership rate of 43% for 2011 (Source: German Federal Statistical Office, Statistical Yearbook 2014). In the first half of 2014, the average purchase price increased to EUR 2,770 per square meter, which represents an increase of 13% compared to the first half of 2013, following an 8.7% increase from 2012 to 2013 (Source: JLL-Reports Berlin 2013 and JLL-Reports Berlin 2014).

The volume of real estate portfolio transactions (for residential and mixed use buildings) increased by 36.3% from EUR 2,375 million in 2010 to EUR 3,238 million in 2011, before increasing again by 17.0% to EUR 3,787 million in 2012 (Source: Engel & Völkers Berlin 2013).

Frankfurt/Rhine-Main

Frankfurt am Main is at the center of the second largest concentration of large German cities, and is in the center of the most important economic region, the German Metropolitan Area Frankfurt/Rhine-Main. The metropolitan Rhein-Main region with Frankfurt am Main at its center stage constitutes one of Germany's most crucial economic regions encompassing a population of around 5.5 million, 2.1 million employees enrolled under social security and a GDP per employee of more than EUR 72,500. The region's international outstanding position is a consequence of its role as a major financial hub, a consulting center and a trade fair location, as well as a transportation hub and a significant research and development location in the areas of chemistry and pharmaceuticals. Frankfurt is therefore considered the leading German city with respect to the appeal of local conditions (Source: Hamburg World Economy Institute (*Hamburgisches WeltWirtschaftsinstitut gemeinnützige GmbH – HWWI*)). The university and several colleges in Frankfurt am Main alone educate around 57,000 students, with several additional large universities located nearby. The European Central Bank (ECB), the German Central Bank (Deutsche Bundesbank), the Frankfurt Stock Exchange and more than 200 national and international banks make the city one of the most important financial centers in the world. Frankfurt am Main also enjoys an excellent reputation for its service sector and as a venue for trade fairs. Almost all well-known accounting firms, law firms and consulting firms have offices in Frankfurt am Main today. Major chemical companies, advertising agencies, insurance companies, and software manufacturers are also represented in Frankfurt am Main and the Rhine-Main region in large numbers (Source: Statistics City of Frankfurt a.M.).

Frankfurt am Main is one of the leading German metropolitan areas in terms of economic power (Source: BBSR Housing Market Forecast 2025). Frankfurt's population has an above-average purchasing power of EUR 25,115 per capita, the national average being EUR 21,879. The unemployment rate in Frankfurt am Main was 7.1% in March 2015 (Source: German Federal Employment Agency).

With a population of approximately 693,000, Frankfurt am Main is the largest city in the state of Hesse and the fifth largest city in Germany. The entire Frankfurt/Rhine-Main area has a population of approximately 5.5 million. Frankfurt am Main is expected to steadily grow. There has also been a resurgence in those deciding to live in the city limits; net migration from the suburbs in 2012 was approximately 10,641 (Source: JLL-Report Frankfurt am Main 2013 and JLL-Report Frankfurt am Main 2014).

In 2013, the average household size in Frankfurt am Main was 1.8 people per household. In the same year, approximately 54.2% of the private households in Frankfurt am Main were single-person households compared to the German average of 37.2% (Source: JLL-Report Frankfurt am Main 2014).

In the second half of 2014, Frankfurt had a total of 393,972 private households, which represents an increase of 8.8 percentage points from 2008. The average in-place rent in Frankfurt am Main has risen modestly since 2012, following a significant 6.5% rise from 2011 to 2012. From 2008 through 2013, the city's population increased by approximately 8% or 52,000 individuals. The number of households in Frankfurt rose even more substantially: in 2013 there were 9% or 31,900 more households than in 2008. From the second half of 2012 to the second half of 2013 the average rent increased by 2.5% to EUR 12.00 per square meter, while the first half of 2013 to the first half of 2014 only saw an increase of 1% to EUR 12.05 per square meter. (Source: JLL-Report Frankfurt am Main 2012, JLL-Report Frankfurt am Main 2013 and JLL-Report Frankfurt am Main 2014). Rent for new apartments constructed in or after 2011 is now more than EUR 13.20 per square meter. Median lease rates range from EUR 8.90 per square meter in the west of Frankfurt to as much as EUR 15.95 per square meter in the city center (Source: JLL-Report Frankfurt am Main 2014).

In the first half of 2014 purchase prices for condominiums outpaced the growth of rents. They amount to a median of EUR 3,540 per square meter in the Main metropolis – an increase of 11.7% compared to 2008. In light of continued favorable financing conditions, the strong demand for residential space as well as the slowly expanding housing supply, prices for condominiums are expected to

increase further. However, a deceleration of the currently elevated pricing dynamics may occur in Frankfurt in the foreseeable future.

Dusseldorf Region

The Rhineland Region has the city of Dusseldorf at its center stage. As the state capital of the German federal state of North Rhine-Westphalia with a population of some 597,100 in December 2013 and approximately 216,700 employees enrolled under social security Dusseldorf is an economically prosperous location within this region. Dusseldorf's GDP amounted to EUR 41.5 billion in 2012. The city is one of Germany's most significant commercial hubs encompassing approximately 4,100 retailers, 2,500 wholesale and foreign trade entities, as well as a total sales area of approximately 730,000 sqm. Numerous big national and international enterprises are domiciled here, including, e.g., Metro, Vodafone, Rheinmetall, Salzgitter, Mannesmann, C&A and Peek & Cloppenburg. Moreover, E.ON and Henkel, which are both traded as part of the DAX index, have their corporate domiciles here.

According to the most recent forecast on population development by the state of North Rhine-Westphalia's IT statistics agency, the sustained trend of steady population growth will continue. A total population of 623,600 by 2030 is being predicted which would increase the demand for residential housing space. The upward trend regarding rental prices continues to persist in Dusseldorf. Pursuant to the rent index existing rents (*Bestandsmieten*) have increased by 6.8% from the levels one year ago to EUR 7.66 per square meter which top the nationwide average by 22%. Within the first six months of 2014 rental offering rates (*Angebotsmieten*) became 2.3% more expensive compared to the same period in the previous year, amounting to a median rent of EUR 9.50 per square meter.

Other Core Regions

The population of Hannover, the state capital of the federal state of Lower Saxony, currently is 524,450, the population of Braunschweig amounts to 249,485 and Magdeburg, the state capital of the federal state of Saxony-Anhalt, is home to 234,746 individuals. In Hannover and Braunschweig per capita purchasing power exceeds the national average and amounts to EUR 22,833 and EUR 23,439, respectively. Magdeburg's per capita purchasing power is EUR 18,777. Geographically, said towns all are located in the central part of Germany. Metropolitan areas such as Berlin, the Rhine-Main area or Southern Germany can easily be accessed through existing infrastructure including highways (*Autobahnen*), railways and airports. The region's geographic position yields logistical benefits, and, consequently, companies including DHL, DB, Schenker, UPS or Hermes operate out of there. Due to historic reasons the automotive industry and, notably Volkswagen, as an additional significant industrial sector is located in the region. Moreover, both Hannover and Magdeburg host federal state governments.

The demographic development has a positive impact on the residential real estate market in Hannover. Through 2030 an increase in Hannover's population by 3.7%, or 19,200 individuals is being predicted. At the same time the low vacancy rate of approximately 2% which has been persistent for several years creates scarcity on the supply side. An additional 1,640 residential units were completed in 2012 and 2013, while 8,000 more apartments are supposed to be created through 2025. Pursuant to the rent index existing rents (*Bestandsmieten*) during the past four years have increased by just under 6% from EUR 5.82 per square meter in 2011 to EUR 6.17 per square meter in 2015. Top level existing rents (*Bestandsmieten*) for newly completed apartments amounted to EUR 13.50 per square meter in 2014, and top level rents totaled EUR 9.80 per square meter for renewed leases. Likewise, median prices for existing condominiums increased by 4.6%. To this end, new constructions in attractive neighborhoods with high grade furnishing cost EUR 3,170 per square meter on average.

For the city of Braunschweig population growth of about 2.5% to more than 255,000 by 2030 is being predicted (Source: City of Braunschweig – Population Forecast 2012 to 2030). Accordingly, a progressing number of households and increasing demand for residential space are being expected. Since 2010 the average existing net rent (excluding utility) (*Nettokaltmiete im Bestand*) grew from EUR 5.17 per square meter to 5.59 per square meter in 2014 – an increase of 8% within the past four years.

Due to the attractiveness of the federal state capital Magdeburg and the positive relocation balances associated therewith, a positive population forecast may be expected vis-à-vis other districts in Saxony-Anhalt. Since the second half of 2009 rental offering rates (*Angebotsmieten*) have increased by approximately 11% to 5.60 per square meter as of the end of the first half of 2014. Thereby Magdeburg finds itself below the nationwide average rental rate development within the last five years (15.1%), possibly offering additional potential.

Competition

In the residential management and sales business segments, Deutsche Wohnen competes with other real estate companies that also focus on residential management, the sale of residential real estate, or the operation of nursing and assisted living facilities. Deutsche Wohnen sees itself as a competitor against large- and medium-sized German real estate companies and international investors. In residential real estate sales, Deutsche Wohnen also competes with the internal sales departments of large real estate holding companies (*Bestandshaltergesellschaften*) that often sell their own real estate.

In the two German metropolitan areas of Berlin/Brandenburg and Frankfurt/Rhine-Main, Deutsche Wohnen competes with numerous small private providers as well as with municipal and large private commercial housing companies as a landlord, manager, and seller of apartments and one- and two-family homes. The most important competitors are the following companies that operate both nationwide and regionally (presented according to portfolio size as of December 31, 2014):

- Deutsche Annington: As of December 31, 2014, Deutsche Annington owned a portfolio of 203,028 residential units. In addition, Deutsche Annington managed 29,128 residential units owned by third parties. Approximately 72% of Deutsche Annington's portfolio was located in cities with a population of more than 100,000 people, with 17,414 of its units being located in Dortmund, 13,579 in Berlin and 10,593 in Frankfurt. The corporate group was founded in 2001 through the takeover of government-owned railroad housing companies and consolidated to its present form and size in the summer of 2005 through the acquisition of the Viterra residential real estate portfolio. Deutsche Annington's initial public offering was successfully completed in July 2013. In 2014, Deutsche Annington acquired the Vitus group, which held 20,471 residential units and the DeWAG group, which held 11,307 residential units. In December 2014, Deutsche Annington launched a public tender offer for all shares in GAGFAH S.A. On February 17, 2015, Deutsche Annington announced that nearly 94% of all issued GAGFAH were validly tendered in the tender offer (Source: Deutsche Annington Immobilien SE). The combined business, which will also have a new name, is set to become the second largest real estate company in Europe. It will have around EUR 21 billion worth of real estate assets in a portfolio of about 350,000 residential units and a pro forma rental income of around EUR 1.3 billion (Source: GAGFAH, Annual Report 2014).
- GAGFAH: GAGFAH is, according to its own statements, a leading owner and operator of residential real estate in Germany. Its portfolio includes more than 144,000 own residential units that are mostly located in the large German cities and their respective commuter belts. In addition to its core residential portfolio, GAGFAH owns approximately 1,500 commercial units, primarily retail stores located on the ground floor of its residential apartment buildings, and approximately 30,000 parking spaces, which typically belong to its residential apartment buildings. Like Deutsche Wohnen, GAGFAH focuses on the business segments of residential management and sales. Although the GAGFAH Group's residential real estate portfolio is spread throughout Germany, nearly half of its residential units are located in Dresden, Berlin, Hamburg and Hanover. As of December 31, 2014, GAGFAH had approximately 1,577 employees. It has been publicly traded on the Frankfurt Stock Exchange in Germany since 2006. In 2015, Deutsche Annington gained control over GAGFAH by way of a public tender offer (Source: GAGFAH).
- LEG: The LEG Group, with approximately 106,691 residential and 1,059 commercial units as well as 26,695 garages and parking spaces, all primarily located in North Rhine-

Westphalia, is one of the largest residential real estate companies in Germany. LEG was founded in 1970 through the merger of Rheinische Heim GmbH, Rote Erde GmbH, Westfälische Lippe Heimstätte GmbH and Rheinische Heimstätte GmbH. In 2008, Saturea B.V. (a company indirectly owned by Whitehall private equity funds and other funds managed by Goldman Sachs) and Perry Luxco had acquired LEG NRW GmbH from the State of North Rhine-Westphalia. LEG Group currently employs 1,040 people and has been listed on the Frankfurt Stock Exchange since February 1, 2013 (Source: LEG Immobilien AG);

- TAG: TAG Immobilien AG's business comprises residential as well as commercial real estate. At the end of 2014, TAG owned approximately 70,764 residential and 1,288 commercial units mainly located in the urban regions of Hamburg, Berlin, Lower Saxony, Thuringia and North Rhine-Westphalia. TAG employs 521 people, and since September 2012 it has been listed on the MDAX of the Frankfurt Stock Exchange (Source: TAG Immobilien AG).
- BUWOG: As of October 31, 2014, BUWOG's portfolio included approximately 52,500 units, roughly half of which are located in Germany and the other half in Austria, with Vienna, Lübeck and Berlin being the cities with the largest presence. BUWOG has been listed on the stock exchanges in Frankfurt and Vienna since April 28, 2014 and on the Warsaw stock exchange since April 29, 2014.
- Municipal housing companies such as Deutsche Gesellschaft zur Förderung des Wohnungsbaus AG, Berlin (DEGEWO) or NASPA Immobilien GmbH.

Business

Overview

Deutsche Wohnen AG is one of the largest publicly listed German residential real estate companies with a market capitalization of approximately EUR 7.5 billion (based on the XETRA closing price on June 12, 2015). The Company's real estate portfolio includes approximately 149,000 residential and commercial properties, as well as approximately 2,050 nursing and assisted care units/apartments (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships). The fair value of Deutsche Wohnen's investment properties and properties held for sale amounts to approximately EUR 10 billion (as of December 31, 2014). Deutsche Wohnen's investment strategy focuses on residential real estate and nursing and assisted care facilities in German metropolitan areas with strong growth, including the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and Dresden, as well as stable urban areas such as Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. As of May 31, 2015, Deutsche Wohnen had 762 employees (excluding 1,380 employees in the Nursing and Assisted Living segment and 100 trainees).

Segments

The Company has organized its business into the following business segments: Residential Property Management, Disposals as well as Nursing and Assisted Living.

The **Residential Property Management** segment is the core segment and focus of the Company's business. It encompasses the "residential portfolio" and includes all activities relating to residential real estate management, lease management and tenant assistance. Deutsche Wohnen's strategic goal in this segment is to improve the funds from operations. It aims to accomplish this by focusing on (i) rent increases in line with adjustments to rent indexes, modernization measures and by realizing the potential of existing rent increases through new tenancies (*fluctuation*), (ii) lowering vacancy rates, (iii) ensuring efficient management of its residential properties including targeted investments and (iv) realizing economies of scale by acquiring and integrating new portfolios. Over the last few years, Deutsche Wohnen has demonstrated that by focusing its residential portfolio on the strategic core and growth regions and continually optimizing its residential portfolio, it can generate organic growth, thereby improving its funds from operations (without disposals).

The **Disposals** segment encompasses the “disposals portfolio” and includes all activities relating to the sale of residential units, buildings and land. Deutsche Wohnen’s residential holdings intended for sale can be divided into (i) block sales (institutional sales) and (ii) single-unit privatizations (also referred to as single-unit sales or residential unit privatizations). The residential portfolio for block sales (institutional sales) comprises residential units in Non-Core Regions, *i.e.*, regions that do not fit into Deutsche Wohnen’s long-term business strategy or non-core asset classes that are not expected to be held for the long term. Opportunistic disposals of properties in Deutsche Wohnen’s Core+ and Core regions in the context of sales to institutional investors are also possible in the current market environment. Some residential units in these locations are part of the residential portfolio because they were acquired as part of larger portfolio acquisitions. These mainly include residential units and buildings in rural areas and single scattered holdings. These properties are typically sold to institutional investors, at or above fair value, although at times, below fair value if Deutsche Wohnen believes that a fast adaptation of the portfolio is more important than realizing the highest sales price. Opportunistic sales from the strategic core and growth regions still occur to take advantage of the current market situation. For single-unit privatizations, Deutsche Wohnen aims to sell predominantly to owner-occupants and capital investors at prices significantly above the fair value. All sales of residential units are intended to optimize and consolidate the residential portfolio and occur on an ongoing but staggered basis.

In the **Nursing and Assisted Living** segment, Deutsche Wohnen manages and markets nursing and residential care facilities for the elderly under the KATHARINENHOF® brand; the vast majority of these facilities are owned by Deutsche Wohnen. These facilities provide full inpatient care with the aim of helping nursing care patients preserve their independence as much as possible. Deutsche Wohnen assisted living facilities also provide the elderly with rental apartments along with an extensive range of services tailored to their needs.

Portfolio

As of March 31, 2015, Deutsche Wohnen’s total residential portfolio consisted of 146,850 residential units (143,473 residential units in the strategic core and growth portfolio and 3,377 units in the non-core portfolio) with a total residential floor space of approximately 9 million square meters based on the total residential floor space listed in the rental contracts. As of March 31, 2015, the average monthly in-place rent of Deutsche Wohnen’s residential portfolio amounted to EUR 5.73 per square meter. The vacancy rate in relation to Deutsche Wohnen’s residential portfolio was 2.3% as of this date. In addition to the residential properties, the real estate portfolio of Deutsche Wohnen included 2,085 commercial units. Deutsche Wohnen divides its residential real estate portfolio into strategic core and growth regions and non-core regions. In its strategic core and growth regions, Deutsche Wohnen distinguishes between Core+ and Core regions. The real estate portfolio in the strategic core and growth regions includes both residential units that fall under the Residential Property Management segment as well as the Disposals (residential unit privatizations) segment.

- **Core+ Regions** are dynamic markets in which Deutsche Wohnen sees considerable potential to increase rents and a positive market environment for sales. These markets are characterized by excess demand for housing due to dynamic economic development and an increase in the number of households due to, among others, a growing number of single-person households. Deutsche Wohnen’s Core+ Regions are the metropolitan areas of (i) Greater Berlin, (ii) Rhine-Main, (iii) Mannheim/Ludwigshafen, (iv) Rhineland and (v) Dresden. These markets are also the focus of potential future acquisitions. Based on the number of units, around 87% of the units in the residential real estate portfolio were located in Core+ Regions as of March 31, 2015.
- **Core Regions** are regions in which market development is expected to be stable. These markets are characterized by balanced supply and demand, a good economic situation, a stable economic outlook, average purchasing power and a constant number of households. Deutsche Wohnen’s Core Regions are: (i) Hanover/Brunswick, (ii) Magdeburg, (iii) Kiel/Lübeck, (iv) Halle/Leipzig, (v) Erfurt and (vi) others. Based on the number of

units, around 11% of the units in the residential real estate portfolio were located in Core Regions as of March 31, 2015.

- Non-Core Regions are defined as geographic regions whose development is stagnating and/or where the trend is negative. These are mainly rural areas or scattered holdings in Saxony-Anhalt, Brandenburg, Saxony, Rhineland-Palatinate, and others. The real estate in Deutsche Wohnen's portfolio that falls under Non-Core Regions amounted to 3,377 units, or around 2% of the total residential real estate portfolio based on the number of units as of March 31, 2015.

In 2014, about 9,700 residential units were reclassified from Core to Core+. These units are predominantly located in Dresden and Mannheim/Ludwigshafen. In addition, about 1,600 residential units were reclassified from Core to Non-Core.

Based on the strategic clustering into Core+, Core and Non-Core clusters, Deutsche Wohnen deploys three different investment strategies, "operate", "develop" and "dispose".

- Operate. The focus for units in the cluster "operate" is on re-letting these units and on the realization of rent potential according to the market trends. The units in the "operate" cluster are in a good or excellent condition. The cluster "operate" accounts for 76% of Deutsche Wohnen's portfolio (measured by units).
- Develop. Units located at promising locations that have less than average conditions are grouped in a cluster "develop". They account for 12% of Deutsche Wohnen's portfolio (measured by units). Deutsche Wohnen expects to invest significant amounts in modernization measures in order to increase the rent potential of these units.
- Dispose. Units that are in the cluster "dispose" are being sold in single units privatizations and block sales. They account for 10% of Deutsche Wohnen's portfolio (measured by units).

In 2014, Deutsche Wohnen engaged in selective acquisitions of smaller portfolios encompassing a total of approximately 3,100 residential units in the Rhine-Main area (650 units), Berlin (1,950 units) and Dresden (500 units) for a gross acquisition price of approximately EUR 300 million. These portfolios are all located in Deutsche Wohnen's Core+ markets. Notarized purchase agreements have been signed for all these 3,100 units in 2014 and for 940 units, the acquisitions closed already in fiscal 2014.

As of March 31, 2015, Deutsche Wohnen's nursing and assisted living portfolio comprised 20 facilities, of which 15 are solely nursing facilities, 3 are facilities for assisted living and 2 are combined facilities. The facilities provide about 2,048 nursing care places and apartments for assisted living. Of the 20 properties that are nursing facilities and assisted living facilities, there are 2 facilities that Deutsche Wohnen does not own but still operates via strategic partnerships. Around 70% of the nursing and assisted living portfolio is situated in Berlin and Brandenburg in terms of the number of nursing care places.

The Property Appraisal Report incorporated in this Offering Memorandum by reference reports the fair value (pursuant to IAS 40) of Deutsche Wohnen's entire residential portfolio to be EUR 9,782 million (of which EUR 19.2 million account for undeveloped plots of land) as of December 31, 2014 and of Deutsche Wohnen's nursing and assisted living facilities to be EUR 143.8 million as of June 30, 2014. While these valuations only speak to the relevant valuation date and have not been updated by CBRE to reflect the value as of a more recent date, Deutsche Wohnen AG hereby affirms that it is not aware of any material change in the total value of the properties appraised in the Property Appraisal Report since the respective appraisal date. The Company valued the entire real estate portfolio (residential and commercial real estate as well as nursing and assisted living facilities excluding undeveloped plots of land as of December 31, 2014) at EUR 9,930 million. The value according to the Property Appraisal Report and the Company's internal value deviates by 0.20% based on the total valued portfolio. Based on individual property, the values deviate by no more than 10%, or less than EUR 250,000, from one another. Since the valuations were conducted independently of one another,

the discrepancies lie within a range of independent valuations and are not attributable to fundamentally different valuation methods. Deutsche Wohnen plans to perform an updated assessment of the fair value of its investment properties as of June 30, 2015 in the third quarter of 2015.

Competitive Strengths and Strategy of Deutsche Wohnen

Competitive Strengths

Based on the size and quality of its total residential and nursing and assisted living portfolio, the focus on attractive German metropolitan areas, and the quality of its real estate platform with highly trained and qualified employees, Deutsche Wohnen AG believes that it is well-positioned to participate in growth in the key German metropolitan areas, thereby enhancing the long-term value of its existing residential real estate portfolio, and to grow the Company through selective value enhancing acquisitions of additional real estate portfolios and/or nursing and assisted living portfolios.

Deutsche Wohnen AG believes that the following competitive strengths have been the primary drivers of its past success and will continue to set it apart from its competitors in the future:

- Attractive, almost fully rented residential portfolio with high rent potential in the Core+ Regions;
- Commitment to quality, efficiency and sustainability;
- Proven asset and portfolio management track record as basis for continuous improvements in operational performance;
- Scalability of the Company platform and proven integration expertise;
- Solid balance sheet structure, conservative debt to equity ratio and access to diverse and long-term financing sources;
- Highly experienced management team with longstanding real estate experience as a basis for the Company's strategy.

Attractive, almost fully rented residential portfolio with high rent potential in the Core+ Regions

As of March 31, 2015, Deutsche Wohnen maintained a residential portfolio of 146,850 residential units primarily located in attractive German metropolitan areas. The vacancy rate of the residential portfolio in the strategic core and growth regions was on average 2.1% as of March 31, 2015, while in the dynamic Core+ Regions it was 2.0%.

As of March 31, 2015, Deutsche Wohnen sees considerable rent potential (defined as the actual monthly rents for new tenancies for units not subject to rent control stipulated in lease contracts that became, or will become, effective in 2015 compared to the monthly in-place rent without taking into account the most recent additions) for units not subject to rent control of 23.1% in the letting portfolio in Berlin, 27.0% in the Rhine-Main area, 19.5% in Mannheim/Ludwigshafen, 20.3% in the Rhineland and 25.3% in Dresden. Overall, the letting portfolio in the Core+ Regions in the Company's view has a rent potential of around 24.3% based on the actual monthly rents set for new tenancies for units not subject to rent control stipulated in leases that became, or will become, effective in 2015. General tenant turnover of approximately 8% *per annum* in relation to the entire portfolio is one of the factors relevant to realizing the potential for rent increases. In addition, investments in the real estate portfolio will play a key role in being able to bring about rent increases. Consequently, Deutsche Wohnen has invested around EUR 17 per square meter in the fiscal year 2014, around EUR 15 per square meter in the fiscal year 2013 and around EUR 19 per square meter in the fiscal year 2012 in maintenance and modernizations. In order to increase the rent potential, Deutsche Wohnen plans to invest EUR 280 million by 2018 into about 17,000 units that are predominantly located in dynamic locations in the Core+ Regions.

Deutsche Wohnen's investment strategy focuses on real estate in urban regions and German Metropolitan Regions with strong growth (Core+ Regions), including the Greater Berlin area, the Rhine-Main area, Mannheim/Ludwigshafen, the Rhineland and Dresden. Deutsche Wohnen is of the

opinion that this strong focus on the Core+ Regions and Core Regions, as well as the high concentration of the portfolio on the two high-growth cities of Berlin and Frankfurt am Main, offers a competitive advantage that positions Deutsche Wohnen to allow it to benefit from potential rent increases and to leverage efficiencies.

Commitment to quality, efficiency and sustainability

Deutsche Wohnen AG considers itself as the efficiency leader among German residential property companies. The Company believes that the cost ratio in the residential property management segment, *i.e.* the staff costs and general and administration expenses in relation to the current gross rental income, is considerably below the industry average at 14.4% (as of December 31, 2014). The Company believes that the regionally concentrated nature and the quality of Deutsche Wohnen's portfolio together with the Company's ability to successfully integrate large portfolios in the last four years in conjunction with Deutsche Wohnen's ongoing business operations sets Deutsche Wohnen apart from most competitors.

Deutsche Wohnen's commitment to quality extends also to its Nursing and Assisted Living segment, as is evident from the outcome of quality tests carried out by the Medical Review Board of the German Statutory Health Insurance Funds in the context of annual evaluations. Deutsche Wohnen's facilities were awarded excellent ratings between 1.0 and 1.2 in all 82 rated categories, corresponding to an overall industry ranking of 3rd place and making it one of the leading providers in the nursing and assisted living sector in Germany. The success of Deutsche Wohnen AG's nursing and assisted living concept is reflected in what has been above-average occupancy rates for years. In 2014, the average occupancy rate stood at 96.1%.

In recent years, Deutsche Wohnen AG has recorded a considerable appreciation in property value in conjunction with dynamic growth. Deutsche Wohnen AG believes that this success is attributable to its commitment to sustainability as expressed in its clear and focused long-term investment strategy. As a sustainably managed company, Deutsche Wohnen assumes responsibility for environmental and social issues, as well as for its employees.

Proven asset and portfolio management track record as basis for continuous improvements in operational performance

Deutsche Wohnen is a real estate manager with a fully-internalized management and successful track record in all of the relevant areas along the residential real estate value chain. Deutsche Wohnen benefits in day-to-day operations from its platform of professionals with in-depth knowledge of the Group's portfolio and the German residential real estate market. Deutsche Wohnen generally follows a buy-and-manage approach, engaging in selective disposals of non-strategic real estate and/or single-unit sales. For example, Deutsche Wohnen signed a contract for the opportunistic sale of a portfolio consisting of 5,749 residential units in Berlin for EUR 375 million in December 2014.

For purposes of measuring its operational performance, Deutsche Wohnen uses both FFO per share including disposals and FFO per share without disposals. While the FFO per share including disposals is influenced by cyclical fluctuations in the market environment, the FFO per share without disposals is a more stable measure of the Company's ability to make loan amortization payments, investments (*e.g.*, the acquisition of new real estate or value-enhancing maintenance and/or modernizations) and distribute dividends. Overall, the FFO per share without disposals improved from EUR 0.54 in 2012 to EUR 0.65 in 2013 and EUR 0.76 in 2014. The FFO per share including disposals increased from EUR 0.70 in 2012 to EUR 0.78 in 2013 and to EUR 0.94 in 2014.

Scalability of the Company platform and proven integration expertise

Deutsche Wohnen's business organization is set up efficiently and allows for scalability of portfolios in its strategic core and growth regions as well as the expansion into new metropolitan areas. Its organizational structure is set up to expand the existing residential portfolio by acquiring portfolios without incurring substantial additional fixed costs. As a result of the size of Deutsche Wohnen's business, additional staff and material costs that arise when residential portfolios are acquired can be min-

imized, and goods and services can be purchased at low cost. The holding functions are also maintained at low cost. The Company strives to reduce the cost ratio (*i.e.*, the ratio of corporate expenses to gross rental income) from 17.3% in 2013 to 12% by 2016.

The Company's acquisition of 92.02% of the shares of GSW in November 2013 build on these strengths. The rationale of the GSW acquisition was to improve and increase the efficiency of both organizational structures. Deutsche Wohnen expected to realize approximately EUR 25 million of FFO (without disposals) relevant synergies *per annum* by 2016. In late 2014, Deutsche Wohnen re-evaluated the potential benefits and now expects to realize about EUR 35 million of FFO (without disposals) relevant synergies *per annum* by 2016. Including effects from the restructuring of the sales force and from refinancing, Deutsche Wohnen estimates the FFO (including disposals) relevant synergies to amount to approximately EUR 80 million (before tax) *per annum* by 2016.

Solid balance sheet structure, conservative debt equity ratio and access to diverse and long-term financing sources

Deutsche Wohnen believes that it has a conservative capital structure, with an LTV Ratio of 50.4% as of March 31, 2015. In the fiscal years 2015, 2016 and 2017, the Group's refinancing volume based on nominal values are expected to be EUR 204.2 million, or around 4.3% of the total financial liabilities, excluding the convertible bond. As of March 31, 2015, around 86% of the Company's financial liabilities (including convertible bonds) either had fixed interest rates or were hedged by interest rate swaps. Deutsche Wohnen's average interest rate decreased from approximately 3.4% in 2013 to approximately 2.5% in 2014. As of March 31, 2015, Deutsche Wohnen's average interest rate stood at 2.35%. Deutsche Wohnen monitors and manages the maturity profile of its financial debt and engages in refinancing on a regular basis. For example, in October 2014, Deutsche Wohnen concluded a EUR 1.76 billion financing transaction aimed at improving Deutsche Wohnen's financing and cash flow profile. This financing transaction is expected to result in an FFO improvement of about EUR 39 million due to interest savings over the term of the new loans. Deutsche Wohnen also reduced its contractual amortizations by about EUR 23 million per year, resulting in an expected aggregate effect on its free cash flow of EUR 62 million per year. Deutsche Wohnen aims, markets permitting, to refinance parts of its financial liabilities that mature predominantly in 2018 and 2019 with new bank loans and potentially by issuing bonds in the debt capital markets with average maturities of around 10 years. The aggregate refinancing volume is anticipated to amount to up to EUR 1.2 billion. The financial liabilities earmarked for refinancing have an average remaining maturity of approximately 4 years and currently have an average interest rate of approximately 3.4%.

Based on its experience in structuring financing and its positive track record with its financing partners, Deutsche Wohnen has proven its ability to efficiently access the capital markets to obtain financing. For example, in September 2014, Deutsche Wohnen successfully placed a convertible bond with institutional investors at an annual interest rate of 0.875% and a conversion premium of 27.5% above the applicable Deutsche Wohnen reference share price. The capital increases in October 2009, November 2011, June 2012 and January 2013, which raised a total of just under EUR 1.1 billion, demonstrate the Company's ability to access to the equity capital markets.

Highly experienced management team with longstanding real estate experience as basis for the Company's strategy

Deutsche Wohnen's management team benefits from in-depth knowledge of the Group's total portfolio as it played a primary role in all acquisitions in the past years, both on Deutsche Wohnen AG's as well as on GSW's side. This comprehensive knowledge of the overall portfolio, combined with management's general business expertise and the Company's focused approach, are considered a key operating advantage that facilitates Deutsche Wohnen's access to investors and business opportunities and facilitates portfolio management.

The management team is supported in all aspects of business operations by an experienced and skilled managerial staff. The letting of residential units or their sale as part of residential unit privatizations is also handled primarily internally by experienced and skilled employees. Due to their

longstanding experience in the residential real estate sector, both the management team and staff possess extensive knowledge of the German residential real estate market, including the special characteristics of the relevant regions.

Strategy

The focus of Deutsche Wohnen's business is to enhance the Company's value. Deutsche Wohnen's growth strategy along the residential value chain centers on the following core elements:

- Focusing and concentrating on residential real estate located in the key metropolitan areas and urban centers;
- Capitalizing on the potential for higher rents through active asset and portfolio management;
- Portfolio optimization through value-oriented, single-unit sales and block sales; and
- Continuous growth through selective and value-oriented acquisitions of real estate portfolios and/or nursing and assisted living facilities intended to increase the FFO per share and EPRA NAV per share.

Focusing and concentrating on residential real estate located in the key metropolitan areas and urban centers in Germany

Deutsche Wohnen wants to continue to concentrate its efforts on residential real estate management predominantly in German metropolitan areas and urban centers. Deutsche Wohnen is confident that the anticipated economic and population growth in these metropolitan areas and urban centers will provide a very good basis for the successful management of its real estate portfolio. In addition to Deutsche Wohnen's current strategic core and growth regions of Greater Berlin, the Rhine-Main area, Mannheim/Ludwigshafen, the Rhineland and Dresden, Deutsche Wohnen plans – as already evidenced by the acquisitions of the BauBeCon Group and GSW – to take advantage of opportunities to expand its portfolio to other metropolitan areas and other attractive urban centers to increase the FFO per share and/or the EPRA NAV per share and position Deutsche Wohnen to increase profitability.

Capitalizing on the potential for higher rents through active asset and portfolio management

Deutsche Wohnen aims to further increase its FFO profile through active asset and portfolio management. Since current in-place rents particularly in its Core+ Regions are typically below market levels, Deutsche Wohnen focuses on measures designed to increase the in-place rents to improve the FFO. Key drivers realizing rent increases and retaining a high-quality tenant structure include modernization/investment measures in selected properties and ongoing maintenance measures. Overall, the letting portfolio in the Core+ Regions demonstrated a rent increase potential of 22.7% as of December 31, 2014, based on the newly signed leases for non-rent-controlled apartments that became effective in 2014.

In order to increase the rent potential, Deutsche Wohnen plans to invest EUR 280 million by 2018 into about 17,000 units that are predominantly located in dynamic locations in the Core+ region and intends to focus on portfolios with the highest expected rent potential. As a result, Deutsche Wohnen expects that these investments will lead to an increase in its net asset value as these investments are expected to have a substantial impact on the expected valuation.

Portfolio optimization through value-oriented, single-unit sales and block sales

Deutsche Wohnen aims to further enhance shareholder value via value-oriented single-unit sales (residential unit privatizations) and continuous optimization of the portfolio structure through block sales. The Company's disposal portfolio can be broken down into single-unit privatizations and block sales.

The goal of its single-unit privatizations is to sell residential properties (sometimes opportunistically) in Deutsche Wohnen's core and growth regions, mainly to owner-occupiers, at prices exceeding fair value. The single-unit privatization portfolio (single-unit privatizations) in the Core+ and Core regions consisted of 7,133 residential units as of December 31, 2014. A total of 2,016 residential units (including units, whose purchase agreement has been notarized in the previous fiscal year) were privatized (transfer of benefits and encumbrances) from January 1, 2014 to December 31, 2014 with a gross margin of 43.6%. The residential portfolio in the Non-Core Regions includes properties in locations that do not fit into the Company's business strategy. The majority of these properties are sold to institutional investors, generally at least at fair value, although, at times, below fair value in order to adjust the portfolio. If, as part of future portfolio acquisitions, residential units are acquired that do not match the Company's business strategy, it plans to sell them in block sales.

Continuous growth through selective and value-oriented acquisitions of real estate portfolios and/or nursing and assisted living facilities intended to increase the FFO per share and EPRA NAV per share

Deutsche Wohnen has established itself as a residential real estate "consolidation platform". Deutsche Wohnen is in a position to integrate new portfolios into existing organizational structures quickly and at low marginal costs, allowing it to take advantage of economies of scale. As part of its growth strategy, the Company aims to expand its existing residential portfolio through further selective acquisitions of predominantly small and medium-sized portfolios in its strategic core and growth regions. However, as was the case for the acquisitions of the BauBeCon Group in 2012, GSW in 2013 and smaller bolt-on acquisitions of about 3,100 units in 2014, the Company will also consider acquisitions of larger portfolios and platforms if they provide an effective entry into new metropolitan areas or a significant strengthening of Deutsche Wohnen's presence in existing Core+ and Core Regions. For example, Deutsche Wohnen signed purchase agreements concerning the acquisition of approximately 6,500 residential units, predominantly located in Berlin, for an aggregate purchase price of approximately EUR 500 million or approximately EUR 1,180 per square meter. Closing for the vast majority of these acquisitions is expected to take place at the end of the first half of 2015. The annual net cold rent for these acquisitions is approximately EUR 25.6 million. The average vacancy rate is approximately 2.6%. Deutsche Wohnen expects, based on historical numbers, that these acquisitions will make a positive EBITDA contribution of more than EUR 20 million on an annualized basis. In addition, Deutsche Wohnen is currently contemplating the acquisition of 10,000 residential units, for which Deutsche Wohnen is engaged in advanced due diligence. These residential units are predominantly located in Deutsche Wohnen's Core+ Regions and Core Regions. Deutsche Wohnen analyzes potential acquisition targets based on their perceived ability to increase the FFO and EPRA NAV per share or offer possibilities for asset management or enable new positioning initiatives that contribute to increasing the FFO and EPRA NAV per share over the medium term.

In the Nursing and Assisted Living segment, Deutsche Wohnen underscored its strategic goal of further expanding its nursing and assisted living facilities in core and growth regions by completing the acquisition of the LebensWerk Group in the first quarter of 2013. Deutsche Wohnen also plans to expand its Nursing and Assisted Living segment in its strategic core and growth regions in the future. Deutsche Wohnen aims to expand its current capacity of around 2,050 nursing care units/apartments (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships) to 4,000 to 5,000 units over the coming years.

Key Information on the Company's History and Recent Developments

1996	Company founded as Kera Beteiligungs AG; pure asset company initially with no operations.
1998/99	Company name changed to "Deutsche Wohnen AG" and operating activities started.
1999	Deutsche Wohnen AG's initial public offering (<i>Börseneinführung</i>) on the regulated market of the Luxembourg Stock Exchange.
2006	Deutsche Wohnen AG removed from the Deutsche Bank Group's consolidated financial

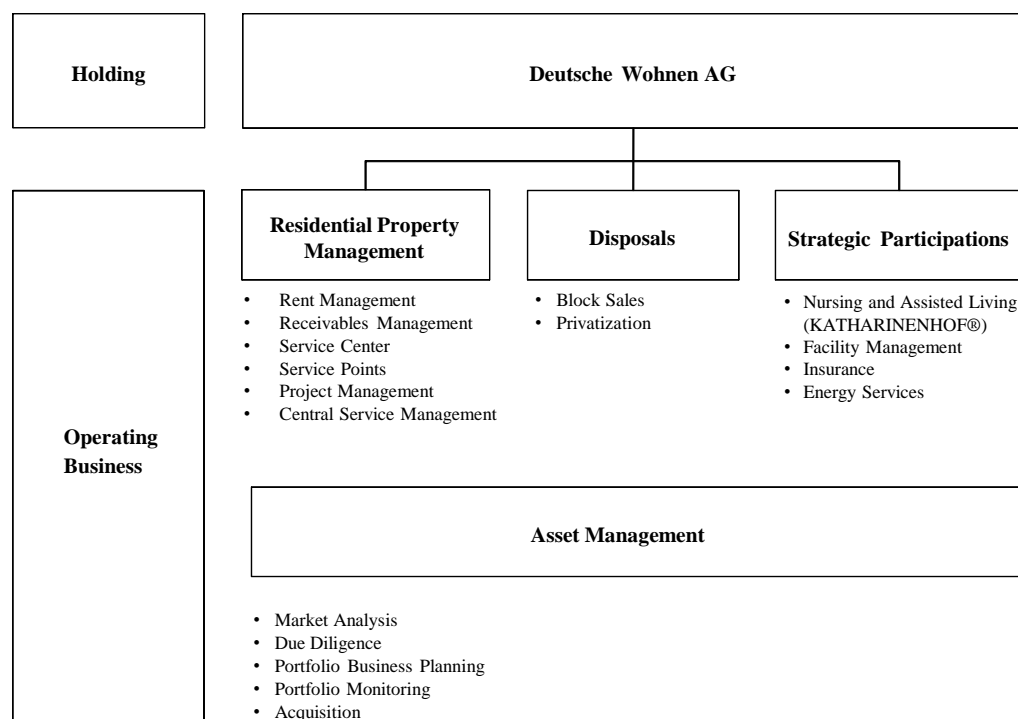
statements.

All shares of Deutsche Wohnen AG admitted for trading to the regulated market segment of the Frankfurt Stock Exchange.

- 2007 Shares of the GEHAG Group acquired with approximately 27,000 residential units in Berlin and Brandenburg, several retirement homes and nursing home facilities, as well as a telecommunications service provider with approximately 80,000 connected households.
- Michael Zahn assumes the position of CEO.
- 2008 The GEHAG Group is integrated into Deutsche Wohnen AG through the creation of a new, competitive organizational structure and reorientation of the Company's investment management and real estate portfolio strategy to focus on the management of properties in the strategic core and growth regions of Berlin and Rhine-Main.
- In this context, sale of residential holdings comprising 1,169 apartments not part of the residential portfolio in the core regions for regional or product-specific reasons and sale of the Telecommunications business segment (AKF Group).
- 2009 Capital increase against cash contributions to reduce debt equity ratio and finance further acquisitions.
- 2010 Shares of Deutsche Wohnen AG included in the MDAX index of the Frankfurt Stock Exchange.
- 2011 Approximately 6,100 residential units acquired in Berlin, Rhine-Main area, Rhine Valley North and the Rhine Valley South.
- Capital increase against cash contributions to finance further growth.
- 2012 Shares of BauBeCon Group acquired with around 23,400 residential units. The portfolio's geographic focus is urban centers. They comprise right around 82% of the total portfolio (more than 19,000 residential units); 40% of these residential units are situated in the metropolitan areas of Hanover/Brunswick/Magdeburg and 30% in the Greater Berlin area. The acquisition was partially refinanced by a capital increase against cash contributions.
- 2013 Capital increase against contributions in cash.
- Around 7,800 residential units acquired in Greater Berlin.
- 91.05% of GSW shares acquired (based on the share capital at the time) in connection with a public tender offer.
- Issue of a convertible bond with a total nominal value of EUR 250 million.
- 2014 Conclusion of a domination agreement with GSW.
- Issue of a convertible bond with a total nominal value of EUR 400 million.
- Deutsche Wohnen obtains BBB+ rating from S&P and Baa1 rating from Moody's.
- 2015 Capital increase against contributions in cash.

Business Organization of Deutsche Wohnen Group

Deutsche Wohnen's business operations focus on three business segments: Residential Property Management, Disposals and Nursing and Assisted Living.



In addition to the business organization of Deutsche Wohnen, the companies belonging to the GSW Group currently maintain to a certain extent a separate business organization with overlapping business functions. While the holding functions have already been integrated, Deutsche Wohnen is currently in the process of integrating the operating functions into the business organization of Deutsche Wohnen Group.

Deutsche Wohnen AG

Within Deutsche Wohnen Group, Deutsche Wohnen AG functions as a financial and management holding company. Its responsibilities include the following: Asset management, corporate finance, accounting/tax/controlling, risk management, human resources, investor relations, corporate communications, legal/compliance and IT/organization. Business operations are conducted exclusively by subsidiaries, nearly all of which were founded under German law and have their registered offices in Germany. Business operations are broken down into (i) Residential Property Management, (ii) Disposals (block sales and single-unit sales) and (iii) Nursing and Assisted Living.

Residential Property Management

Overview

Deutsche Wohnen's business activities focus on managing residential properties as part of its strategy of active asset management.

While Deutsche Wohnen AG is assuming traditional holding company's functions, Deutsche Wohnen's real estate management activities are largely carried out by Deutsche Wohnen Management GmbH, Deutsche Wohnen Immobilien Management GmbH and Deutsche Wohnen Construction and Facilities GmbH. Residential Property Management is organized into centralized and decentralized

units. The key centralized services are rent management, procurement of services related to Residential Property Management, the Service Center, and administrative activities such as rent accounting (*Mietenbuchhaltung*) and operating cost billing (*Betriebskostenabrechnung*). The decentralized units are known as “Service Points” and are located in various regions in Germany. These Service Points act as a point of contact for existing and prospective tenants and provide technical and administrative services. In addition to managing its residential properties, Deutsche Wohnen also manages commercial space on a small scale. These properties are mainly retail businesses inside residential buildings and, to a lesser extent, office buildings.

Rent Management

The Rent Management staff in the central offices in Berlin and Frankfurt am Main reviews the potential for rent increases in non-rent-controlled units and thus strives to bring the rent structure in line with current market conditions on an ongoing basis. Rent Management also assesses the rent-relevant characteristics (*Ausstattungsmerkmale*) in Deutsche Wohnen’s residential properties, and the potential for optimization, which can lead to modernization projects, to minor improvements for entire building units or to complex modernization and maintenance measures. Rent Management also carries out rent increases in rent-controlled buildings under the subsidy agreements.

If complex measures are necessary, the rent development and project management units work closely with the centralized technical services unit to handle management and coordination of the commercial aspects of these projects.

The Rent Management staff also calculates the operating costs incurred, bills tenants for these costs and informs tenants of the required adjustments to pre-payments. The employees in the Rent Management unit continuously strive to identify potential savings and improve processes. For more information, see “—*Central Services Management*”.

Receivables Management

Receivables Management, which also operates from the central offices in Berlin and Frankfurt am Main, includes rent accounting, collections/litigation and advice on tenants’ housing concerns. All rent and deposit accounts are monitored on an ongoing basis and all incoming payments are systematically tracked. Where receivables are outstanding, the collections/litigation staff takes the necessary steps for successful collection. The employees responsible for advice on the tenants’ housing concerns also support fund management. Personal contact with and support for tenants who fell behind on their rent payments are provided with the aim of preventing evictions.

Service Center

Set up in 2009, the Service Center in Berlin is the central administrative office for all of Deutsche Wohnen’s locations. Service Center employees field and route telephone calls (for example, notification of a defect). They also review and pre-sort incoming mail. Many issues can be handled directly by the Service Center (notifying system providers of defects, processing initial complaints, managing tenant data in SAP, *etc.*). The goal is to define additional standardized processes which can be handled directly by Service Center employees. All issues that require a detailed on-site inspection are passed on to the responsible employees in the service points or to the employees in the central services units.

Service Points

The Service Points serve as points of contact for existing and prospective tenants. The Service Points provide commercial and technical housing and rental services and also have back-office employees. The employees handle all of the special concerns of Deutsche Wohnen’s tenants directly on-site. Technical problems in buildings can be inspected at short notice and subsequent steps are taken to solve them. Technical service partners (system providers) in technical building management services are responsible for completing work in apartments on time when tenants move and for fixing technical problems up to a total cost of EUR 1,000 per case. The system providers have a price list they use to invoice individual services associated with modernization projects in individual apartments and when

tenants move. The Service Points also monitor the operations of the system providers and coordinate maintenance work that costs in excess of EUR 1,000 per case.

Project Management

Project Management for Deutsche Wohnen's entire portfolio is coordinated centrally from the office in Berlin. A key focus is the strategic planning of maintenance and modernization measures.

Maintenance and modernization measures are undertaken to sustainably increase the market value of apartments, to improve general housing conditions in the long term or to achieve or assure long-term energy savings. These measures are systematically implemented in those buildings where further potential for rent increases has been identified. Modernization measures that can be capitalized (for example, installation of heating systems and balconies or modernization measures aimed at improving energy efficiency) are suitable, in particular, for achieving significant increases in in-place rents. Based on available data from the in-house portfolio management system and with the help of macro and micro research data, Deutsche Wohnen routinely analyzes and identifies the potential rent increases at locations in its residential portfolio that can be achieved through modernization measures. To assess this potential, alternatives (continued management of a property or single-unit sales) are compared and contrasted based on investment calculations using the discounted cash flow method and presented to management to choose a course of action. When a residential property is modernized, the building's fundamental structural condition is generally improved. In its assessment, the Company also takes into account the temporary vacancy of a building.

Deutsche Wohnen works with third-party contractors to draft concrete plans and particularly to carry out the maintenance and modernization measures. The Project Management segment is responsible for managing, coordinating and monitoring the quality of these services as the representative of the property developer.

Central Services Management

The Central Services Management unit is further divided into Facility Management (formerly central purchasing) and Central Technical Services teams. The Facility Management team is responsible for developing the Company's key processes and procurement procedures, for adapting them to its corporate strategy, continually streamlining them and managing them internally and externally. They identify potential for improving various areas of property management-related services and types of care, and taking into account current market developments, they change processes to boost profits and develop and update business models. Existing contracts are managed comprehensively, and subsequent contracts are strategically aligned with corporate philosophy. Managing the technical system providers also falls under Central Services Management. These providers serve as direct contacts for tenants for maintenance projects up to EUR 1,000 per case.

Disposals

Overview

The Disposals segment is the second pillar of Deutsche Wohnen's operations and is managed by Deutsche Wohnen Corporate Real Estate GmbH. While generating proceeds from property sales is less important to Deutsche Wohnen's business than Residential Property Management, property sales will continue to play a key role in the active management of the total portfolio.

The disposal portfolio in the strategic core and growth regions consisted of 14,569 residential units as of December 31, 2014, with 7,133 units being earmarked for single-unit sales. The specific responsibilities of the Disposals segment are as follows: target group research and contact, compliance with statutory land register requirements for buildings (e.g., obtaining a certificate of delimitation which is required under German law to sell an apartment as a condominium), notarial recording and, if necessary, execution of the condominium declaration in the land register, preparation for sale (implementation of targeted modernization measures to increase margins) and contract performance.

Deutsche Wohnen's residential properties are sold through the Disposals segment, as well as through external real estate brokers. However, sales are conducted to a large extent by Deutsche

Wohnen's own employees who are compensated with variable salary benefits. Deutsche Wohnen's rate of sales executed through own employees was approximately 56% in 2013 and 51% in 2014. The responsibilities of the Disposals segment, therefore, include managing its own sales and those of external real estate brokers as part of customer communication. The external real estate brokers are usually paid a commission.

Target sales groups are, in particular, owner-occupants (buyers who were not already tenants of the property being sold), as well as tenants and private investors.

The Company is subject to limitations on single-unit sales arising from purchase contracts for certain apartments or individual property portfolios. Due to these obligations, Deutsche Wohnen must comply with certain rules (for example, sale to tenants, social conditions, *etc.*) when making decisions about single-unit sales (residential unit privatizations).

The Disposals segment is split into residential unit privatizations (single-unit sales) and Institutional Sales (block sales).

Privatizations

Privatizations involve the sale of individual residential units to tenants, owner-occupiers or capital investors. In 2014, Deutsche Wohnen sold around 2,016 residential units achieving an average gross sales margin of 47%.

Institutional Sales

Institutional Sales are block sales of residential units to institutional investors as part of Deutsche Wohnen's overall portfolio optimization strategy and opportunistic sales from the strategic core and growth regions to take advantage of the current market situation. The Institutional Sales team handles all aspects of a block sale, including the sale preparation and execution of the transaction. The main purpose of the Institutional Sales team is to divest properties that are not consistent with Deutsche Wohnen's business strategy and to focus on its strategic core and growth regions. In addition, it also sells scattered holdings to consolidate the residential portfolio in its strategic core and growth regions. Moreover, block sales are often triggered by acquisitions of portfolios for the purpose of portfolio optimization and financing.

Strategic Participations

Deutsche Wohnen has a number of strategic participations. Its most significant strategic participation is its 49% interest in the company operating the KATHARINENHOF® properties.

With the acquisition of a majority share in the GEHAG Group, the Nursing and Assisted Living segment became another independent segment of Deutsche Wohnen's business. This business segment with approximately 2,050 nursing places (including about 475 units/apartments in facilities that Deutsche Wohnen does not own but operates via strategic partnerships) is primarily operated under the KATHARINENHOF® brand, an indirect, wholly owned subsidiary of Deutsche Wohnen AG. The scope of business activities in this segment includes the marketing and management of nursing homes and retirement homes and assisted living facilities for the elderly, as well as assistance services for residents and outpatient care services.

Deutsche Wohnen plans to further expand the Nursing and Assisted Living segment in view of demographic change and the many positive experiences gained over the last few years. The target capacity is 4,000 to 5,000 nursing places in the coming years. Through the acquisition in full of the LebensWerk Group in 2013, which operates four facilities (with a total of 425 beds) for full inpatient care in Berlin, Deutsche Wohnen underscored its ambitions to further expand its nursing facilities in the strategic core and growth regions. The facilities in the LebensWerk Group complement the facilities operated by KATHARINENHOF® Group in their organization, size and locations.

The vast majority of properties managed by the Nursing and Assisted Living segment are owned by Deutsche Wohnen. Only three of the properties operated by KATHARINENHOF® Group are made available through lease contracts with third-party owners.

The goal of full inpatient nursing care is to promote an active lifestyle for patients in exalted quality. Efforts focus on promoting the health of each individual patient by innovative therapies and preserving the patient's independence as much as possible. The assisted living facilities and the retirement homes offer rental apartments to senior citizens along with an extensive range of services that they can freely choose from, including minor assistance with everyday tasks, meals and events. Residents all live independently in their own apartments with guaranteed assistance in the case of emergencies. In addition, the facilities feature common rooms and fitness centers, as well as additional services, such as physiotherapy, swimming pools and beauty and hair salons. The individual services vary from facility to facility. The outpatient care services offer assistance and care for the elderly in their households.

Effective January 1, 2015, Deutsche Wohnen sold 51% of its interest in the operations of KATHARINENHOF® Group to KH Beteiligungs GmbH, while retaining a 49% interest. Pursuant to the agreement relating to the transfer of the 51% interest, Deutsche Wohnen retained veto rights in relation to material decisions. KATHARINENHOF®'s real estate was not sold, but retained by the Company. The Company will continue to consolidate the KATHARINENHOF® Group in its consolidated financial statements. Also effective as of January 1, 2015, the KATHARINENHOF® Group sold one of its facilities. As from this date, Deutsche Wohnen's nursing and assisted living portfolio comprises 20 facilities.

Other business areas in which Deutsche Wohnen currently operates via strategic shareholdings include procurement of technical services in the facility management context, insurance policies and energy services. For example, in 2013, GETEC Wärme & Effizienz AG and Deutsche Wohnen Energy GmbH formed a joint venture, G+D Gesellschaft für Energiemanagement mbH. The goal was to bundle GETEC's and Deutsche Wohnen's knowledge and to generate synergies in preparation of energy efficiency projects to prepare for an exit from nuclear and fossil-fuel energy (*Energiewende*). The primary tasks of the joint venture are the sourcing and supply of primary energy, the generation of useful energy and the establishment and operation of energy generation and energy distribution facilities.

In 2014, B&O Service and Messtechnik AG and Deutsche Wohnen Fondsbeteiligungs GmbH formed a joint venture, B&O Deutsche Service GmbH. The purpose of the joint venture is to provide cost-efficient and customer-oriented technical facilities management services and to source materials, products and services in an efficient manner.

Asset Management

Overview

Asset Management is in charge of and supports the activities of the Residential Property Management and Disposals segments. Asset Management involves the acquisition and strategic alignment of existing and future real estate portfolios. A key focus is allocating the real estate to regional clusters, differentiating between the residential portfolio in the strategic core and growth regions and in the Non-Core Regions. Asset Management also has a control function: it identifies the existing potential for rent increases at portfolio level for the Residential Property Management segment and continuously analyzes the portfolio and selects which properties and portfolios to sell for the Disposals segment. The Asset Management unit also continually assesses the residential real estate portfolio for risks and optimization potential and, if necessary, recommends portfolio optimization measures in structurally weak regions and in scattered holdings.

Activities of Asset Management in the purchase of residential real estate portfolios

As part of Deutsche Wohnen's growth strategy, Deutsche Wohnen aims to expand its existing real estate portfolio by acquiring residential real estate portfolios in high-growth urban areas. Deutsche Wohnen's Asset Management unit is in charge of managing the acquisition process.

When preparing for acquisitions, a key responsibility of Asset Management is market analysis and the selection of suitable small- and large-scale portfolios. A number of criteria are considered when selecting suitable properties, including in-place rents, vacancy, location, structural quality, tenants, proportion of publicly-subsidized residential units and infrastructure. The acquisition of residen-

tial portfolios is always based on economic considerations, *i.e.*, expanding the existing residential portfolio has to have a long-term positive impact on relevant Group performance indicators (for example, cash flow, FFO, fair value, or NAV).

The most important individual criteria for portfolio acquisitions are as follows:

- **Location:** The micro location, in other words, the immediate vicinity of the property within a municipality, plays a key role in the long-term rentability and the medium-term privatization potential of apartments. Locations must feature stable macroeconomic performance indicators. A sufficient supply of jobs in the location itself or within a reasonable distance is an important factor.
- **Condition:** The condition of the property is an important criterion in Deutsche Wohnen's decision. The general condition of the property, its fixtures and necessary short-term investments all play an important role.
- **Market potential:** The development of the respective regional market environment also influences Deutsche Wohnen's ability to generate stable, long-term cash flows from renting out and selling apartments.
- **Potential to increase in-place rents:** One of the criteria is the portfolio's potential for rent increases. The modernization of real estate and the resulting potential for rent increases play a key role in this context.
- **Commercial share:** The property portfolios to be acquired should only have a limited proportion of commercial space because Deutsche Wohnen focuses on residential real estate. The commercial space currently held in the real estate portfolio is generally an integral part of residential buildings.
- **Vacancy rate:** Depending on the reasons for vacancy (unattractive location or targeted optimization of the tenant structure) and further planning (subsequent sale, short-term renovation or modernization to increase rent), the vacancy rate may be used as a reason for or against an investment.

In addition to market analysis and/or support in the selection of suitable property portfolios, Asset Management also conducts due diligence audits related to the acquisition of real estate portfolios. Due diligence measures cover all relevant data relating to the target portfolio, as well as the business, legal and tax situation of the real estate company to be analyzed (in the case of acquisition of property portfolio companies). Finally, Asset Management is responsible for annual calculations of the fair value of the real estate portfolio which is included in the calculation of Deutsche Wohnen's NAV. See "*Selected Consolidated Financial Information—Other Financial and Operating Data*".

Overview of the Residential Real Estate Portfolio of Deutsche Wohnen

Deutsche Wohnen Group's residential real estate portfolio as of March 31, 2015 included 146,850 residential units, with a total residential floor space of approximately 9 million square meters.

As of March 31, 2015, most of Deutsche Wohnen's material tangible fixed assets, including leased properties, served as collateral for loans. There are also agreements in individual cases stipulating that the condition of the properties may not deteriorate or determining average minimum investments for the maintenance and modernization of the properties on a sqm-basis.

The following table provides an overview of important operational figures in Deutsche Wohnen's residential real estate portfolio:

Property Figures

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012¹⁾</u>
Residential real estate portfolio				
<i>Number of residential units</i>				
Strategic core and growth regions	143,473	143,614	145,201	75,708

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012 ¹⁾
Letting portfolio.....	129,284	129,045	128,472	68,759
Single-unit sale (residential unit privatization)	6,783	7,133	9,016	6,147
Block sales.....	7,406	7,436	7,713	802
Core+ Region(s).....	127,731	127,798	129,147	59,742
Letting portfolio.....	115,367	115,125	114,552	55,025
Single-unit sale (residential unit privatization)	5,039	5,318	6,963	3,997
Block sales.....	7,325	7,355	7,632	720
Core	15,742	15,816	16,054	15,966
Letting portfolio.....	13,917	13,920	13,920	13,734
Single-unit sale (residential unit privatization)	1,744	1,815	2,053	2,150
Block sales.....	81	81	81	82
Non-core	3,377	3,491	5,018	7,030
Total	146,850	147,105	150,219	82,738
Floor space (in thousands of square meters)				
Strategic core and growth regions	8,709	8,714	8,804	4,613
Letting portfolio.....	7,748	7,728	7,678	4,137
Single-unit sale (residential unit privatization)	459	481	604	416
Block sales.....	502	505	522	59
Core+ Region(s).....	7,716	7,716	7,790	3,599
Letting portfolio.....	6,878	6,858	6,808	3,275
Single-unit sale (residential unit privatization)	342	359	465	270
Block sales.....	497	499	516	54
Core	993	998	1,014	1,014
Letting portfolio.....	870	870	870	863
Single-unit sale (residential unit privatization)	117	122	139	145
Block sales.....	5	5	5	6
Non-core	223	232	327	453
Total	8,932	8,946	9,131	5,066
In-place rent (per month in EUR per square meter)				
Strategic core and growth regions	5.75	5.71	5.57	5.56
Letting portfolio.....	5.78	5.75	5.60	5.55
Single-unit sale (residential unit privatization)	5.64	5.62	5.54	5.58
Block sales.....	5.30	5.25	5.08	6.10
Core+ Region(s).....	5.80	5.76	5.62	5.67
Letting portfolio.....	5.83	5.80	5.66	5.65
Single-unit sale (residential unit privatization)	5.76	5.74	5.63	5.78
Block sales.....	5.30	5.25	5.08	6.21
Core	5.36	5.33	5.19	5.16
Letting portfolio.....	5.37	5.34	5.18	5.15
Single-unit sale (residential unit privatization)	5.29	5.28	5.22	5.22
Block sales.....	5.21	5.20	5.17	5.15
Non-core	4.81	4.87	4.78	4.75
Total	5.73	5.69	5.54	5.49
New in-place rent ²⁾ (per month in EUR per square meter)				
Letting portfolio of the Core+ Region(s).....	7.25	7.11	6.76	7.04 ⁴⁾
Rent potential of the letting portfolio of the Core+ Re- gion(s) ³⁾	24.3%	22.7%	19.6%	22.2% ⁴⁾
Vacancy rate (in %) ⁵⁾				
Strategic core and growth regions	2.1%	2.1%	2.2%	2.1%
Letting portfolio.....	1.8%	1.7%	1.9%	1.9%
Single-unit sale (residential unit privatization)	6.7%	6.3%	4.8%	4.0%
Block sales.....	3.8%	3.9%	3.9%	4.1%
Core+ Region(s).....	2.0%	2.0%	1.9%	1.9%
Letting portfolio.....	1.7%	1.6%	1.6%	1.6%
Single-unit sale (residential unit privatization)	7.6%	6.8%	4.5%	4.8%
Block sales.....	3.8%	4.0%	3.9%	4.5%
Core	3.0%	3.3%	4.4%	3.0%

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012 ¹⁾
Letting portfolio.....	2.9%	3.1%	4.2%	3.1%
Single-unit sale (residential unit privatization)	3.7%	4.9%	6.0%	2.5%
Block sales.....	4.1%	2.0%	1.4%	0.0%
Non-Core	7.9%	7.2%	9.3%	7.4%
Total	2.3%	2.2%	2.4%	2.5%
Portion of subsidized units (in %)				
Strategic core and growth regions	17%	18%	18%	15%
Letting portfolio.....	17%	17%	18%	16%
Single-unit sale (residential unit privatization)	3%	4%	4%	5%
Block sales.....	39%	39%	39%	23%
Core+ Region(s).....	18%	18%	18%	15%
Letting portfolio.....	17%	17%	18%	15%
Single-unit sale (residential unit privatization)	1%	3%	3%	3%
Block sales.....	39%	39%	39%	17%
Core	14%	15%	15%	15%
Letting portfolio.....	15%	16%	15%	16%
Single-unit sale (residential unit privatization)	6%	7%	7%	8%
Block sales.....	25%	25%	77%	77%
Non-core	9%	11%	17%	23%
Total	17%	18%	18%	15%
Construction year cluster (portion of units in %)				
Before 1950.....	35%	33%	34%	37%
1951-1970	33%	34%	34%	33%
1971-1990	26%	26%	26%	25%
After 1990.....	6%	7%	6%	5%
Commercial				
Number of units.....	2,085	2,063	2,146	961
Floor space (in thousands of square meters).....	285	284	292	156
Parking				
Number of units.....	31,861	31,901	31,833	21,029
Investments (maintenance/modernizations)				
Maintenance and modernization expenses (in EUR million).....	34.7	152.9	86.2	67.9
Maintenance and modernizations expenses (in EUR per square meter) ⁶⁾	15.06	16.51	15.03	18.94

1) Including acquisitions with transfer of risk and rewards as of January 1/2, 2013.

2) Contractually owed rent for newly concluded contracts for units not subject to rent control effective in the relevant year.

3) New letting rent in the letting portfolio in the Core+ regions compared to the in-place rent in the letting portfolio in the Core+ regions.

4) Not including units in the BauBeCon portfolio and acquisitions with transfer of risk and rewards as of January 1/2, 2013.

5) Ratio of rent reductions to the contractually owed rent as of the relevant date.

6) Based on the average floor space on a quarterly basis; the floor space has been adjusted in cases of significant acquisitions in a quarter.

Most of the residential units are located in the metropolitan areas of the Greater Berlin area and Rhine-Main.

The following table also offers an overview of the fair value measurement of Deutsche Wohnen's residential real estate portfolio based on the Company's calculations:

Fair value measurement according to IAS 40

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012 ¹⁾
Total portfolio in the strategic core and growth regions (residential letting portfolio, single-unit sale (privatization) and commercial)				
Strategic core and growth regions				
Core+ Region(s)				
Greater Berlin				
Fair value (in EUR million)	7,266	7,273	6,475	2,178
Fair value (in EUR per square meter)	1,103	1,101	966	1,035
Number of residential units.....	106,540	106,798	108,411	34,962
Multiplier on in-place rent	16.1	16.1	14.4	15.2
Rhine-Main				
Fair value (in EUR million)	839	845	737	721
Fair value (in EUR per square meter)	1,409	1,405	1,278	1,231
Number of residential units.....	9,257	9,320	8,960	9,138
Multiplier on in-place rent	16.3	16.5	15.4	15.4
Mannheim/Ludwigshafen				
Fair value (in EUR million)	281	282	277	280
Fair value (in EUR per square meter)	904	904	875	868
Number of residential units.....	4,792	4,811	4,889	4,993
Multiplier on in-place rent	13.4	13.4	13.3	13.6
Rhineland				
Fair value (in EUR million)	302	304	289	277
Fair value (in EUR per square meter)	983	983	927	900
Number of residential units.....	4,680	4,701	4,719	4,632
Multiplier on in-place rent	14.1	14.1	13.7	13.6
Dresden				
Fair value (in EUR million)	157	115	107	5
Fair value (in EUR per square meter)	980	872	815	867
Number of residential units.....	2,462	2,168	2,168	87
Multiplier on in-place rent	16.6	14.8	14.2	12.4
Core				
Hanover/Brunswick				
Fair value (in EUR million)	489	491	468	370
Fair value (in EUR per square meter)	827	828	777	791
Number of residential units.....	8,826	8,860	8,982	6,925
Multiplier on in-place rent	12.7	12.9	12.6	12.5
Magdeburg				
Fair value (in EUR million)	97	97	96	97
Fair value (in EUR per square meter)	768	768	758	768
Number of residential units.....	2,101	2,101	2,100	2,100
Multiplier on in-place rent	12.7	12.5	12.9	12.6
Kiel/Lübeck				
Fair value (in EUR million)	94	95	98	102
Fair value (in EUR per square meter)	730	729	720	723
Number of residential units.....	1,989	2,025	2,116	2,184
Multiplier on in-place rent	12.1	12.3	12.4	12.1
Halle/Leipzig				
Fair value (in EUR million)	77	77	75	29
Fair value (in EUR per square meter)	765	765	754	826
Number of residential units.....	1,684	1,684	1,684	587
Multiplier on in-place rent	12.5	12.6	12.6	12.5
Erfurt				
Fair value (in EUR million)	34	34	33	3
Fair value (in EUR per square meter)	990	990	953	935
Number of residential units.....	618	619	619	35
Multiplier on in-place rent	13.9	14.0	14.1	10.9
Other				
Fair value (in EUR million)	23	23	24	25
Fair value (in EUR per square meter)	693	692	685	680
Number of residential units.....	524	527	553	594

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012 ¹⁾
Total portfolio in the strategic core and growth regions (residential letting portfolio, single-unit sale (privatization) and commercial)				
Multiplier on in-place rent	12.1	11.9	12.0	12.0
Non-core				
Fair value (in EUR million)	144	150	202	233
Fair value (in EUR per square meter)	620	621	597	567
Number of residential units.....	3,377	3,491	5,018	6,179
Multiplier on in-place rent	11.7	11.6	11.5	10.9
Total				
Fair value (in EUR million)	9,801	9,785	8,881	4,320
Fair value (in EUR per square meter)	1,065	1,062	944	950
Number of residential units.....	146,850	147,105	150,219	72,416
Multiplier on in-place rent	15.5	15.5	14.2	14.3

1) Not including the acquisitions with transfer of benefits and encumbrances as of January 1 and February 1, 2013.

Deutsche Wohnen divides its real estate holdings into real estate holdings situated in (i) strategic core and growth regions and (ii) disposal regions. A definition of strategic core and Non-Core Regions can be found under “—Portfolio”.

The following table shows an overview of the strategic core and growth regions and Non-Core Regions as of March 31, 2015:

	Residential					Commercial		Parking	Fair value		Multiple in-place rent
	Units	Living space	Subsidized units	Monthly in-place rent	Vacancy	Units	Space	Parking	Fair value		
	(#)	(in tsd. of sqm)	(%)	(EUR per sqm)	(%)	(#)	(in tsd. of sqm)	(#)	(EUR million)	(EUR per sqm)	
Strategic core and growth regions	143,473	8,709	17%	5.75	2.1%	2,045	277	30,525	9,657	1,076	15.6
Letting portfolio	129,284	7,748	17%	5.78	1.8%	1,744	235	26,318	8,694	1,091	15.7
Single-unit sale (privatization)	6,783	459	3%	5.64	6.7%	116	13	2,457	472	1,014	15.5
Block sales	7,406	502	39%	5.30	3.8%	185	28	1,750	483	912	14.6
Core+ Region(s)	127,731	7,716	18%	5.80	2.0%	1,906	257	26,479	8,845	1,111	15.9
Letting portfolio	115,367	6,878	17%	5.83	1.7%	1,612	216	22,666	7,978	1,126	16.0
Single-unit sale (privatization)	5,039	342	1%	5.76	7.6%	115	13	2,113	380	1,091	16.4
Block sales	7,325	497	39%	5.30	3.8%	179	27	1,700	480	916	14.6
Greater Berlin	106,540	6,402	16%	5.70	2.0%	1,601	196	15,115	7,266	1,103	16.1
Letting portfolio	95,662	5,674	15%	5.75	1.7%	1,400	173	12,890	6,544	1,121	16.2
Single-unit sale (privatization)	3,848	254	1%	5.51	6.9%	95	10	812	278	1,057	16.6
Block sales	7,030	473	40%	5.25	3.7%	106	14	1,413	443	910	14.7
Rhine-Main	9,257	558	13%	7.18	1.9%	183	39	5,230	839	1,409	16.3
Letting portfolio	8,432	501	14%	7.20	1.4%	119	26	4,363	748	1,425	16.4
Single-unit sale (privatization)	738	50	0%	6.87	7.2%	14	2	711	71	1,354	16.9
Block sales	87	7	14%	8.65	2.4%	50	10	156	19	1,104	14.2
Mannheim/Ludwigshafen	4,792	299	55%	5.60	1.2%	42	12	3,225	281	904	13.4
Letting portfolio	4,495	279	58%	5.60	0.7%	42	12	3,049	264	908	13.4
Single-unit sale (privatization)	262	18	5%	5.69	7.5%	0	0	155	16	871	13.7
Block sales	35	3	60%	5.06	4.2%	0	0	21	2	601	10.2
Rhineland	4,680	302	34%	5.83	2.8%	42	6	2,723	302	983	14.1
Letting portfolio	4,368	274	37%	5.79	1.6%	13	1	2,223	271	984	14.1
Single-unit sale (privatization)	139	14	0%	6.68	17.0%	6	1	390	15	1,020	14.5
Block sales	173	14	0%	5.89	9.7%	23	3	110	16	941	13.6
Dresden	2,462	155	0%	5.08	3.4%	38	4	186	157	980	16.6
Letting portfolio	2,410	150	0%	5.08	2.8%	38	4	141	150	974	16.4
Single-unit sale (privatization)	52	5	0%	5.26	19.8%	0	0	45	0	0	0.0
Block sales	0	0	0%	0.00	0.0%	0	0	0	0	0	0.0
Core	15,742	993	14%	5.36	3.0%	139	20	4,046	813	803	12.7
Letting portfolio	13,917	870	15%	5.37	2.9%	132	19	3,652	717	806	12.7
Single-unit sale (privatization)	1,744	117	6%	5.29	3.7%	1	0	344	92	787	12.6
Block sales	81	5	25%	5.21	4.1%	6	1	50	4	607	10.7
Hanover/Brunswick	8,826	577	22%	5.46	2.5%	83	14	2,442	489	827	12.7
Letting portfolio	8,101	530	24%	5.41	2.4%	77	13	2,220	444	818	12.7
Single-unit sale (privatization)	725	47	2%	5.92	4.0%	0	0	222	44	938	13.2
Block sales	0	0	0%	0.00	0.0%	6	1	0	0	555	9.5
Magdeburg	2,101	124	0%	5.23	4.4%	25	2	242	97	768	12.7
Letting portfolio	2,101	124	0%	5.23	4.4%	25	2	242	97	768	12.7
Single-unit sale (privatization)	0	0	0%	0.00	0.0%	0	0	0	0	0	0.0
Block sales	0	0	0%	0.00	0.0%	0	0	0	0	0	0.0
Kiel/Lübeck	1,989	127	0%	5.12	3.4%	7	1	555	94	730	12.1
Letting portfolio	1,128	68	0%	5.24	3.5%	6	1	526	53	770	12.3
Single-unit sale (privatization)	861	59	0%	4.98	3.2%	1	0	29	41	684	11.8
Block sales	0	0	0%	0.00	0.0%	0	0	0	0	0	0.0
Halle/Leipzig	1,684	98	0%	5.17	3.0%	12	2	316	77	765	12.5
Letting portfolio	1,606	93	0%	5.19	2.8%	12	2	304	73	773	12.6
Single-unit sale (privatization)	33	2	0%	4.92	2.3%	0	0	12	2	695	11.6
Block sales	45	3	0%	4.83	8.9%	0	0	0	1	543	10.3
Erfurt	618	34	2%	5.88	2.7%	12	1	192	34	990	13.9
Letting portfolio	609	33	2%	5.89	2.5%	12	1	192	34	994	13.9
Single-unit sale (privatization)	9	1	0%	5.16	14.6%	0	0	0	0	732	13.4
Block sales	0	0	0%	0.00	0.0%	0	0	0	0	0	0.0
Other	524	33	44%	5.00	5.5%	0	0	299	23	693	12.1
Letting portfolio	372	22	30%	5.26	6.4%	0	0	168	15	695	11.7
Single-unit sale (privatization)	116	8	84%	4.16	4.7%	0	0	81	6	692	13.7
Block sales	36	3	56%	5.54	0.0%	0	0	50	2	682	11.4
Non-core	3,377	223	9%	4.81	7.9%	40	8	1,336	144	620	11.7
Total	146,850	8,932	17%	5.73	2.3%	2,085	285	31,861	9,801	1,065	15.5

Key Figures of the Residential Property Management Segment

The following table provides an overview of the key figures of Deutsche Wohnen's Residential Property Management segment as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Total residential portfolio				
In-place rent per month in EUR per square meter	5.73	5.69	5.54	5.49 ¹⁾
Vacancy rate in %	2.3%	2.2%	2.4%	2.5% ¹⁾
Number of residential units	146,850	147,105	150,219	82,738 ¹⁾

1) Including the acquisitions with transfer of benefits and encumbrances as of January 1 and February 1, 2013.

The following table provides an overview of the key figures of Deutsche Wohnen's residential letting portfolio in its strategic core and growth regions in its Residential Management segment as of March 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012:

	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Residential letting portfolio in the strategic core and growth regions				
In-place rent per month in EUR per square meter	5.75	5.71	5.57	5.56 ¹⁾
Vacancy rate in %	2.1%	2.1%	2.2%	2.1% ¹⁾
Number of residential units	143,473	143,614	145,201	75,708 ¹⁾

1) Including the acquisitions with transfer of benefits and encumbrances as of January 1 and February 1, 2013.

The following table shows the development in in-place rent and vacancy for properties that were managed by Deutsche Wohnen as of the two dates specified (like-for-like comparison, *i.e.*, only those properties that were managed continuously between the two reference dates).

	Residential units (#)	Monthly in-place rent			Vacancy		
		March 31, 2015	March 31, 2014	Change	March 31, 2015	March 31, 2014	Change
		(in EUR per sqm)		(in %)	(in %)		(in %)
Letting portfolio	135,470	5.61	5.75	2.5%	2.1%	1.9%	-12.5%
Core+	121,474	5.66	5.79	2.4%	2.0%	1.8%	-10.4%
Greater Berlin	102,371	5.57	5.71	2.5%	2.0%	1.8%	-7.6%
Rhine-Main	7,968	7.06	7.26	2.9%	2.1%	1.5%	-28.8%
Mannheim/Ludwigshafen	4,530	5.55	5.60	0.8%	1.3%	0.8%	-40.8%
Rhineland	4,437	5.67	5.79	2.1%	2.2%	2.0%	-9.4%
Dresden	2,168	4.90	4.95	1.0%	2.0%	1.7%	-12.9%
Core	13,996	5.20	5.37	3.1%	3.8%	2.9%	-22.7%
Hanover/Brunswick	8,101	5.20	5.42	4.1%	3.6%	2.4%	-32.9%
Magdeburg	2,099	5.19	5.23	0.8%	5.1%	4.4%	-13.6%
Kiel/Lübeck	1,128	5.17	5.24	1.5%	4.2%	3.5%	-16.4%
Halle/Leipzig	1,651	5.11	5.18	1.4%	3.6%	3.0%	-17.0%
Erfurt	609	5.55	5.89	6.2%	0.9%	2.5%	167.8%
Other	408	5.24	5.30	1.0%	4.8%	5.7%	18.7%

In the twelve months ended March 31, 2015, the turnover rate in Deutsche Wohnen's entire portfolio was 9.2%.

Land and Facilities and Other Significant Property, Plant and Equipment

The following table provides a summary of the essential space owned or leased and largely used by Deutsche Wohnen AG. The investment property portfolio of the Deutsche Wohnen Group consisting of real estate held as financial investments is explained in more detail under “—Property Figures”.

Location	Address	Size (office space)	Use	Ownership status
Berlin.....	Mecklenburgische Str. 57	10,424 sqm	Office	Owned by a Group company
Frankfurt am Main.....	Pfaffenwiese 300	1,975 sqm	Office	Owned by a Group company

The material land and buildings included in property, plant and equipment are encumbered with land charges. The two properties owned by Group companies are encumbered with several land charges totaling EUR 42.3 million (Frankfurt am Main) and EUR 132.6 million (Berlin). Deutsche Wohnen's expenses for rented real estate amounted to EUR 1.6 million in the three months ended March 31, 2015, EUR 5.8 million in 2014, EUR 0.6 million in 2013 and EUR 0.5 million in 2012.

Furthermore, property, plant and equipment in Deutsche Wohnen's consolidated balance sheet includes technical equipment as well as office equipment and, since January 1, 2013, photovoltaic systems. The total carrying amount of these line items was EUR 12.8 million as of March 31, 2015, EUR 13.5 million as of December 31, 2014, EUR 13.7 million as of December 31, 2013 and EUR 8.1 million as of December 31, 2012.

To the extent that liabilities are not rolled over, the Company's operating cash flow is the anticipated source of funds needed to fulfill commitments referred to in the preceding paragraphs.

Patents, Licenses and Trademarks

The companies in Deutsche Wohnen Group do not hold any patents. The following trademarks are currently registered or pending registration at the German Patent and Trademark Office in Munich for Deutsche Wohnen Group:

- A word mark/logo "Deutsche Wohnen AG" from July 17, 2009;
- A word mark/logo "GSW", registered on January 25, 2006;
- A word mark/logo "GEHAG Gruppe" from May 21, 2007;
- A logo of the "GEHAG Gruppe" from May 21, 2007;
- A word mark "KATHARINENHOF®" from March 1, 1999;
- A word mark/logo "KATHARINENHOF®" from August 6, 2001;
- A word mark/logo "Wohn-Raum Das Kundenmagazin der GSW" from April 25, 2007; and
- A word mark "Facilita Berlin" from December 7, 2006.

The four most important internet domains of Deutsche Wohnen Group are deutsche-wohnen.de, www.gsw.de, www.facilita-berlin.de and katharinenhof.net.

The companies in Deutsche Wohnen Group hold no other significant intellectual property rights.

Employees

As of May 20, 2015, Deutsche Wohnen (including KATHARINENHOF® and GSW and excluding trainees and apprentices) had a total of 2,122 employees. The following table contains an overview of the average number of employees (excluding trainees and apprentices) of Deutsche Wohnen since January 1, 2015 up to March 31, 2015 as well as in the fiscal years 2014, 2013 and 2012:

<u>Number of employees</u>	January 1 – March 31, 2015	January 1 – December 31, 2014	January 1 – December 31, 2013	January 1 – December 31, 2012
Deutsche Wohnen ¹⁾	542	499	430	361
KATHARINENHOF®	1,399	1,418	1,218	947
GSW	218 ²⁾	293 ²⁾	315	n/a ³⁾
Facilita	n/a ⁴⁾	n/a ⁴⁾	222	n/a ³⁾
Total	2,159	2,209	2,193	1,308

1) Excluding KATHARINENHOF®, GSW and Facilita, which are shown in the following rows.

2) Excluding employees exempted from their duties (redundant workforce).

3) GSW and Facilita were only acquired by the Company in 2013.

- 4) Facilita had on average 112 employees in 2014. Facilita was not consolidated in the Company's consolidated financial statements as of and for the year ended December 31, 2014 and will not be consolidated in the Company's condensed consolidated interim financial statements as of and for the three months ended March 31, 2015.

The increase in the number of employees in 2013 was primarily attributable to the acquisition of GSW, while the increase in the number of employees in 2014 was primarily due to an increase in the number of employees of KATHARINENHOF®.

Workers councils do not exist in any of Deutsche Wohnen's subsidiaries with the exception of GSW. In addition, works councils exist at the level of two participations of Deutsche Wohnen, KATHARINENHOF® and Facilita. No entrepreneurial co-determination exists on the supervisory board of Deutsche Wohnen AG ("**Supervisory Board**"). Only KATHARINENHOF® has a supervisory board that is constituted according to the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*), i.e., one of the three supervisory board members of KATHARINENHOF® is an employee representative.

Besides this, at the level of GSW, there is a representation of vocational trainees in place consisting of one trainee and two employees. Further, economic committees at GSW and Facilita have been established.

All employees of Deutsche Wohnen are located in Germany.

Compensation

The terms and conditions of remuneration of the members of senior management and the employees of Deutsche Wohnen in general is determined by their employment agreements. The total compensation of the members of the senior management and of certain key employees includes a variable compensation component. The Company's annual general meeting resolved on June 11, 2014 on a stock option program (the "**Stock Option Program 2014**") for the issuance of a maximum of 12,879,752 subscription rights (the "**Option Rights**") to grant shares under the Conditional Capital 2014/III ("**Conditional Capital 2014/III**") to the members of the Management Board and to selected executives of the Deutsche Wohnen Group. Upon lapse of the period in which the conditions for performance are met (so-called vesting period), an employee who is subject to the Stock Option Program 2014 will irrevocably become a beneficiary of the program (each a "**Beneficiary**") under the following conditions:

The Option Rights will be issued to Beneficiaries in annual tranches until the expiration of four years from the date of the registration of the contingent capital in the commercial register, but at least until the expiration of 16 weeks after the closing of the ordinary annual general meeting in 2018. The amount of the annual tranches will be determined by dividing the target amount of the variable remuneration for the respective Beneficiary by a reference value, which will be commensurate with the arithmetic mean of the closing price for the Deutsche Wohnen share 30 days prior to the issuance of the share options concerned.

Fully vested Option Rights may be exercised for the first time after the expiration of four years (waiting period) and thereafter within three years (exercise period) and will expire upon the expiration of the relevant period. The exercise of the Option Rights is contingent upon (i) the Beneficiary's service contract not being terminated during the waiting period on grounds for which the latter is responsible (sec. 626 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*)) and (ii) the performance targets being attained. The performance targets for each individual tranche of the share options relate to the development of the (i) Adjusted NAV per share (40% weighting), (ii) FFO I (without disposals) per share (40% weighting) and (iii) Share price development, as compared to the EPRA/NAREIT Germany Index, calculated in accordance with the following provisions (20% weighting). Within each of the aforementioned performance targets there is a minimum target (75% of target achievement) that must be achieved so that half of the Option Rights based on this performance target can be exercised, as well as a maximum target (75% of target achievement) that, if achieved, renders all Option Rights based on this performance target eligible for exercise within the framework of the weighting of the performance target.

At the end of the waiting period the number of allocable Option Rights per Beneficiary is calculated. When exercising the Option Rights, the Beneficiary must pay EUR 1.00 per share. The shares acquired following the exercise of Option Rights will have full voting rights and entitlement to dividends. A total of 112,322 Option Rights were assigned in the financial year 2014. Dilution from the Stock Option Program 2014 is capped at 5% of the outstanding share capital (including grants to Management Board members and additional executives).

Pensions

Due to historical reasons, Deutsche Wohnen Group has different models of company pension plans for former employees of Deutsche Wohnen (prior to its acquisition of shares in GEHAG), for former employees of the GSW Group and for former employees of the GEHAG Group whose contracts it has taken over and continues on an individual basis. The pension models have been continued on an individual contractual basis because of various restructuring measures within the Group in the past. As part of the restructuring measures, the existing operational structures were dissolved completely and transferred in part to new operational structures and in part to existing operational structures of various Group companies. New employees are not accepted into the pension plans.

Deutsche Wohnen is liable for employee benefit obligations (pension, disability, widow/widower pension and orphan pension benefits) arising from deferred and current benefits for eligible active and former employees and their surviving dependents. The expenses for the benefits granted as part of the defined benefit plans are determined in accordance with IAS 19 using the projected unit credit method. The future obligations are valued here using actuarial methods with cautious estimates of the relevant variables. Actuarial profits and losses are recognized in the retained earnings in the consolidated statement of recognized income and expense. Any retroactively calculated service cost (*Dienstzeitaufwand*) is dispersed on a linear basis over the average period until the deferred benefit is vested. Insofar as pension rights are immediately vested upon implementation or modification of a pension plan, the retroactively calculated service cost must be recognized immediately in the profit-and-loss statement.

In addition to payment of the legally required contributions to government pension insurance institutions, an additional retirement benefit plan exists according to the regulations for supplementary benefits in public service. This is based on the membership of one of the Group's companies in the Bavarian chamber for social benefits and pensions (*Bayerische Versorgungskammer*) and GSW's as well as Facilita's membership in the German Government Employees Pension Fund (*Versorgungsanstalt des Bundes und der Länder*). The supplementary benefits comprise a partial or full pension for reduction in earning capacity as well as an old-age pension in the form of a full pension or a survivor pension. The contribution charged by the Bavarian chamber for social benefits and pensions is set according to the remuneration of the employees subject to a supplementary pension. Accordingly, the Bavarian chamber for social benefits and pensions represents a common benefit plan for several employers which is treated as a defined contribution plan under IAS 19.30(a) because the Bavarian chamber for social benefits and pensions does not provide sufficient information to treat it as a defined benefit plan.

As of March 31, 2015, employee benefit liabilities amounted to EUR 73.0 million.

Litigation

In the course of their business activities, the companies of the Deutsche Wohnen Group are regularly parties to rental and warranty disputes as well as labor law disputes, but none of these are material with regard to the financial situation or profitability of Deutsche Wohnen Group, neither individually nor as a whole. Except for the circumstances described below, no company of Deutsche Wohnen Group is currently, or has been in the past twelve months, party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering the previous 12 months which may have, or have had in the recent past significant effects on the Company's and/or Group's financial position or profitability.

Ongoing Proceedings

GEHAG Funds

In the past, subsidiaries of GEHAG GmbH (“**GEHAG**” and together with its subsidiaries, the “**GEHAG Group**”) participated in the design and creation of real estate funds (the so-called “**GEHAG Funds**”). The funds business was operated by GEHAG Group companies until 2005. Due to this earlier activity, investors in the closed-end real estate funds filed a total of approximately 160 claims for damages arising from prospectus liability against the initiators and founders of the funds, including GEHAG among others. The vast majority were dismissed or concluded without a payment obligation for GEHAG. At present, only five suits are still pending. In connection with the GEHAG Funds business, on which the suits are based, the former GEHAG shareholder, HSH Real Estate AG (now: HGA Real Estate GmbH), issued a release agreement in favor of GEHAG according to which GEHAG is indemnified against third-party claims arising from the funds business.

GSW Valuation Proceedings

Deutsche Wohnen AG entered into a domination agreement with GSW on April 30, 2014 (the “**Domination Agreement**”). The Domination Agreement was approved by Deutsche Wohnen’s annual general meeting held on June 11, 2014 and by GSW’s annual general meeting held on June 18, 2014 and became effective with the registration with the Commercial Register on September 4, 2014 (see “—*Enterprise Agreements—Domination Agreement between Deutsche Wohnen AG and GSW*”). Pursuant to the Domination Agreement, shareholders of GSW may demand the exchange of 3 shares in GSW for 7 shares in Deutsche Wohnen. GSW shareholders who decide to continue to hold GSW shares will be paid a guaranteed gross dividend of EUR 1.66 per share. Shareholders of GSW instituted a valuation proceeding (*Spruchverfahren*) pursuant to the German Valuation Proceedings Act (*Spruchverfahrensgesetz*) against Deutsche Wohnen AG before the Regional Court of Berlin (*Landgericht Berlin*). In their complaint, GSW’s shareholders claim in particular that the compensation offered by Deutsche Wohnen is not adequate. Deutsche Wohnen believes that the compensation offered was appropriate and will defend itself against the action.

Tax Proceedings

In relation to Deutsche Wohnen’s EK 02 Inventories, Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH (formerly Sanierungs- und Gewerbebau GmbH), Aufbaugesellschaft der GEHAG mbH and the ESG have filed an objection to the lump-sum tax notices issued by the Tax Office. In addition, proceedings related to the continuation of the former legal situation (regarding the exercise of the selection right) are still pending on the basis of petitions by Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Rhein-Main Wohnen GmbH, GEHAG and Aufbaugesellschaft der GEHAG mbH. On August 18, 2010, GEHAG filed a test case with the finance court of Berlin-Brandenburg for all former charitable companies of the Group. Subsequent to the oral hearing on August 27, 2013, the lawsuit was overturned by the Berlin-Brandenburg Finance Court (*Finanzgericht*); because of the fundamental meaning of the question of law, revision to the Federal Finance Court (*Bundesfinanzhof*) was allowed. The Company filed an appeal against the judgment in October 2013. A first oral hearing took place on December 10, 2014. The objection filed by Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH (formerly Sanierungs- und Gewerbebau GmbH), Aufbaugesellschaft der GEHAG mbH and ESG have been suspended with reference to the test case.

Insurance

Deutsche Wohnen Group has purchased various operating insurance policies, including among others pecuniary damage insurance; building and landowner insurance; environmental and environmental damage insurance; operating and construction liability insurance; and property insurance policies, such as comprehensive operating insurance and building, group accident, electronics, infidelity, fire, burglary, water damage and storm insurance.

In addition, a directors and officers (“**D&O**”) insurance policy is in place. For the members of the management and supervisory boards of Deutsche Wohnen AG and GSW, it contains a deductible of 10% up to one-and-a-half of the annual fixed compensation for members of the management board. Deutsche Wohnen is of the opinion that the Group is appropriately covered with regard to the nature of its business activities and the related risks by the available insurance policies and rates. However, it is impossible to rule out that the Group will incur damages that are not covered by its insurance policies or that exceed the coverage limits of these insurance policies. Moreover, there can be no guarantee that it will be possible for Deutsche Wohnen Group to obtain adequate insurance coverage in the future.

Business and Legal Relationships with Related Parties

In accordance with IAS 24, parties related to Deutsche Wohnen AG include those entities with which Deutsche Wohnen AG forms a group or in which it owns a stake enabling it to exert a significant influence over the entity. These include companies and associated companies that are controlled but not consolidated for reasons of materiality.

Under IAS 24, parties related to Deutsche Wohnen AG include members of the Management Board and the Supervisory Board, including their close family members, as well as any entities over which members of the Management Board or Supervisory Board or their close family members can exert a controlling influence.

Business Relationships between Deutsche Wohnen AG and its Directors

The former Chief Financial Officer, Mr. Helmut Ullrich, acquired three individually owned residential units from GEHAG GmbH in the fiscal year 2012 for a purchase price of EUR 0.4 million. The current Chief Investment Officer, Mr. Lars Wittan, acquired four such residential units from GEHAG in the fiscal year 2012 as well for a purchase price of EUR 0.3 million. These transactions were approved by the Supervisory Board.

Mr. Claus Wisser is the company founder and chairman of the supervisory board of AVECO Holding AG, a holding company of the WISAG group. WISAG group provides certain building cleaning and maintenance services to FACILITA Berlin GmbH, a group company of the Deutsche Wohnen AG Group. The contracts for cleaning services have a total gross volume of approximately EUR 400,000 per year. In addition, WISAG group's maintenance services are used on an as-needed basis in the fields of heating, plumbing and electricity. These contracts contain no purchase obligation for Deutsche Wohnen Group. The contract volume in 2013 was approximately EUR 1.3 million.

Business Relationships between Deutsche Wohnen AG and Companies of Deutsche Wohnen Group

Deutsche Wohnen AG, Deutsche Wohnen Management GmbH, Deutsche Wohnen Construction and Facilities GmbH, Deutsche Wohnen Immobilien Management GmbH and Deutsche Wohnen Service GmbH maintain business and contractual relationships with different related parties within the Group. These relationships entail providing a wide variety of services in the areas of leasing and sales management, consulting to residents and tenants, rent and receivables management, central purchasing and contract administration, customer service, technical management including maintenance and modernization, personnel, legal and financial matters, marketing, IT, business management and portfolio controlling.

Furthermore, numerous service agreements exist between Deutsche Wohnen and companies of the GSW Group. These agreements are concluded in Deutsche Wohnen's ordinary course of business and serve the purpose of integrating the newly acquired entities into the Group.

In the ordinary course of its business activities, all transactions and legal relationships with related companies and related people were conducted on standard market terms and conditions that are commonly also applied to transactions with non-Group third parties.

Material Agreements of the Company

The following summarizes the material agreements of Deutsche Wohnen that were either concluded in the past two years or the current fiscal year, or that are currently material to the Company and that the Company or another Group company is a party to.

GSW Privatization Agreement

By notarial deed of May 27, 2004, as amended (the “**GSW Privatization Agreement**”), the State of Berlin sold its shares in the predecessor company of GSW Immobilien AG to a group of investors comprised of Archon Group Deutschland GmbH, an indirect subsidiary of the Goldman Sachs Group, Inc. (“**Archon**”), real estate investment funds sponsored and managed by Goldman Sachs (the “**Whitehall Funds**”) and funds and accounts affiliated with Cerberus Capital Management, L.P. (“**Cerberus**”) (the purchasing entities, together the “**Initial Investors**”). In an addendum agreement to the GSW Privatization Agreement concluded between GSW and the parties to the GSW Privatization Agreement, dated April 1, 2010 and entering into effect on April 19, 2010 (“**Addendum Agreement**”), GSW confirmed, amongst others, that it had assumed all obligations of the Initial Investors under the GSW Privatization Agreement in the course of a downstream merger of one of the Initial Investors’ acquisition vehicle with GSW’s predecessor company.

The GSW Privatization Agreement obligates GSW to comply with certain restrictions with respect to its business, many of which have already lapsed.

The restrictions include, for example, the undertaking to increase the net cold rent in principle only within the limits set by the Berlin rent index. Additionally, the Company shall refrain from terminating any tenancy agreements for reason of personal and reasonable economic use. Moreover, in order to avoid luxury modernizations, GSW shall refrain from conducting modernization measures that are aimed at changing the socioeconomic mix of its tenant base and shall, instead, carry out refurbishment measures only in accordance with the standards prevalent for government-subsidized apartment buildings. In the case of block-sales of apartments, GSW is obliged to ensure that these restrictions are assumed by the purchaser and its legal successors. Further, GSW shall, in the course of its business and investment planning, ensure that sufficient reserves are set aside to cover the costs of carrying out modernization and refurbishment measures. In addition, the privatization of residential units has to be conducted in compliance with the “Principles of Apartment Privatization in Berlin” (*Grundsätze der Wohnungsprivatisierung in Berlin*), which provides, for example, that existing tenants and owner-occupiers are preferred.

Under the GSW Privatization Agreement, GSW undertook to maintain the statutory seat and place of management of GSW and several subsidiaries in the City of Berlin. Besides this, GSW undertook to maintain the 26 trainee positions it had at the time of the conclusion of the GSW Privatization Agreement.

GSW undertook to regularly report its compliance with the aforementioned contractual duties to the State of Berlin. The GSW Privatization Agreement provides for penalties in the case that the aforementioned requirements are violated. Any non-immaterial violations of contractual undertakings relating to tenancy agreements, such as the restrictions on rent increases and termination of lease agreements, will result in a fine amounting to the in-place rents for two years of the respective residential unit. Any violation of the obligations to pass on contractual duties arising under the GSW Privatization Agreement or to comply with the “Principles of Apartment Privatization in Berlin” (*Grundsätze der Wohnungsprivatisierung in Berlin*) may trigger a sanction in the amount of 50% of the fair value of the residential unit sold or 50% of the actual sale price, whichever is higher. The violation of the duty to maintain the trainee positions is sanctioned with a contractual penalty of EUR 100,000.00 per trainee position. The same sanction applies for each violation of the contractual undertaking to report any non-compliance with the requirements of the GSW Privatization Agreement to the State of Berlin. In the event that GSW violates its duty to maintain its statutory seat and its place of management in the City of Berlin, GSW is obliged to pay a contractual penalty of EUR 40.1 million.

The compliance with these requirements is monitored by an implementation committee (“**Implementation Committee**”) established by the parties to the GSW Privatization Agreement. According to the Addendum Agreement, the management board of GSW reports regularly to the Implementation Committee, which is represented on behalf of the state of Berlin by two members of the Senate Administration. Between 2005 and the date of this Offering Memorandum, the committee has not brought any allegations of a breach or claims of penalties based on a breach against the Company.

Enterprise Agreements

Domination Agreement between Deutsche Wohnen AG and GSW

On April 30, 2014, Deutsche Wohnen AG, as the controlling company, entered into a Domination Agreement with GSW, the controlled company. Following the approval by the general meetings of both parties to the agreement, the Domination Agreement entered into force upon registration in the commercial register on September 4, 2014.

Management Control and Information Rights

Under the Domination Agreement, GSW assigns the management control (*Leitung*) of its company to Deutsche Wohnen AG. Accordingly, Deutsche Wohnen AG is entitled to issue instructions (*Weisungen*) which are binding for the management board of GSW, both generally and with regard to individual cases.

Assumption of Losses

Deutsche Wohnen AG undertook to assume any losses (*Verlustübernahme*) incurred by GSW pursuant to the provisions of section 302 German Stock Corporation Act (*Aktiengesetz*), beginning at the start of the fiscal year 2014.

Compensation

Pursuant to the Domination Agreement, Deutsche Wohnen AG guarantees the minority shareholders of GSW for the duration of the agreement a fixed annual payment in the form of a guaranteed dividend, payable for the first time for the fiscal year 2014. If the agreement ends during a fiscal year of GSW, the guaranteed dividend is reduced *pro rata temporis*. To the extent the dividend paid by GSW for a fiscal year is less than the guaranteed dividend, Deutsche Wohnen AG will pay each minority shareholder of GSW the difference for each share with no par-value. The guaranteed dividend for each GSW fiscal year and each GSW bearer share shall currently amount to EUR 1.40 (derived from a gross sum of EUR 1.66 less any corporate income tax and solidarity surcharge at the prevailing rate for the relevant fiscal year) for each share of GSW for each entire fiscal year of GSW, payable for the first time for the fiscal year 2014.

Furthermore, at the request of a minority shareholder of GSW, Deutsche Wohnen AG undertakes to acquire the shareholder’s shares in GSW in exchange for bearer shares in Deutsche Wohnen AG. In the ratio of seven shares of Deutsche Wohnen AG for three registered shares of GSW (“**Exchange Ratio**”) within a defined period. Until May 20, 2015, a total of 8,948,995 shares were issued pursuant to the Domination Agreement between Deutsche Wohnen AG and GSW in exchange for registered shares of GSW. In the event Deutsche Wohnen AG or GSW implement capital measures prior to the expiration of the offer period, the Exchange Ratio will, to the extent required by statute, be adjusted.

As proceedings were initiated pursuant to the German Act on Appraisal Proceedings (*Spruchverfahrensgesetz*), minority GSW shareholders (the “**Minority GSW Shareholders**”) that have not exchanged their GSW shares are entitled to exchange their GSW shares into new Deutsche Wohnen shares at the same conditions as set forth in the settlement offer or, as the case may be, as amended in the appraisal proceeding or in a settlement reached in the course of or in connection with such proceeding, until two months after the initial judgment regarding the last appraisal motion is announced in the German Federal Gazette (*Bundesanzeiger*).

Effect of Appraisal Proceedings

As proceedings were initiated pursuant to the German Act on Appraisal Proceedings (*Spruchverfahrensgesetz*), the court could adjudicate a higher settlement. In this case, former minority shareholders of GSW can also require a corresponding supplement to the compensation that they have already received. The same applies in the event that Deutsche Wohnen AG grants a higher compensation for a shareholder of GSW to settle potential claims arising out of or in connection with proceedings pursuant to section 1 number 1 German Act on Appraisal Proceedings (*Spruchverfahrensgesetz*).

Term of Agreement, Termination

The Domination Agreement is entered into for an indefinite period of time. Ordinarily, it can be terminated with notice of three months to the end of a fiscal year of GSW. Furthermore, the Domination Agreement may be terminated for good cause (*wichtiger Grund*) without notice. Such good causes include, but are not limited to (i) any event as a result of which Deutsche Wohnen AG no longer holds the majority of the voting rights arising from the shares of GSW directly, or it has undertaken to transfer shares of GSW to a third party in an agreement with the result that upon the planned execution of such agreement or the conditional execution of such agreement contingent upon the discharge of external conditions, it no longer directly holds the majority of the voting rights of GSW; (ii) conclusion of a combined domination and profit-and-loss transfer agreement or isolated profit-and-loss transfer agreement between the parties to the Domination Agreement or between GSW and a controlled company of Deutsche Wohnen AG (excluding GSW and companies affiliated with GSW); (iii) any changes in tax legislation or case law affecting the existence or absence of a fiscal union (*steuerliche Organschaft*) between the two parties to the Domination Agreement; or (iv) the transformation (*Umwandlung*) of GSW or Deutsche Wohnen AG, particularly as a result of a carve-out, merger or change of the legal form. In the event of termination for good cause (*wichtiger Grund*), the Domination Agreement will lapse at the end of the date stated in the notice of termination provided that this is no earlier than the day on which notice of termination is served.

Other Enterprise Agreements

Deutsche Wohnen AG has entered into domination and/or profit-and-loss transfer agreements with the following subsidiaries in order to create fiscal units for tax purposes.

- Deutsche Wohnen Fondsbeteiligungs GmbH (domination and profit-and-loss transfer agreement);
- Deutsche Wohnen Management- und Servicegesellschaft mbH (domination and profit-and-loss transfer agreement);
- Deutsche Wohnen Zweite Fondsbeteiligungs GmbH (domination and profit-and-loss transfer agreement);
- Deutsche Wohnen Corporate Real Estate GmbH (domination and profit-and-loss transfer agreement);
- Rhein-Pfalz Wohnen GmbH (domination agreement);
- Deutsche Wohnen Management GmbH (profit-and-loss transfer agreement);
- Deutsche Wohnen Immobilien Management GmbH (profit-and-loss transfer agreement); and
- Deutsche Wohnen Construction and Facilities GmbH (profit-and-loss transfer agreement).

Further, the Company's annual general meeting to be held on June 12, 2015 will vote on domination and profit-and-loss transfer agreements with Larry I Targetco (Berlin) GmbH and Larry II Targetco (Berlin) GmbH, which were entered into on April 28, 2015 and will become effective if and when approved by the shareholders of the Company and Larry I Targetco (Berlin) GmbH and Larry II Targetco (Berlin) GmbH.

Under the domination and profit-and-loss transfer agreements, the respective subsidiary has given Deutsche Wohnen AG control over the management of its company. Furthermore, the subsidiaries must transfer their annual net profit or loss as it would have been calculated without the transfer of profit-and-losses to Deutsche Wohnen AG. In exchange, Deutsche Wohnen AG is obligated to offset any annual shortfalls that may arise at the level of the subsidiaries. The control and profit-and-loss transfer agreements have a minimum term of five years and can be terminated with a notice period of six months following this fixed term. Otherwise they are automatically extended for one more year. However, the right of the parties to cancel the agreements for due cause without notice shall not be affected. These provisions apply *mutatis mutandis* to the stand-alone profit-and-loss transfer agreements, save that the respective subsidiary does not cede control to Deutsche Wohnen AG.

The domination agreement with Rhein-Pfalz Wohnen GmbH can initially be terminated at the end of each business year subject to a notice period of six months. Based on the domination agreement, Deutsche Wohnen AG is required to compensate for any annual deficit sustained by Rhein-Pfalz Wohnen GmbH.

Financing Agreements

Deutsche Wohnen Group has entered into various loan agreements. In addition to the loan agreements described in detail below, Deutsche Wohnen Group companies have entered into several hundreds of other loan agreements with several banks. The loans were valued at a total of EUR 4,767.8 million (residual value excluding the convertible bonds placed in 2013 and 2014) as of March 31, 2015.

Most loan agreements were granted for the purpose of financing real estate. They are typically secured by land charges, assignments of rental payments and account pledge agreements. The general terms and conditions of the relevant lender typically form part of the individual loan agreements. The general terms and conditions include, in particular, provisions regarding the event of defaults related to the commercial situation of the borrower in question and/or a change of control. Some loan agreements prohibit the assignment of borrower rights without the prior written consent of the lender. Some of the loan agreements include negative pledges.

Loan Agreement between GEHAG and Bayerische Landesbank

On September 28, 2010, GEHAG, as borrower, and Bayerische Landesbank, as lender, entered into a loan agreement for the amount of initially up to EUR 255 million. It consists of two facilities of which Facility A (EUR 228 million) is a long-term loan and Facility B (EUR 27 million) constitutes a revolving facility that has since been terminated by GEHAG. Following the conclusion of an amendment agreement in December 2013, Facility A is divided into four tranches: a first tranche of EUR 136.4 million, a second tranche of EUR 65.4 million and a third tranche of EUR 27 million, which has since been repaid in full, and a fourth tranche of EUR 11.4 million.

The loan matures on December 31, 2018. Moreover, mandatory unscheduled repayments have to be made if units are sold from the real estate portfolio that serves as security under the loan agreement. In this case, an amount allocated to the properties sold shall be repaid prior to the sale. In addition, GEHAG has to pay a certain premium in the case of privatizations (single-unit sales).

Deutsche Wohnen AG is jointly and severally liable for all current or future payment obligations arising from the loan agreement. As of March 31, 2015, the credit borrowed under this agreement amounted to EUR 202.7 million.

The interest rate for the loan is EURIBOR (on a 3-month basis) plus a certain margin. The margin for the first tranche of Facility A is 84 basis points and 234 basis points for the second tranche as well as 150 basis points for the fourth tranche. Vis-à-vis Bayerische Landesbank, GEHAG has undertaken to enter into interest rate hedging agreements to offset the interest rate risks for at least 75% of Facility A.

Within the scope of the loan agreement, GEHAG is required to comply with certain debt-to-rent and debt-service-cover ratios that are tested annually.

Furthermore, GEHAG is subject to certain positive and negative pledges. Positive pledges include, among others, proper maintenance of the properties securing the loan, making investments consistent with the business plan and maintenance of specific insurance policies. Negative pledges include refraining from making dividend payments to shareholders as long as the debtor is in breach of financial covenants.

The loan agreement contains a change of control clause that requires Deutsche Wohnen AG to hold, directly or indirectly, at least 50% of the shares of GEHAG. A breach of this clause entitles Bayerische Landesbank to terminate the loan with immediate effect.

In addition to land charges, GEHAG has provided Bayerische Landesbank with collateral, including among others:

- an assignment by GEHAG of all rights and claims arising from interest rate hedge agreements up to an amount of EUR 171 million;
- an assignment by GEHAG of all current or future rights to receive rental income from the properties that serve as security under the loan agreement;
- an assignment by GEHAG of all current or future claims arising from sales agreements with third parties for units from the real estate portfolio that serves as security under the loan agreement; and
- an assignment by GEHAG of all credit balances arising from (i) GEHAG's payments into the reserve account and (ii) the sales of units from the real estate portfolio that serves as collateral under the loan agreement.

Loan Agreement between BauBeCon Immobilien GmbH, Intermetro GmbH, Algarobo Holding B.V., GEHAG and Deutsche Pfandbriefbank

Pursuant to this loan agreement, dated August 2, 2012, between BauBeCon Immobilien GmbH, Intermetro B.V. (now Intermetro GmbH), Algarobo Holding B.V., as borrowers, and Deutsche Pfandbriefbank, as lender, Deutsche Pfandbriefbank has granted BauBeCon Immobilien GmbH, Intermetro B.V. (now Intermetro GmbH), Algarobo Holding B.V. and GEHAG a loan of EUR 280.4 million. It consists of three tranches: a first tranche of approximately EUR 226.6 million, a second tranche of approximately EUR 24.80 million and a third tranche of approximately EUR 29.7 million. The first tranche will be due in seven years, the second tranche in five years and the third tranche four years after the loan agreement is signed. As of March 31, 2015, the remaining balance under this loan was EUR 254.2 million.

The loan agreement stipulates mandatory unscheduled repayments in the event of block sales from the real estate portfolio that serves as security if these sales exceed a certain level.

The loan is secured by, among other things, land charges and assignments of security from rent and insurance payments.

According to the financial covenants, BauBeCon Immobilien GmbH, Intermetro B.V. (now Intermetro GmbH), and Algarobo Holding B.V. are required to comply with a specific debt service cover ratio (DSCR) and a specific LTV Ratio, although if the LTV Ratio is not complied with, this alone does not constitute grounds for termination. These financial covenants are tested on a quarterly basis. The positive pledges include, among others, the proper maintenance of the properties that serve as security and disclosure duties (in particular, with respect to the financial situation, portfolio reports, any sales of residential units, etc.).

Amendment and Co-Signing Agreement Regarding Certain Credit Agreements between Deutsche Wohnen AG (et al.) and Helaba

Effective as of October 2, 2014, Deutsche Wohnen AG and its subsidiaries Rhein-Main Wohnen GmbH; Main-Taunus Wohnen GmbH & Co. KG; Eisenbahn-Siedlungs-Gesellschaft Berlin mbH; Rhein-Mosel-Wohnen GmbH as borrowers, as well as Fortimo GmbH and Marienfelder Allee 212-220 Grundstücksgesellschaft b.R. as guarantors (all subsidiaries of Deutsche Wohnen AG, the

“**Group Companies**”), and Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, Germany (“**Helaba**”), as lender, entered into an Amendment and Co-Signing Agreement Regarding Certain Credit Agreements (the “**Amendment Agreement**”), thereby amending existing loan agreements between Deutsche Wohnen AG and the Group Companies as respective borrowers and Helaba as lender. As of March 31, 2015, the outstanding balance was EUR 605 million.

The facilities under the Amendment Agreement mature on September 30, 2022. Drawn downs under the facilities can be financed from two tranches. For tranche A, the interest rate is fixed from December 30, 2014 through September 30, 2022. For tranche B, the interest rate is determined based on EURIBOR (on a 3-month basis) plus a margin. Tranche A has a total volume of EUR 180 million and tranche B has a total volume of EUR 425 million. As required under the Amendment Agreement, each borrower entered into the requisite interest rate hedging agreements to offset interest rate risks.

The loan facility amortizes in a lump sum repayment due on September 30, 2022. Moreover, the Amendment Agreement provides for certain mandatory unscheduled repayments.

The financial covenants require each borrower to comply with (i) a fixed ratio of net rental income and Deutsche Wohnen AG’s total service on interest obligations, the so-called Interest Service Cover Ratio (“**ISCR**”) and (ii) a fixed ratio between the remainder of the total outstanding loan amount and the most recent value of the respective collateral level at the time of calculation, the so-called exit yield (LTV Ratio).

Deutsche Wohnen AG is jointly and severally liable for all obligations its subsidiaries incurred under the Amendment Agreement. The Group Companies’ liability is individual and not jointly under the respective Facility and the statutory liability of the shareholders under Facility F is explicitly excluded.

In addition to land charges, the borrowers have provided Helaba with certain collateral as loan security, including the following:

- an assignment by the borrowers of all rights and claims arising out of interest rate hedge agreements;
- an assignment by the borrowers of all current or future rights to receive payments under the lease agreements regarding properties pledged as collateral under the Borrower’s Note Agreement (as defined below); and
- pledges by the borrowers of all balances regarding their accounts (including the reserve account) if such accounts (i) reflect payments under lease agreements or (ii) reflect proceeds resulting from the disposal of properties.

Borrower’s Note Framework Agreement between GSW and Berlin Hyp AG

As of October 2, 2014, GSW as borrower and Berlin Hyp AG, Berlin, Germany (“**Berlin Hyp**”), as lender, entered into a borrower’s note framework agreement (the “**Borrower’s Note Agreement**”). The Borrower’s Note Agreement provides for two loan facilities with an aggregate amount of EUR 413.4 million (balance as of March 31, 2015: EUR 413.4 million).

Under the Borrower’s Note Agreement, Berlin Hyp granted GSW two loan facilities in the amount of EUR 271.4 million (“**Facility A**”), and in the amount of EUR 142 million (“**Facility B**” and Facilities A and B collectively, the “**Facilities**”).

The Facilities mature on March 31, 2023. The annual interest rate for Facility A is fixed through March 31, 2023. With respect to Facility B the Borrower’s Note Agreement sets the interest rate as a base rate plus a margin. As required under the loan agreement, GSW entered into the requisite interest rate hedging agreements to offset interest rate risks.

The Facilities amortize in a lump sum repayment due on March 31, 2023. Moreover, the Borrower’s Note Agreement provides for certain contingent unscheduled repayments: Unless GSW provides equivalent surrogate collateral, the agreement stipulates that if units from the real estate portfolio

which were pledged as collateral are sold, unscheduled repayments must be made from the sales' proceeds.

The financial covenants of the Amendment Agreement require GSW to comply with, amongst other things, (i) a fixed ratio of net rental income and its service on interest obligations, the so-called ISCR and (ii) a fixed ratio between the remainder of the total outstanding loan amount and the most recent value of the respective collateral level at the time of calculation (LTV Ratio).

In addition to land charges, the GSW has provided Berlin Hyp with certain collateral as loan security, including the following:

- an assignment by GSW of all rights and claims arising out of interest rate hedge agreements;
- an assignment by GSW of all current or future rights to receive payments under the lease agreements regarding properties pledged as collateral under the Borrower's Note Agreement; and
- pledges by GSW of all balances regarding a collection account for repayment amounts.

Interest Rate Swap Agreements

Finally, as part of its ordinary course of business, Deutsche Wohnen hedges its variable interest rate financing agreements using customary market hedging instruments. For this reason, the Group entered into various interest rate swap agreements, which are derivative contracts where each counterparty agrees to pay cash flows based on either a fixed or floating rate denominated in a particular currency to the other counterparty.

Deutsche Wohnen Convertible Bonds 2013

On November 22, 2013, the Company issued convertible bonds with a total nominal amount of EUR 250 million, divided into 2,500 bonds with a nominal amount of EUR 100,000 each (the "**2013 Convertible Bonds**", and each, a "**2013 Convertible Bond**"). The 2013 Convertible Bonds bear interest of 0.5% *per annum* on their nominal amount, payable semi-annually in arrears.

The 2013 Convertible Bonds mature on November 22, 2020 and include the following options:

- The Company has the right to redeem the 2013 Convertible Bonds, in whole, but not in part, from December 7, 2017 on at any time if the XETRA-quotation (volume-weighted) on at least 20 of 30 consecutive trading days exceeds 130% of the then applicable conversion price.
- The Company has a clean-up option if only 20% or less of the 2013 Convertible Bonds issued are outstanding.
- The bondholders have a put option for each 2013 Convertible Bond, giving them the right to demand repayment of the principal amount of any or all 2013 Convertible Bonds on November 22, 2018 at their principal amount plus interest accrued until the date of redemption.
- The 2013 Convertible Bonds may be repaid at the nominal amount plus accrued interest in cash, or instead, at the Company's discretion (if no event of default has occurred), in whole or in part, in shares at the then prevailing market price.
- The 2013 Convertible Bonds can be converted into shares of the Company from January 2, 2014 on at the conversion price (to be determined in accordance with their terms and conditions); to the best knowledge of the Company, none of 2013 Convertible Bonds have been converted yet. Both contingent capital and authorized capital can be used to service the 2013 Convertible Bonds (subject to general corporate requirements). The Company has the right to pay a cash amount in Euro instead of the delivery of shares (in whole or in

part). The cash consideration shall be calculated on the basis of the arithmetic average of the XETRA-quotations during 15 consecutive trading days.

The conversion price per share currently amounts to EUR 18,3605 and is subject to customary anti-dilution adjustments (for instance, in case of the consolidation of shares, capital increases against contribution with subscription rights or dividend payments). Based on the aforementioned conversion price, the full exercise of all conversion rights could result in the issuance of up to approximately 13.6 million shares in the Company and would thereby increase the share capital by up to approximately 4.6%. The terms and conditions contain a “*change of control*” provision, as a consequence of which the bondholders may choose to either demand early redemption or conversion into shares of the Company at an adjusted conversion price.

Deutsche Wohnen Convertible Bonds 2014

On September 8, 2014, the Company issued convertible bonds with a total nominal amount of EUR 400 million, divided into 4,000 bonds with a nominal amount of EUR 100,000 each (the “**2014 Convertible Bonds**”, and each, a “**2014 Convertible Bond**”). The 2014 Convertible Bonds bear interest of 0.875% *per annum* on their nominal amount, payable semi-annually in arrears.

The 2014 Convertible Bonds mature on September 8, 2021 and include the following options:

- The Company has the right to redeem the 2014 Convertible Bonds, in whole, but not in part, from October 8, 2018 on at any time if the XETRA-quotations (volume-weighted) on at least 20 of 30 consecutive trading days exceeds 130% of the then applicable conversion price.
- The Company has a clean-up option if only 20% or less of the 2014 Convertible Bonds issued are outstanding.
- The bondholders have a put option for each 2014 Convertible Bond, giving them the right to demand repayment of the principal amount of any or all 2014 Convertible Bonds on September 8, 2019 at their principal amount plus interest accrued until the date of redemption.
- The 2014 Convertible Bonds may be repaid at the nominal amount plus accrued interest in cash, or instead, at the Company’s discretion (if no event of default has occurred), in whole or in part, in shares at the then prevailing market price.
- The 2014 Convertible Bonds can be converted into shares of the Company from October 19, 2014 on at the conversion price (to be determined in accordance with their terms and conditions); to the best knowledge of the Company, none of 2014 Convertible Bonds have been converted yet. Both contingent capital and authorized capital can be used to service the 2014 Convertible Bonds (subject to general corporate requirements). The Company has the right to pay a cash amount in Euro instead of the delivery of shares (in whole or in part). The cash consideration shall be calculated on the basis of the arithmetic average of the XETRA-quotations during 20 consecutive trading days.

The conversion price per share currently amounts to EUR 22,1016 and is subject to customary anti-dilution adjustments (for instance, in case of the consolidation of shares, capital increases against contribution with subscription rights or dividend payments). Based on the aforementioned conversion price, the full exercise of all conversion rights could result in the issuance of up to approximately 18.1 million shares in the Company and would thereby increase the share capital by up to approximately 6.1%. The terms and conditions contain a “*change of control*” provision, as a consequence of which the bondholders may choose to either demand early redemption or conversion into shares of the Company at an adjusted conversion price.

Commitment and Option Transaction

Background of the Transaction

Under the Real Estate Transfer Tax Act (*Gründerwerbsteuergesetz*), the acquisition of at least 95% of a company's shares triggers a duty to pay RETT (see “—*Selected General Regulations Relevant for Deutsche Wohnen—Real Estate Transfer Tax*”). Since entry into force of the Domination Agreement, the Company has been obliged under section 305 of the German Stock Corporation Act (*Aktengesetz*) to offer as an alternative to the guaranteed dividend an exit option to the Minority GSW Shareholders in the form of a settlement offer. In accordance with this mandatory statutory duty, Deutsche Wohnen AG undertook pursuant to section 5 paragraph 1 of the Domination Agreement to acquire, on request by a Minority GSW Shareholder, GSW shares in exchange for shares in Deutsche Wohnen (see “—*Enterprise Agreements—Domination Agreement between Deutsche Wohnen AG and GSW*”). If Deutsche Wohnen AG acquired at least 95% of GSW's share capital in the course of the settlement offer, it would trigger RETT.

Obligations under the Commitment and Option Agreement

Against this background, Deutsche Wohnen AG entered into an agreement with Deutsche Bank, which is designed to effectively limit Deutsche Wohnen's accretion of shares in GSW to a maximum of 95% minus 10,000 shares in GSW (the “**Target Share**”). For this reason, Deutsche Wohnen concluded on April 28, 2014 a commitment and option agreement with Deutsche Bank (the “**Commitment and Option Agreement**”), pursuant to which Deutsche Bank undertook to acquire from Deutsche Wohnen AG 5% plus 10,000 shares in GSW currently held by Deutsche Wohnen AG shortly before the settlement offer was submitted to the Minority GSW Shareholders. Deutsche Bank committed to hold these shares until the earlier of (i) the calendar day following the day that is four years after the date on which Deutsche Bank acquired the shares in GSW from Deutsche Wohnen AG and (ii) and October 29, 2018.

Provided that Deutsche Wohnen, together with its affiliates, will hold less than the Target Share following the settlement offer, Deutsche Wohnen AG is entitled to repurchase these shares in GSW, if certain conditions are met. Furthermore, under the Commitment and Option Agreement, Deutsche Wohnen retained, among others, the right to nominate any independent third party to which Deutsche Bank shall sell a number of shares in GSW to be determined by Deutsche Wohnen AG. Besides this, upon request by Deutsche Wohnen AG, Deutsche Bank is obliged to place shares in GSW or certificates representing such shares into the market (subject to certain restrictions). In either case, Deutsche Wohnen AG is obliged to hold harmless Deutsche Bank for any loss suffered in the course of such sale, *i.e.*, for any difference between the purchase price paid by Deutsche Bank to Deutsche Wohnen AG for the shares in GSW and the proceeds from such placement.

Fee Structure

In connection with the Commitment and Option Agreement, the Company is obliged to pay Deutsche Bank a structuring fee of EUR 937,500 and certain commitment fees. For the time period between April 28, 2014 and the date on which Deutsche Bank acquires title to the GSW shares, Deutsche Bank will receive a commitment fee at a rate of 5.3% (calculated on a 360 day basis) of the pre-agreed contractual value of the GSW shares acquired by Deutsche Bank in execution of the Commitment and Option Agreement. Thereafter, Deutsche Bank will initially receive a commitment fee at a rate of 5.7% (calculated on a 360 day basis) of the pre-agreed contractual value of the GSW shares acquired by Deutsche Bank in execution of the Commitment and Option Agreement and depending on the number of shares Deutsche Bank holds after 18 months following the publication of the settlement offer, a step-up fee may be charged. These fees are subject to certain reductions, in particular if dividends are paid on GSW shares and in the event that Deutsche Bank sells GSW shares.

Urban Development Agreements/Public Law Agreements

Agreements regarding the development of Berlin-Buch

In 1999, the State of Berlin and GSW's wholly owned subsidiary SEG Buch Stadtentwicklungsgesellschaft Buch mbH ("**SEG Buch**") entered into a framework agreement on the urban development of the neighborhood Berlin-Buch (*Städtebaulicher Rahmenvertrag*). Under this agreement, SEG Buch is obligated, among others, to plan and realign properties, develop the land (that is, install infrastructures), remedy environmental pollutions and bear the costs for schools and nurseries. In order to secure the fulfillment of these obligations, SEG Buch had to provide a guarantee by GSW. On the basis of the framework agreement, the State of Berlin sold to SEG Buch several properties. SEG Buch was obligated to build apartment buildings on these properties. Further agreements, among others, on the allocation of remediation costs and on the construction of sports facilities, were concluded.

Due to unforeseen developments in the real estate market, the construction of new apartment buildings in Berlin-Buch is currently economically unviable. In 2004, SEG Buch and Berlin therefore agreed on a moratorium regarding most of SEG Buch's obligations. Both parties intended to develop a new urban concept for the neighborhood and to agree on new measures to be taken. So far, however, no new concept exists. SEG Buch and Berlin prolonged the moratorium until Berlin and SEG Buch will have found an amicable solution. Consequently, the measures to be taken and the costs to be borne by SEG Buch and/or GSW in relation to the neighborhood Berlin-Buch cannot be specified at the moment.

Agreement with the City of Teupitz on the Purchase and Development of Properties

In 1999, GSW's wholly owned subsidiary GSW Gesellschaft für Stadterneuerung GmbH ("**GfS**") and the City of Teupitz agreed on the purchase of properties and the development of land. Moreover, GfS is obligated under the purchase agreement to share certain profits it realizes by reselling properties. The development measures are completed. By contrast, the obligation to share certain profits with the City of Teupitz is still ongoing, since GfS has not yet resold all properties.

Other Material Agreements

Companies belonging to the former GSW Group as well as companies which have already been part of Deutsche Wohnen prior to the takeover of GSW have concluded numerous intra-group agreements as well as agreements with third-party service providers. As part of its ongoing integration efforts, the Company consistently monitors its contractual relationships. In the course of this contract management, the Company seeks to realize economies of scale by including as many asset companies as possible into existing contractual relationships and thereby standardize the contractual relationships within the Group. To this end, existing service agreements are consistently amended or replaced, in particular, with a view to the integration of GSW.

Systems Provider Agreements

Deutsche Wohnen has entered into various systems provider agreements with five providers for building management of its entire real estate portfolio (except for facilities for senior citizens) with a total annual volume of approximately EUR 30 million as of March 31, 2015. Above all, the agreements involve servicing technical building systems, maintenance, tenant changes, and processing of insured losses. To facilitate the implementation of the contracts, the five service providers have been integrated into the Group's SAP system. None of these contracts is material for Deutsche Wohnen's business.

Sale and Leaseback of GSW's headquarters

GSW sold its company headquarters for EUR 65 million in August 2005 as part of a sale and leaseback transaction with a Spanish investment company. Its headquarters comprises several buildings with an aggregate space of 23,372 sqm and 390 parking spaces. As part of the transaction, GSW leased the building for 10 years with the option to extend the lease for two separate five-year periods. The monthly rent is approximately EUR 370,000 (excluding ancillary costs and VAT), which is in-

dexed at 75% of the consumer price index for the first 10 years. As part of the transaction, GSW provides technical and infrastructural facility management through its affiliate FACILITA Berlin GmbH for which it currently receives a gross amount of approximately EUR 510,000 per year from the current owner. The lease agreement and management agreement will end on September 30, 2015.

Regulatory Framework

Deutsche Wohnen's business activities are subject to legal requirements. If Deutsche Wohnen fails to comply with these legal requirements, it may be subject to civil liability, administrative orders and/or fines. The following provides a brief overview of selected regulations applicable to Deutsche Wohnen's business activities:

Legal Framework Applicable to Landlords

Limitations of German Tenancy Law

Since Deutsche Wohnen's main business activity is the letting of its properties to third parties, it is subject, in particular, to German tenancy law. German tenancy law distinguishes between residential and commercial space. The majority of the residential units in Deutsche Wohnen's portfolio are governed by residential tenancy law, which to a large part favors tenants through extensive social safeguards. In particular, these include restrictions on Deutsche Wohnen in regard to termination of leases, evictions of tenants, rent increases and the reallocation of ancillary costs (*Erlöse aus Betriebskosten*), as well as maintenance and repair.

Statutory Protection Against Eviction

As a rule, the landlord may terminate a tenancy for residential space on a statutory basis only if the landlord has a legitimate interest in ending the tenancy. Under the law, a legitimate interest in ending the tenancy arises, in particular, if (i) the tenant commits a culpable and not insignificant contractual breach; (ii) the landlord has a claim of personal use in the property for himself, his family members, or members of his household (not applicable to legal entities); or (iii) the landlord would otherwise be hindered from reasonable economic utilization and would therefore suffer considerable detriment. Termination for the purpose of increasing rent is not permitted.

"Reasonable economic utilization" as a ground for termination is intended to ensure the free economic disposability of property. Such grounds exist if the landlord were to suffer considerable detriment from continuing the tenancy (such as receiving a significantly lower purchase price or incurring expenses which significantly exceed the income from the property). However, *e.g.*, a landlord's intention of selling the property in connection with converting real estate into individually owned condominiums would not qualify as a ground for termination. In fact, the German Civil Code (*Bürgerliches Gesetzbuch*) prohibits a termination on the grounds of personal use and reasonable economic use by the purchaser altogether for a period of three years following transfer of title/the hand-over of the leased real estate to the tenant and the subsequent sale of the condominium. In regions where housing supplies are deemed to be particularly scarce, German state governments may extend this prohibition by statutory order for up to ten years.

Certain Federal States, including North Rhine-Westphalia, Hesse and Berlin, have made use of this option. Pursuant to a statutory order dated January 24, 2012 (effective date February 10, 2012), the prohibition on termination in North Rhine-Westphalia was extended to eight years for residential units located in Bonn, Cologne, Dusseldorf and Münster and to five years for residential units located in 33 other municipalities, including Dortmund, Aachen and Bottrop. The Senate of Berlin adopted a statutory order dated August 13, 2013 (effective date October 1, 2013) setting the prohibition on termination to ten years for residential units located in Berlin. Pursuant to an amending statutory order of Hesse dated December 18, 2009 (effective date December 31, 2009, amended with effect of December 13, 2014), the prohibition on termination was extended to five years for residential units located in ten cities in Hesse, including Frankfurt and Wiesbaden. In rent-restricted apartments, the restrictions can last for the term of the subsidy.

Even if the landlord effectively terminates the residential lease on the basis of a legitimate interest, the tenant is protected under German tenancy law. Consequently, in the event that the tenant has been ordered to vacate the premises, the court may stipulate an appropriate interim period of transition (including postponement of up to one year maximum) in which the tenant must vacate the residential unit. As an alternative to the classic eviction procedure, during which the landlord must bear the costs

of the removal and safekeeping of all moveable objects from the evicted property by the court-appointed enforcement officer under certain conditions, the German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz – MietRÄndG*), which entered into force on May 1, 2013, provides the landlord with the cost-saving option of limiting the eviction procedure to obtain possession of the property and allows the landlord to remove and store the moveable objects from the property at his own will and expense (the so-called Berlin Eviction). If the tenant fails to pay a security deposit equal to two months' rent, landlords are entitled to terminate the lease without notice. In litigation which combines the actions on eviction and payment, a judge can issue a securing order requiring the tenant to pay a security deposit covering the monthly rent accruing during the proceedings. If the tenant fails to pay, this eases the landlord's possibility to obtain an eviction order. The eviction procedures will no longer be tediously delayed because of a right of possession of a third party (sub-tenant) if the landlord is unaware that the premises was sub-let and consequently has not obtained an eviction writ against the sub-tenant; a further title against such third person may be obtained by way of an interim injunction (*einstweiliger Rechtsschutz*). Furthermore, judges must prioritize actions of eviction.

Statutory Limits on Rent Increases

The ability of landlords to unilaterally increase rent under existing tenancy agreements is limited by German law; however, the amount of rent agreed upon between existing or new tenants and the landlord is generally not subject to restrictions. According to section 5 of the German Economic Offenses Act (*Wirtschaftsstrafgesetz*), the willful or reckless (*leichtfertig*) letting of residential accommodations at unconscionably high rents, however, constitutes an administrative offense (*Ordnungswidrigkeit*). A rent is considered to be unconscionably high in the event that it exceeds the locally prevailing comparative rent index in a municipality during the last four years by more than 20% due to an abuse of the limited availability of comparable space. In the prior legislative period, a draft bill was introduced into the German parliament stating that rents exceeding 20% of the prevailing comparative rent level in a municipality or a district of a municipality shall constitute an administrative offense without it being required that this is “due to an abuse of the limited availability of comparable space”. While this draft bill period has elapsed, it cannot be excluded that a new draft bill with similar provisions will be presented. In addition, according to the German Federal Court of Justice (*Bundesgerichtshof*) case-law, rent levels exceeding the locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*) by approximately 50% may constitute an usury crime pursuant to section 291 of the German Criminal Code (*Strafgesetzbuch*). If the parties to an existing tenancy agreement have not agreed on a staggered rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is only permissible in specific cases – and the tenant refuses to amend the tenancy agreement, a rent increase may only be effected unilaterally under certain circumstances.

Additionally, the landlord may, subject to statutory and contractual requirements, exercise a right of contractual adjustment of up to the locally prevailing comparative levels of rent, if the rent has remained unchanged during the 15 months preceding the intended increase. As a rule, however, the rent increase may not exceed 20% within a three-year period (*capping limit – Kappungsgrenze*). The German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz – MietRÄndG*) makes it possible for federal states with constricted housing markets to lower via statutory order the capping limit for regions where housing markets are considered to be tight in order to react flexibly to rent increases, especially in metropolitan areas. In such cases, the rent increases up to the locally prevailing comparative levels of rent can be reduced from 20% (standard legal rule) to 15%. So far nine state governments (Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine Westphalia, Rhineland-Palatinate and Schleswig-Holstein) introduced such regulations on capping limits. Also, the state government of Baden-Wuerttemberg is reported to be contemplating following suit.

Moreover, on March 5, 2015, the German Bundestag adopted a law to curb rental increases on tight housing markets and to strengthen the so-called orderer principle with respect to the business of rental agents – tenancy law amendment act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*). The tenancy law amendment act aims at limiting rent increases and establishes maximum rent levels (so-called *Mietpreisbremse*). The tenancy law amendment act re-

stricts rent increases for a period of five years for new leases to a maximum of 10% above the locally prevailing comparative rent levels in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened. New or fully modernized buildings may be excluded from the restriction on rent increase at their first lease. The federal states will have the right to designate regions in which maximum rent levels shall apply until five years after the law comes into force, and may enact ordinances to designate such regions until 2020. The tenancy law amendment act enters into force on June 1, 2015. The state of Berlin has already passed an ordinance ordering the application of these rent limitations throughout the city starting on June 1, 2015. North Rhine-Westphalia is expected to follow suit in July 2015. Other states, like Rhineland Palatinate, Baden Wuerttemberg, Bremen and Brandenburg will probably pass decrees in the course of the year.

In addition, the tenancy law amendment act contains provisions regarding the payment of a letting agent. Currently, a prospective tenant has to pay the agent's commission even if the landlord engages the letting agent. Under the tenancy law amendment act, a landlord is required to pay the commission if the owner engages the agent. Tenants still would have to pay if they engage an agent to help them find an apartment.

The prevailing comparative rent levels are determined on the basis of contractual rents that were agreed upon for comparable residential space in the relevant municipality during the preceding four years. However rent increases due to modernization measures (see “—*Landlord Maintenance Obligations*”) are not taken into account for determining the prevailing comparative rent levels. Whether residential space is comparable is determined by taking into account its type, size, furnishings, quality, location, including the energy systems and characteristics. For this purpose, the landlord may, in particular, refer to the following: (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report from an officially appointed and sworn expert or (iv) the rent payable for at least three comparable residential units.

A rent index is a table that shows the prevailing reference rent in a relevant municipality. The table must be jointly produced or recognized by the municipality or by the landlord and tenant representatives. If the rent index is produced in accordance with recognized scientific principles, it is recognized as a so-called qualified rent index (*Qualifizierter Mietspiegel*). Qualified rent indices, as opposed to simple rent indices, create the (rebuttable) assumption that the listed rent levels reflect the reference rent customary in the relevant municipality. A rent index shall be adjusted to market trends in two-year intervals. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the price index for living standards of all private households in Germany, as computed by the Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an ongoing basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if, among other things, (i) the collection of rents draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) it is recognized by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice.

For certain modernization measures, the landlord may, subject to statutory or contractual requirements, allocate the costs of the modernization measures by increasing the annual rent by, currently, 11% of his total costs for modernizing the residential. The German federal government is currently considering whether to limit such annual rent increases to 10% of the total cost of the modernization measures and to the period of time necessary to amortize such cost. Following the rent increase, the tenants may have a special termination right (*Sonderkündigungsrecht*) (see “—*Landlord Maintenance Obligations*”).

Statutory Restrictions on Selling Residential Space

For a sale of rented residential space that has been, or is intended to be, converted into condominiums, *i.e.* separately transferable residential units, to a third party, German law grants the tenant a right to purchase the unit on the same terms as the buyer (*Vorkaufsrecht*). No preemptive right exists,

however, if the unit was already a separately transferable condominium at the time when the landlord had handed over the rental space to the tenant.

Statutory Restrictions on the Use of Housing Space

Pursuant to the Bavarian Act on the Prohibition of the Misappropriation of the Specific Purpose of Housing Space (*Gesetz über das Verbot der Zweckentfremdung von Wohnraum*) Bavaria has authorized municipalities in which the supply of affordable housing is deemed insufficient or scarce to enact regulations which prohibit (i) the vacancy of housing space for a period of more than three months, (ii) the alteration of housing space in such a manner that it can no longer be used for residential purposes, (iii) the destruction of housing space and (iv) the predominant use of housing space for professional or commercial purposes. Munich, amongst other cities, has enacted a municipal bylaw with the aforementioned restrictions. Also other federal states (*Bundesländer*) passed similar laws in 2013, among others, for example, Baden-Wuerttemberg, Berlin and Hamburg. These laws prohibit or allow municipalities to prohibit, in contrast to the Bavarian Act, the vacancy of housing space for a period of more than six months or more than four months, in the case of Hamburg. Also, they restrict repeated renting as a vacation home. North Rhine Westphalia already allowed its municipalities to take action against vacancy of housing spaces in 2001.

Landlord Maintenance Obligations

Generally, under German law, the landlord must maintain the property, including maintenance of the structure, façade and roof of the building, as well as the interior of the residential units, and cannot transfer this maintenance obligation to the tenant.

However, the landlord may contractually assign the so-called decorative repairs (*Schönheitsreparaturen*) to the tenant. If the landlord assigns such obligations within standardized contracts, the terms must comply with the strict requirements for general business terms (*Allgemeine Geschäftsbedingungen*), which are regulated by the concepts of the German Civil Code (*Bürgerliches Gesetzbuch*). For example, the Federal Court of Justice (*Bundesgerichtshof*) has ruled that standard clauses in residential lease agreements are invalid if they require the tenant to carry out decorative repairs within a fixed schedule or require the tenant to fully renovate the apartment at the end of the lease term independently of its actual status (*Endrenovierung*). The invalidity of such clauses results in the landlord being held responsible for decorative repairs, and being required to bear all related costs. If the tenant carries out such repair and maintenance work without actually being required to do so, the landlord may have to compensate the tenant for the corresponding costs.

The Tenancy Law Amendment Act (*MietRändG*) that entered into force on May 1, 2013 aims to reduce Germany's primary energy demand (*Primärenergiebedarf*) by 80% (measured against 1990 levels) by 2050, in accordance with the so called "Energy Concept 2050" (*Energiekonzept 2050*). In order to achieve this goal, the Tenancy Law Amendment Act (*MietRändG*) requires that tenants tolerate maintenance (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*). In the latter case, three months prior to the commencement of such modernization measure, the landlord must furnish the tenant with a written notification, which includes information regarding the nature, extent, period and scope of rent increase resulting from said measure. If the tenant can, however, prove that the modernization measure constitutes undue hardship to himself, a family member or a member of his household, he need not tolerate the modernization measure. Following the announcement, tenants will be entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months following the month in which the tenant received a written notification. For modernization measures sustainably reducing the final energy consumption (energy-related modernization measures) (*energetische Modernisierung*), tenants will not be entitled to rent reductions for a period of up to three months. The landlord is entitled to transfer the costs of certain modernization measures to tenants by way of an annual rent increase of, currently, up to 11% of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures), unless the tenant can prove that the rent increase constitutes an undue burden/hardship. Such measures include energy-related modernization measures, modernization measures through which water consumption is sustainably reduced, through which the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing

conditions are permanently enhanced, as well as for measures resulting from circumstances the landlord is not responsible for, and which constitute no maintenance measures. The German federal government is currently considering whether to limit such annual rent increases to 10% of the total cost of the modernization measures and to the period of time necessary to amortize such cost. Following a rent increase, tenants may have a special termination right.

Recovering Operating Costs from the Tenant

German tenancy law allows landlords to recover the building's operating costs from the tenant by way of contract. According to the German Operating Costs Ordinance (*Betriebskostenverordnung*), which defines the types of costs recoverable by contract, operating costs include, e.g., the cost of water supply, waste disposal and building insurance. Under the Operating Costs Ordinance (*Betriebskostenverordnung*), the landlord is generally allowed to recover the basic expenses for broadband network access (*laufenden Grundgebühren*) from the tenant. The costs for the initial installation are not considered operating costs but are still recoverable from the tenant, in case no broadband network access had previously existed, since an upgrade to broadband connection qualifies as a modernization measure under German tenancy law.

The Tenancy Law Amendment Act (*MietRändG*) allows landlords to outsource heating supply (*Wärmelieferung*) to a commercial contractor and to recover the utility and operating costs (*Betriebskosten*) associated with such heat contracting from the tenant. This is, however, subject to the condition that the outsourcing procedure results in an increased efficiency of heating supply and does not trigger increased utility or operating costs for the tenant.

The Renewable Energies Heating Act (*Erneuerbare-Energien-Wärmegesetz*), which is aimed at promoting Germany's goal of reducing its primary energy demand (*Primärenergiebedarf*), obligates newly constructed buildings to partially use renewable energy to cover their heating energy demands. Only the federal state of Baden-Wuerttemberg with its Act on Usage of Renewable Heating Energies in Baden-Wuerttemberg (*Gesetz zur Nutzung erneuerbarer Wärmeenergien in Baden-Württemberg*), required owners of pre-existing structures to cover 10% of their heating energy demands through renewable energy where a new heating system is installed.

Moreover, the majority of federal states require the owner of a building to install smoke detectors in certain rooms, such as bedrooms. In all these federal states, such obligation applies to new constructions. In most federal states, the obligation applies also, subject to varying grandfathering clauses, to existing apartments. The installation of smoke detectors in existing buildings qualifies as a modernization measure under German tenancy law if it is mandatory under statutory provisions. Therefore, the landlord is allowed to pass on the costs of such measures to the tenant by way of a rent increase.

Requirement for Energy Certificates

As of May 1, 2014, prior to entering into a purchase contract or new lease agreement, potential buyers or tenants are to be provided with an energy certificate, which discloses the property's energy efficiency. The energy certificate must be handed over during the first viewing of the property at the latest and, if a viewing is not scheduled and the energy certificate is not requested by the other party, immediately after the conclusion of the respective lease or sale agreement. If a seller or landlord advertises the property in commercial media, the energy performance indicator of an existing energy certificate of the respective property must be disclosed in the advertisement.

The Energy Savings Ordinance (*Energieeinsparverordnung*) of December 18, 2013 also requires structural alterations for energy conservation. Those include the replacement of certain types of old heating systems, the insulation of top story ceilings as well as of heat conducting systems. For example, landlords of buildings with heating boilers that were installed prior to January 1, 1985 and that are used with liquid or gaseous fuel needed to be exchanged before 2015. Failure to comply with the rules can result in administrative fines.

Restrictions with Publicly or Privately Subsidized Housing

The German public administration subsidizes housing construction, in particular residential units that are designed and suitable for large segments of the population based on size, fixtures and rent. “Publicly subsidized” housing construction, being carried out, *inter alia*, by way of loans with preferential interest rates, is governed by two significant requirements: first, such housing may only be occupied by tenants who hold housing eligibility certificates (*Wohnungsberechtigungsschein*); second, the landlord is limited on the amount of rent to be paid by the tenant.

Restrictions on Public Subsidies

The legal principles for subsidized residential space are primarily set down in the housing promotion legislation (*Wohnraumförderungsgesetz – WoFG*), which replaced the First and Second Housing Act (*Erstes und Zweites Wohnungsbaugesetz*), of September 13, 2001 (entry into force on January 1, 2002), in the ordinance regulating publicly subsidized tenancies on controlled rents in newly built houses (*Neubaumietenverordnung*) of 1970, in the controlled tenancies legislation (*Wohnungsbindungsgesetz*), and in the computation legislation (*II. Berechnungsverordnung*). In the wake of a constitutional federalism reform in Germany in 2006, the German federal states were given the legislative power to subsidize social housing. Accordingly, each federal state may enact its own subsidized social housing act. However, in federal states that have not enacted their own subsidized social housing act, the German Housing Development Act (*Wohnraumförderungsgesetz*) still applies. The following states, among others, have enacted their own subsidized housing acts: (i) North Rhine Westphalia – Act on Promotion and Utilization of Housing in the State of North Rhine Westphalia (*Gesetz zur Förderung und Nutzung von Wohnraum für das Land Nordrhein-Westfalen*), which came into effect on January 1, 2010, (ii) Hesse – Act on Promotion of Housing (*Hessisches Wohnraumförderungsgesetz*), which came into effect on January 1, 2013, (iii) Baden-Wuerttemberg – State Act on Promotion of Housing and Stabilization of District Structures (*Landesgesetz zur Förderung von Wohnraum und Stabilisierung von Quartiersstrukturen*), which came into effect on January 1, 2008, (iv) Bavaria – Act on Promotion of Housing in Bavaria (*Gesetz über die Wohnraumförderung in Bayern*), which came into effect on May 1, 2007 and (v) Schleswig-Holstein – Act on Promotion of Housing (*Schleswig-Holsteinisches Wohnraumförderungsgesetz*), which came into effect on July 1, 2009, (vi) Hamburg – Act on Promotion of Housing (*Hamburgisches Wohnraumförderungsgesetz*), which came into effect on April 1, 2008 and (vii) Lower Saxony – (*Niedersächsisches Wohnraumfördergesetz*), which came into effect on January 1, 2010.

With regard to Deutsche Wohnen’s total portfolio, public subsidies may also have been approved under the German Historical Debt Relief Act (*Altschuldenhilfegesetz*). That act granted financial support to municipalities and to communally owned housing construction and management organizations, which acquired properties in the former German Democratic Republic after German reunification.

Under the legal regime until the federalism reform in 2006 (which remains applicable unless the respective federal state enacted their own subsidized housing act), statutory law provides for different restrictions on the amount of rent to be paid by the tenant: First, a fixed rent according to the respective subsidization agreement and, second, a cost-covering rent during the sponsorship period stipulated by law. The cost-covering rent is the amount of rent necessary to cover all expenses of the property, including a return on equity capital. This amount is adjusted over time. Under certain circumstances, higher incidental expenses may permit an increase of the average rent and, accordingly, of the individual rent. However, aside from a few exceptions, such rent increases require the respective sponsor’s approval. The cost-covering rent includes a statutory fixed amount for maintenance and modernization costs which is determined regardless of the costs actually incurred.

As mentioned, both fixed rent and the cost-covering rent are still applicable in German federal states that have not (yet) passed legislation for housing promotion and controlled tenancies or where individual sections of the federal state’s laws deviate from the federal statutes.

The rules of the housing promotion legislation and the controlled tenancies legislation in Berlin were partly supplemented by the Berlin Housing Act (*Wohnraumgesetz Berlin*). These amendments include rules for termination for cause, grant the right to claim for rent compensation and relocation allowances after expiration of the initial funding, and offer other options, such as the early repayment of investment loans. However, the so-called “rent reference value” (*Richtmiete*) discussed in the bill of the Berlin Housing Act (*Wohnraumgesetz Berlin*) was not introduced. Pursuant to the proposal, recipients of public housing subsidies would generally no longer be entitled to charge the cost-covering rent, but will be subject to a maximum rent corresponding to the amount of rent customary in a certain place in connection with a social component. The social standard rent could be lower than the currently applicable cost-covering rent, and could therefore further restrict the rent income. It might also restrict the breadth of potential rent increases.

Approximately 18% of the properties owned by Deutsche Wohnen as of December 31, 2014 receive public subsidies and are therefore subject to restrictions regarding rent increases and/or the intended usage of the buildings. As of December 31, 2014, approximately 74.4% of Deutsche Wohnen’s total residential real estate portfolio measured by units is located in the Greater Berlin area. Deutsche Wohnen has received subsidies for 16% of the residential units located in the Greater Berlin area from the State of Berlin.

Sales of publicly subsidized housing may, in some cases, require approval by the sponsor. Moreover, if a property is converted for individual ownership and is subsequently sold for owner-occupancy, any subsidies that have been received must be paid back.

In addition to subsidies from the German federal government and federal states, municipalities also provide subsidies in certain cases. In exchange for such subsidies, a municipality usually receives a right to determine the respective building’s intended use. Accordingly, the municipality is entitled to decide on the respective tenants of the property.

Restrictions on Private Subsidies

Housing may also be subsidized by private companies, particularly through the granting of company loans to create housing for a company’s employees. Such subsidies consistently stipulate occupancy rights in the sponsor’s favor, especially in the case of either company loans that fund construction, or grants that are subject to term limits. The holder of occupancy rights may also require that the owner of residential units governed by such rights only rent the units to tenants who are designated by the right-holder.

Restrictions in Connection with Investment Funding

Under the Investment Allowance Act of 1999 (*Investitionszulagengesetz 1999*), tax-exempt investment funding could be granted for the purchase, modernization, refurbishment or maintenance of certain apartment buildings within the territory of the former German Democratic Republic. The granting of investment funding is not coupled with occupancy rights, rent control or comparable restrictions. The recipient of the funding is, however, obligated to only rent out the subsidized rental units for residential housing purposes, and to do so during a period of five years upon completion of modernization work. In cases of non-compliance, the funding can be reclaimed.

Restrictions on Properties Governed by Historic Preservation and/or Social Sustainment and/or Special Urban Planning Laws; Restrictions Due to Copyrights in Architectural Services

Some of Deutsche Wohnen Group’s properties may be located in urban renewal and urban preservation areas. Additionally, some buildings are registered as historic sites. The statutory rules of the German Building Code (*Baugesetzbuch*), and federal state legislation concerning monument preservation (*Landesdenkmalschutzgesetze*), apply in those instances. These laws generally restrict certain structural changes and property use, and also require the owner to maintain the protected structure and its surroundings.

Owners of properties located within an urban renewal area must obtain governmental approval to demolish or structurally alter a building, to enter into lease agreements lasting for more than one year, to sell the properties, and to grant liens and mortgages. Owners of properties located in an officially defined urban renewal area must also pay to the municipality a compensatory monetary amount toward the funding of the redevelopment. This compensatory amount is equal to the increase of land value resulting from the redevelopment.

Owners of properties located in a preservation area must obtain governmental approval for demolishing or structurally altering a building, or for changing the building's use. Moreover, ordinances may require approval for converting the status of residential units into condominiums (units for individual ownership or part-ownership).

Owners of properties located within areas governed by social sustainment regulations (*soziale Erhaltungsverordnungen*) may require governmental concessions for restructuring measures including demolitions, modernizations, alterations regarding the type of occupation and transformations of rented apartments into condominiums. An average contemporary standard of the apartment will not require prior concession even if such apartment is located within a relevant area. Social sustainment regulations may be applied to selected areas in order to preserve the structural composition of the resident population; a number of social sustainment regulations were passed with respect to certain areas in Berlin.

Owners of buildings listed as historic sites are required to preserve and maintain the buildings in a predominantly unchanged state. Compliance with these requirements is monitored and enforced by the relevant governmental agency. Any change to the structure or use of a building requires specific administrative approval. The owners of structures governed by historic preservation laws must also notify the relevant agency of any intended sale of such structures. The municipality generally has a preemptive right of purchase in such cases. Noncompliance with any of the aforementioned requirements may result in administrative fines of up to EUR 0.5 million for each violation. Owners of buildings which are adjacent to buildings listed as monuments are also subject to restrictions for monument protection in connection with alterations of their building.

As of December 31, 2014, approximately 19% of flats owned by Deutsche Wohnen Group form part of buildings listed as historic sites. The individual buildings must be maintained in a predominantly unchanged state because of historic, artistic, scientific or urban renewal concerns.

Certain Deutsche Wohnen properties may be considered as works of architectural significance, and possibly may therefore be subject to copyrights, especially with regard to the respective architect's services. Structural changes may in such instances be subject to the designer's or architect's consent.

Limitation on the Use of Properties by Easement

On some of the Company's properties, easements have been established in the land register. An easement requires the owner of the charged property *in rem* to refrain from taking action (for example, not to build on specific parts of the property) or to forbear action to be taken (for example, right to access for third parties). The obligation can be enforced by the relevant third party. Since registered easements are attached to the property itself, they can be enforced against the current owner of the charged property, as well as against legal successors.

On some of Deutsche Wohnen's properties, public easements have been established. A public easement requires the owner of the relevant property to take action (for example, to create a certain number of parking lots), refrain from taking action (for example, not to build on specific parts of the property), or forbear action to be taken (for example, laying pipes or cables by third parties). The content of the obligation can be enforced by means of an administrative order. Various properties are also subject to unified public easements. These public easements create a single "construction property" under public building law (for building permit purposes) out of the affected properties which continue to be independent properties.

Many provisions of public building law, such as the requirements of minimum distances between buildings, apply to the construction property as if the plot boundaries did not exist. Since public

easements attach to the property itself, they can be enforced against the owner of the charged property and against third parties. Public easements are also effective against legal successors (*e.g.*, buyers of the charged property) and can only be suspended by a waiver of the competent authority. The restrictions resulting from the public easement may affect the value of the charged property.

Liability for Environmental Damage and Contamination

Liability for residual pollution and harmful changes to soil, as well as for the contamination of buildings with asbestos and other harmful materials may arise from rules and regulations under both public and civil law. Liability under public law for residual pollution cannot be excluded through agreements under civil law. Civil law liability for breaches of warranty, however, can be limited or excluded.

Responsibility under Public Law for Environmental Damage and Contamination

Under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the responsibility for residual pollution and harmful changes to soil (hereinafter, each a “contamination”) lies with, amongst others, the perpetrator of the contamination, such perpetrator’s universal successor, the current owner of the property, the party in actual control of the property, and the previous owner of the contaminated property if such owner transferred title after March 1, 1999, and knew or must have known about such contamination. Liability is strict and not based on fault; that is, the relevant governmental agency does not need to prove intent or negligence on the part of the party held responsible for the remediation. Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) include risk assessments, investigative orders, remediation orders, and other necessary measures to prevent harmful changes to soil or residual pollution.

In principle, there is no statutory ranking order according to which the parties responsible for remediation must be held liable. Instead, this decision is at the discretion of the respective governmental agency. In that regard, effectiveness of remediation is the prevailing factor. Thus, the current owner of the contaminated property is usually held initially responsible because that owner is generally in the best position to undertake the necessary remediation work. However, pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the other responsible parties, as the case may be, are required to indemnify the person who carried out the remediation on a pro rata basis, regardless of who is held liable by the government. This indemnity right may take the form of an explicit contractual agreement and may also be waived. However, whether and to what extent that right can actually be enforced depends on the circumstances of each case.

Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorize the relevant local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

Asbestos

German law distinguishes between two types of asbestos: (i) friable asbestos and (ii) other types of asbestos, each resulting in different legal consequences.

Friable asbestos can release asbestos fibers into building air due to aging and external force. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation, and thermal protection. Other types of asbestos are involved if the material containing asbestos is firm and no asbestos fibers can escape into the air, thus not posing a risk to human health.

Under the rules of the so-called asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any threat to health in any specific case. Therefore, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines because of the lack of fiber formation.

As to friable asbestos, the asbestos guidelines prescribe criteria for assessing the urgency of taking remedial action in case of contamination. This is determined according to three levels of urgency: urgency level I requires immediate remediation of the structure; urgency level II requires reassessments at intervals of no more than two years; and urgency level III requires a reassessment at intervals of no more than five years. Remediation measures under the asbestos guidelines include demolition, removal, or coating of the asbestos products, and separation of the asbestos products from the respective space to ensure that fibers do not become airborne.

In the event of asbestos contamination, the tenant can assert a commensurate right of rent abatement. German courts have ruled that the presence of a defect for purposes of warranty requirements under tenancy law can be presumed if the onset of a health threat cannot be excluded. Accordingly, the courts have permitted rent abatements even in cases involving urgency levels II or III, which, under the asbestos guidelines, merely require that the level of risk be monitored and do not require immediate remediation. Tenants may also claim compensatory damages if the defect was present at the time of contract formation or if the landlord is in default with its obligation to remedy the defect. Additionally tenants may claim compensation for personal suffering (*Schmerzensgeld*). Finally, tenants also have the right to remedy the defect on their own and require that their reasonable expenses incurred be reimbursed under certain conditions.

Polychlorinated Biphenyl (PCB), Dichlorodiphenyltrichloroethane (DDT), Pentachlorophenol (PCP) and Hexachlorocyclohexane (Lindane)

PCB is widespread in the environment today. Since PCB may cause damage to embryos and is suspected of having carcinogenic effects and affecting human health, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings (for example, in wood preservatives, synthetic materials, insulations or joints). Based on construction law or emissions protection law in conjunction with the “Guidelines on the Assessment and Remediation of PCB containing Construction Material or Elements in Buildings” (PCB-Guidelines), the owner of a building may be obliged to remedy PCB sources. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanograms per cubic meter of air. Remediation measures include the elimination or sealing of PCB-containing construction elements.

DDT and lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected of causing cancer and of being genotoxic, while lindane is suspected of harming the nervous system, especially in the case of occupationally intensive exposure, and also possibly of causing cancer. PCP was used as a fungicide against mold and is also suspected of having negative effects on human health. As regards DDT, PCP and lindane, their existence in buildings may entitle the tenant under certain conditions to reduce rent or claim damages. Moreover, the remediation of rooms or buildings where DDT, PCP or lindane concentrations exceed certain thresholds may be required.

Groundwater and Maintenance of Sewage Systems

Pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz*), all sewage systems must be constructed, operated and maintained according to the generally accepted Rules of Technology (*anerkannte Regeln der Technik*). Property owners are required to check, among other things, for the sewage system’s condition, operability, maintenance and the amount and quality of wastewater and the substances contained therein. Private sewage systems shall be checked once every 20 years. The first check of a new sewage system may also take place after 30 years if it has already been checked during its installation. In the case of deficiencies, property owners must repair the sewage system. The German Federal Water Management Act (*Wasserhaushaltsgesetz*) authorizes the federal government, with approval of the Bundesrat, to enact an ordinance specifying the above-mentioned obligations concerning sewage systems. Until the federal government ordinance is enacted, the federal state governments may enact their own ordinances regarding the aforementioned obligations. Berlin only requires examinations of private sewage systems in certain water protection areas every five to 20 years (subject to the applicable regulation for the respective water protection area).

Legionella Tests

The German Drinking Water Ordinance (*Trinkwasserverordnung*), as published on November 28, 2011 and last amended on August 7, 2013, requires the owners of specified centralized heated water supply facilities for use in certain multi-family buildings to test the stored heated water for legionella (pathogenic bacteria) by December 31, 2013 at the latest and to repeat this test least once every three years or once every year, depending on the size of the used facilities. The responsible government agencies can order additional testing.

Only bodies accredited by the respective federal state are authorized to conduct these tests. The existence of appropriate sample extraction points (*Probeentnahmestellen*) must be ensured by the owner of the building. If the measured value exceeds the limits specified by the German Drinking Water Ordinance (*Trinkwasserverordnung*), the owner of the facility will regularly be ordered by the responsible government agency to remedy the situation accordingly.

Civil Law Liability

Civil law liability for residual pollution can arise from contractual warranty provisions or statutory law. Warranty obligations may generally be waived or limited by contract. According to statutory provisions, a perpetrator of a contamination can be liable for damages or for remediation of the contamination and its consequences. Deutsche Wohnen could be subjected to such liability if a property that Deutsche Wohnen currently owns or formerly owned is detrimentally affecting the property of third parties. This civil law liability exists, independent of official action, under the provisions of the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Legal Framework Applicable to Retirement Homes and Nursing Homes

KATHARINENHOF[®], a Group company, operates retirement homes and nursing homes. Such operations are governed by the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*), the federal nursing homes act (*Heimgesetz*) and various nursing home laws of German federal states. In addition, the Social Security Code (*Sozialgesetzbuch*) provides for special requirements set forth in the Eleventh Book of the Social Security Code XI – Social Nursing Care Insurance (*Sozialgesetzbuch XI – Soziale Pflegeversicherung*) (“**SGB XI**”) and in the Twelfth Book of the Social Security Code XII – Social Welfare (*Sozialgesetzbuch XII – Sozialhilfe*).

Social Laws

People in need of care are entitled to care at inpatient facilities if home care or semi-inpatient care is not feasible or otherwise cannot be considered due to the special circumstances of a given case. Such people may choose among the accredited institutions of various sponsoring bodies. Nursing care fund (*Pflegekasse*) benefits are provided in kind and in cash. The nursing care insurance’s benefits in cash are awarded only in an amount up to defined cost limits (depending on the level of the care allowance). Costs in excess of that amount must be borne by the person in need of care.

As a rule, the nursing care funds discharge their duty of providing coverage with the help of accredited inpatient care facilities, such as the retirement homes and nursing homes operated by KATHARINENHOF[®]. Pursuant to SGB XI, only nursing care homes that have entered into care contracts (*Versorgungsvertrag*) may provide inpatient care at the expense of the nursing care insurance. The care contracts are entered into by a care facility’s sponsoring body (or an association authorized to represent sponsoring bodies of equal status) and the state federations (*Landesverband*) of nursing care funds, in consensus with the regional social welfare funding bodies in the respective federal state (unless that state’s law has assigned responsibility for the respective care facility to a local social welfare funding body). If a care facility meets the requirements for entering into a care contract, it then has the right to conclude such a contract. The care contract stipulates the nature, substance and scope of the general care services that the care facility is to provide to the policy holders during the term of the contract (the “**Care Mandate**”). The contract obligates the care facility to provide the policy holders with care in accordance with the Care Mandate. Additional provisions concerning the terms governing the provision of care are found in the master contracts applicable statewide, between the state federa-

tions of the nursing care funds and the associations of the sponsoring bodies. The care contracts directly bind all nursing care funds within the country. The state federations of the nursing care funds may terminate a care contract only under certain conditions.

The care facilities accredited under a care contract are entitled to compensation for the general nursing care services known as care rates (*Pflegesätze*). The care rates are to be borne by the nursing home residents. If a resident is in need of care, the care rates will be borne by his or her cost carrier (*i.e.* by the nursing care funds and social welfare funding bodies). To that end, the sponsoring body of every single accredited nursing home enters into care rates agreements (*Pflegesatzvereinbarung*) with the nursing care funds and with the relevant social welfare funding bodies, to the extent that a specific percentage of the calculation days of the nursing home is attributed to the cost carrier. As to nursing home residents who, pursuant to SGB XI, are entitled to care insurance benefits, the nursing care funds and the social welfare funding bodies also agree on the fees for room and board with the sponsoring bodies of the care facilities. However, those fees have to be borne completely by the resident.

Capital investments can be financed through public grants in accordance with state law. Such investments include, for example, the costs necessary for the construction, acquisition and maintenance of the buildings and other depreciable assets that are necessary to operate the care facilities; the costs of acquiring and improving real properties; the renting, use, or co-use of real properties, buildings or other depreciable assets; and the start-up or internal changeover costs of care facilities. To the extent that capital investment expenditures are not covered by public grants, a subsidized nursing home may charge the people in need of care separately for parts of the capital investments. However, this requires the approval of the relevant governmental agency at the state level. Unsubsidized care facilities merely have to notify those agencies of the separate assessment of investment costs. In the case of care facilities that are not publicly subsidized, the social welfare funding body must assume any separately assessed costs only if an agreement to that effect is in place.

Nursing homes are subject to extensive economic efficiency and quality control measures. Violations may result in the termination of the care contract or in a cut in compensation for the care.

Common Basic Requirements for Retirement and Nursing Homes

According to the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*), a private law residential contract must be entered into between a retirement or nursing home's sponsoring body and the residents of the retirement or nursing home concerning the services to be provided by such retirement or nursing home's sponsoring body, as well as the fees to be paid by the residents. As a rule, the contract has to be concluded for an indefinite period. The fees have to be calculated pursuant to standardized principles for each resident. As to nursing homes, the services and fees must comply with the rules of SGB XI. As to retirement homes, the stipulated fees must be reasonable in relation to the services. The operation of a retirement or nursing home is linked to legal requirements pursuant to the federal nursing homes act (*Heimgesetz*), and various nursing home laws of German federal states. Reports must be filed on the operation so that the competent governmental agency can review whether the respective retirement or nursing home meets the requirements of the respective nursing homes law. Retirement and nursing homes are subject to the supervision of the federal states. In the event that defects are found, the state supervisory body may issue orders against the relevant retirement or nursing home's sponsoring body ranging all the way to the prohibition of operations.

Retirement and nursing homes are also subject to several regulations on the federal as well as the state level. The Minimum Building Regulation for Retirement and Nursing Homes (*Heimmindestbauverordnung*) contains minimum requirements for a retirement or nursing home's design. The Retirement and Nursing Home Staffing Regulation (*Heimpersonalverordnung*) imposes minimum requirements on the qualifications of a retirement or nursing home's staff. The Retirement and Nursing Home Security Regulation (*Heimsicherungsverordnung*) applies if a retirement or nursing home's sponsoring body accepts cash or non-cash benefits for the room and board of a resident or applicant. The Retirement and Nursing Home Cooperation Regulation (*Heimmitwirkungsverordnung*) governs the activities of a retirement or nursing home's residents.

Legal Framework Applicable to Outpatient Care Services

Further, KATHARINENHOF® operates an outpatient care service. Such service is also governed by the SGB XI. Pursuant to SGB XI, just as regarding inpatient care only, outpatient care service providers that have entered into care contracts may provide outpatient care at the expense of the nursing care insurance. The nursing care insurance's benefits are also awarded in an amount up to defined cost limits (depending on the level of the care allowance). Costs in excess of that amount must be borne by the person in need of care.

Selected General Regulations Relevant for Deutsche Wohnen

Trade Regulations

In Germany, the business activities of Deutsche Wohnen are regulated primarily by the German Industrial Code (*Gewerbeordnung*). Important provisions are found in the regulations thereunder and especially in the Regulations for Real Estate Brokers and Developers (*Makler- und Bauträgerverordnung*), last amended on May 2, 2012. While the German Industrial Code (*Gewerbeordnung*) requires licenses for some business activities of Deutsche Wohnen, the most important provisions of the Regulations for Real Estate Brokers and Developers (*Makler- und Bauträgerverordnung*) require the disclosure of certain information to government agencies, compliance with record retention obligations, and an annual audit of the respective companies of Deutsche Wohnen Group by independent auditors.

The pertinent regulations under industrial law which apply explicitly to retirement homes and nursing homes have already been covered in the section “—*Legal Framework Applicable to Outpatient Care Services*”.

Real Estate Transfer Tax (RETT)

Purchasers of real estate located in Germany are required to bear certain costs. It is market practice that the purchaser of real estate is required to pay the RETT triggered by the respective sale and purchase transaction. RETT in Baden-Württemberg and Bremen currently amounts to 5.0% of the purchase value of the property, to 6.0% in Berlin and Hesse, to 6.5% in Schleswig-Holstein and North Rhine Westphalia (effective January 1, 2015) and to 3.5% in Bavaria. Additional costs, amounting to approximately 1.5% of the purchase value are incurred for notary fees and land registry office (*Grundbuchamt*) fees, depending on the value of the transaction. These additional costs are usually also paid by the purchaser whereas costs in connection with the deletion of mortgages that were registered by the seller for the purpose of its financing are usually to be borne by the seller. While the RETT rate is determined on the state level, the statutory RETT framework falls within the competency of federal lawmakers.

Under the current tax laws, the acquisition of a participation in an entity that owns German real estate of at least 95% is subject to RETT. Before June 6, 2013, the tax would not be triggered by way of a share deal in which up to 94.9% of shares in a property owning corporation and up to 94.9% of shares in an interim vehicle owning the remaining 5.1% in the property owning entity are acquired. An acquirer could thereby hold almost all of the shares in a property holding entity without being subject to RETT.

On June 6, 2013, the Bundestag implemented the EU Directive on Mutual Assistance (*Amtshilferichtlinie Umsetzungsgesetz*). Pursuant to this new act, RETT is also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% of an entity that owns a piece of German real property, regardless of whether this is held (partly) directly or (partly) indirectly. The economic participation shall equal the sum of direct or indirect participations in the respective entity's capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities have to be multiplied. Thus, pursuant to the new act, RETT is triggered if the overall effective ownership, taking into account direct and indirect participation (economic ownership), is, or exceeds, 95% when accumulation is determined based on economic interest calculated on a look-through basis.

Capital Investment Code/AIFM Directive

The German Capital Investment Code (*Kapitalanlagegesetzbuch*) was passed on May 16, 2013, by the German Bundestag and enacted on July 22, 2013. It replaces the German Investment Act (*Investmentgesetz*) and implements, inter alia, the EU Directive 2011/61/EU of June 8, 2011 on the administration of alternative investment funds. According to the new code, any organization for joint investments that collects capital from a number of investors with the purpose of investing it in accordance with a fixed strategy and that is not an operating company outside the financial sector, is considered an investment fund and is subject to regulation. The legislation stipulates that the investment criteria applied to the collected capital must be binding, in writing, and with a scope that goes beyond a generic business strategy in order for a company to qualify as an investment asset pursuant to the German Capital Investment Code (*Kapitalanlagegesetzbuch*). The difference between a defined investment strategy and a general business strategy of a company lies in the fact that the investment criteria are precisely specified and the scope of action is limited by the investment requirements and the articles of association.

In June 2013 the BaFin published a letter of interpretation, including a set of questions and answers that also concerned real estate companies, regarding the application of the German Capital Investment Code (*Kapitalanlagegesetzbuch*) and the definition of the term “investment asset”. It clarifies that a real estate company only qualifies as an investment asset when it meets the criteria under section 1 paragraph 1 sentence 1 of the German Capital Investment Code (*Kapitalanlagegesetzbuch*). Real estate companies whose main business is focused on project development (the conception, acquisition, and development of properties and the subsequent sale of these properties) or facility management, brokerage and appraisal activity or financing advice in regard to the purchase or sale of property are already disqualified as investment assets due to these “operational activities”. The same applies to (listed) real estate companies who operate their own properties (e.g., the operation of nursing care facilities). It is immaterial if the real estate company uses an external service provider or another company within the same group to run its operations as long as the business decisions remain in its hands. If the real estate company’s business is focused on the acquisition, lease or rental, management and sale of properties and not on an operational activity, it would meet the criterion of “non-operational activity” and set itself apart by the mere presence of a “fixed investment strategy” (*festgelegte Anlagestrategie*) in lieu of a “general business strategy” (*Unternehmensstrategie*). The letter of interpretation lists various indications of what meets the criterion of a “fixed investment strategy”, including a legally binding, enforceable obligation on the part of investors to adhere to the strategy of the investors and a defined strategy that stipulates, e.g., investment in certain asset categories, limitations on asset allocation, the pursuit of specific strategies, investment in specific geographic regions, limitations on leverage, etc.

Given its Nursing and Assisted Living segment, the Company believes that it qualifies as an “operating company”. The fact that the business purpose in the Articles of Association grants the Company’s directors a broad scope of action and does not stipulate a clear investment strategy meeting the criteria listed above gives us further reason to believe that, based on the legislation and the letter of interpretation from BaFin, neither the Company itself nor its asset-holding companies qualify as an investment asset within the meaning of the German Capital Investment Code (*Kapitalanlagegesetzbuch*).

Sampling Examination by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung)

According to section 342b of the German Commercial Code (*Handelsgesetzbuch (HGB)*) the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*) (the “DPR”) is authorized to examine whether the company’s financial statements comply with statutory requirements, including generally accepted accounting principles or other accounting standards authorized by law. In particular, the DPR conducts an examination (i) with cause if indications exist of a breach of accounting standards, (ii) upon request by the BaFin, or (iii) on a random-sampling basis without immediate cause (“sampling examination”). On June 23, 2014, the DPR notified the Company of its intention to conduct a sampling examination of the Company’s most recent financial statements

and respective management reports. The notification relates to the Company's audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 and the unconsolidated annual financial statements as of and for the fiscal year ended December 31, 2013 and the Company's respective group management report and the management report. The Company is engaged in discussions with the DPR. In 2013, 9% of the sampling examination undertaken by DPR resulted in findings (Source: DPR Annual Report 2013) and the respective companies may be required to publicly correct their financial reports. Deutsche Wohnen expects that a correction, if any, will not have an impact on its reported cash flow or FFO.

Management and Supervisory Bodies of Deutsche Wohnen AG

Overview

The Company's corporate bodies are the Management Board, the Supervisory Board and the general meeting. The powers and responsibilities of these corporate bodies are governed by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the Bylaws of the Management Board and the Supervisory Board.

The Management Board conducts the business of the Company in accordance with the law, the Articles of Association and the Bylaws of the Management Board, taking into account the resolutions of the general meeting. The Management Board represents the Company in its dealings with third parties. The Management Board is required to introduce and maintain appropriate risk management and risk controlling measures, in particular setting up a monitoring system in order to ensure that any developments potentially endangering the continued existence of the Company may be identified early. Furthermore, the Management Board must report regularly to the Supervisory Board on the performance and the operations of the Company. In addition, the Management Board is required to present to the Supervisory Board, no later than at the last Supervisory Board meeting of each fiscal year, certain matters of business planning (including financial investment and personnel planning) for the following fiscal year for approval by the Supervisory Board. Furthermore, as regards all matters of particular significance to the Company, each member of the Management Board who becomes aware of such matters must immediately report these matters, verbally or in writing, to the chairman and the vice chairman of the Supervisory Board or to all members of the Supervisory Board. Significant matters also include any development or event at an affiliated company of which the Management Board has become aware and that could have a material influence on the Company's position.

The Supervisory Board appoints the members of the Management Board and has the right to remove them for good cause. Simultaneous membership on the Management Board and the Supervisory Board is prohibited. The Supervisory Board advises the Management Board in the management of the Company and monitors its management activities. The Management Board may not transfer management tasks to the Supervisory Board. However, pursuant to the Bylaws of the Management Board, the Management Board must obtain the consent of the Supervisory Board for certain transactions or measures, in particular transactions or measures that entail fundamental changes to the Company's net assets, financial position or results of operations.

The members of the Management Board and of the Supervisory Board owe duties of loyalty and due care to the Company. In discharging these duties, the members of the governing bodies have to take into account a broad range of interests, in particular those of the Company, its shareholders, employees and creditors. The Management Board must also take into account the rights of shareholders to equal treatment and equal information. If the members of the Management Board or Supervisory Board fail to discharge their duties, they are jointly and severally liable for damages to the Company. A D&O insurance policy, which provides for a deductible, protects the Management Board and Supervisory Board members against claims for damages.

Under German stock corporation law, neither individual shareholders nor any other person may use its influence on the Company to cause a member of the Management Board or Supervisory Board to act in a manner that would be detrimental to the Company. People using their influence to cause a member of the Management Board or Supervisory Board, a holder of a general commercial power of attorney or an authorized agent to act in a manner causing damage to the Company or its shareholders, are liable to compensate the Company for any resulting losses if they have acted in violation of their obligation to use due care. Moreover, in this case, the members of the Management Board and Supervisory Board are jointly and severally liable in addition to the person using its influence if they have acted in breach of their obligations towards the Company.

Generally, an individual shareholder may not take court action against members of the Management Board or Supervisory Board if he believes that they have acted in breach of their duties to the Company and, as a result, the Company has suffered losses. Claims of the Company for damages

against the members of the Management Board or Supervisory Board may generally only be pursued by the Company itself; in the case of claims against members of the Supervisory Board, the Company is represented by the Management Board, and in case of claims against members of the Management Board, it is represented by the Supervisory Board. Pursuant to a ruling by the German Federal Court of Justice, the Supervisory Board must bring claims that are likely to succeed against Management Board members unless significant considerations of the Company's well-being, which outweigh or are at least equivalent to those in favor of such claim, render such a claim inadvisable. If the representative body in question decides against pursuing the claim, claims against the Management Board or Supervisory Board must be asserted if the general meeting adopts a resolution to this effect by a simple majority.

Shareholders whose joint holdings equal or exceed 10% of the share capital or the pro-rata amount of EUR 1,000,000 may petition the court to appoint a representative to pursue their claims for damages. Furthermore, shareholders whose joint holdings equal or exceed 1% of the share capital or a proportionate interest of EUR 100,000 at the time the petition is submitted may petition in their own name for a claim for damages to be heard by the regional court where the Company has its registered office. For such a claim to be heard, the Company must have failed to make a claim when called on to do so by the general meeting within an appropriate deadline set by them, and facts must have come to light justifying the suspicion that the Company has sustained damages as a consequence of dishonesty or of a flagrant breach of the law or of the Articles of Association and there are no significant grounds relating to the welfare of the Company outweighing such claim. The Company is entitled to bring a claim for damages itself at any time, and any pending application or claim on the part of the shareholders is barred once the Company does so.

The Company may only waive or settle a claim for damages against board members if at least three years have elapsed since the vesting of the claim, so long as the shareholders approve the waiver or settlement in the general meeting by a simple majority and provided that a minority of shareholders whose aggregate shareholdings amount to at least one-tenth of the share capital does not record an objection to such resolution in the minutes of the meeting.

Pursuant to German law, Deutsche Wohnen AG as a listed company that is not subject to co-determination has to set minimum quotas for female Supervisory Board members and Management Board members and for females in the two management levels below the Management Board. The quotas have to be set by September 30, 2015 and the point in time by which the Company aims to fulfill the quota must not be later than June 30, 2017. If the quota is set a level that is lower than 30%, the actual quota must not fall short of the target quota. In setting the quota, companies are encouraged to use their current gender structure as a guide. In the long term, companies should aim at reaching quotas of 50%. The Company has not set a quota yet.

Management Board and Senior Management

Pursuant to section 5 of the Articles of Association, the Management Board must consist of at least two members. The Supervisory Board determines the exact number of members. At present, the Management Board consists of three members, Michael Zahn, Andreas Segal and Lars Wittan. Mr. Zahn is currently appointed as the chief executive officer. On March 18, 2011 the Supervisory Board appointed Mr. Wittan as a member of the Management Board, effective October 1, 2011 and on January 31, 2014, Mr. Andreas Segal was appointed as an additional member of the Management Board with immediate effect.

On November 3, 2014, the Supervisory Board issued the most recent version of the Bylaws for the Management Board. According to these Bylaws, the Management Board shall adopt its resolutions by simple majority if it consists of more than two members. If the Management Board consists of two members, resolutions must be unanimous. If consensus cannot be reached on a matter to be decided, it is presented to the chairman of the Supervisory Board. While the members of the Management Board have the right to make decisions in their respective area of responsibility relating to matters in the ordinary course of business, the entire Management Board resolves on all matters of particular significance and importance for the Company or the Group.

The Company is legally represented by two members of the Management Board or by one Management Board member acting jointly with a holder of a general power of attorney. Pursuant to the Articles of Association, the Supervisory Board may grant to each member of the Management Board sole power of representation.

Pursuant to the Articles of Association and the Bylaws of the Management Board and Supervisory Board, the Management Board must seek prior consent of the Supervisory Board for certain transactions or measures that entail fundamental changes to the Company's net assets, financial position or results of operation listed in the bylaws of the Management Board. The Management Board has to, among others, obtain approval in particular for:

- the acquisition of domestic real estate in case the relevant transaction surpasses certain thresholds, varying from EUR 100 million to EUR 250 million;
- the acquisition of foreign real estate;
- the sale of real estate in case certain other conditions are met. These conditions include, inter alia, the fair value of the sold object exceeding certain thresholds varying from EUR 30 million to EUR 150 million and transactions in which the sale price falls short of the fair value of the sold object;
- the acquisition, sale or encumbrance of shares in real estate companies if the purchase or sale of a comparable real estate portfolio would be subject to the Supervisory Board's approval pursuant to the aforementioned parameters or if the value of such transaction exceeds EUR 10 million;
- taking up loans and raising other forms of debt capital in case certain other conditions are met. These conditions include, inter alia, the total amount of a debt instrument exceeding EUR 100 million, the LTV Ratio surpassing 65% or the hedging ratio falling below 75%;
- certain unusual transactions, *e.g.*, granting loans or providing collateral for third parties if the respective loan amount exceeds EUR 20 million; and
- the execution of transactions with related parties.

The Supervisory Board has delegated the decision-making authority for certain transactions to its Acquisition Committee. These transactions include, inter alia:

- acquisitions and disposals of real estate; purchases, sales and encumbrances of shares in real estate companies if the relevant value of the transaction does not exceed a threshold of either EUR 20 million or 1.5 times the amount of the above-mentioned threshold applicable to the respective transaction;
- the raising of debt capital as long as the amount of the debt instrument does not exceed EUR 200 million.

Transactions and measures do not require separate approval by the Supervisory Board or its Acquisition Committee if they are part of and expressly described in a business plan that has been approved by the Supervisory Board unless the Supervisory Board expressly reserves its decision-making responsibility.

In addition to the Management Board and the Supervisory Board, the Company provides for a senior management within the meaning of prospectus law, to which Dr. Kathrin Wolff belongs as General Representative of the Company and chairperson of the board of directors of Deutsche Wohnen Management GmbH.

Members of the Management Board and Senior Management

At present, the Management Board consists of three members: Michael Zahn, Andreas Segal and Lars Wittan. On March 18, 2011 the Supervisory Board appointed Mr. Wittan as a member of the Management Board, effective October 1, 2011, and on January 31, 2014, Mr. Segal was appointed as an additional member of the Management Board with immediate effect. Dr. Kathrin Wolff is also

deemed a member of the Company's senior management within the meaning of prospectus law. The following table lists the members of the Management Board and senior management and their respective areas of responsibility.

Management Board

<u>Name</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Areas of Responsibility</u>
Michael Zahn (CEO)	September 1, 2007	December 31, 2020	<ul style="list-style-type: none"> – Strategic Corporate Development – Property Management – Nursing and Assisted Living – Human Resources – Communication
Andreas Segal (CFO)	January 31, 2014	December 31, 2018	<ul style="list-style-type: none"> – Corporate Finance – Legal/Compliance – Investor Relations
Lars Wittan (CIO)	October 1, 2011	September 30, 2019	<ul style="list-style-type: none"> – Accounting/Tax/Controlling – Asset Management – Risk Management – Corporate Planning – IT/Organization

Senior Management

Dr. Kathrin Wolff (General Representative)	April 15, 2011	–	– Property Management
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Short biographies of the current Management Board members and senior management are given below:

Michael Zahn

Michael Zahn received his degree in economics from the Albert-Ludwigs University in Freiburg im Breisgau, Germany, in 1992. In parallel with his professional activity, he completed postgraduate courses to become a Corporate Real Estate Manager and Chartered Surveyor at the European Business School in Oestrich-Winkel, Germany. Michael Zahn began his professional career in 1993 with the association of Berlin-Brandenburg housing enterprises (*Verband Berlin-Brandenburgischer Wohnungsunternehmen*), Domus AG, in Berlin, Germany. After a brief period as deputy managing director at GEWOBA GmbH in 1996, he joined GEHAG AG (now GEHAG GmbH), where he worked in various management roles between 1997 and 2007. From 2007 to June 30, 2009, he was also chief financial officer of KATHARINENHOF®, a subsidiary of GEHAG. In the course of the merger of Deutsche Wohnen AG and the GEHAG Group, he was appointed member of the Management Board in September 2007 and speaker of the Management Board in October 2007. In December 2008, Michael Zahn was appointed chairman of the Management Board of Deutsche Wohnen AG.

Andreas Segal

Andreas Segal has completed an apprenticeship as a banker and holds a bachelor's degree in Business Administration. He completed his academic education with the second state examination in law, specializing as a certified tax lawyer. Between 1997 and 1998 Andreas Segal worked as real estate consultant. Subsequently, from 1998 to 2000 he worked as a lawyer specializing in corporate finance. From 2000 to 2003, Andreas Segal worked as an adviser in the field of capital markets for Commerzbank AG in Frankfurt and London. From 2003 to 2006, Andreas Segal was a managing director at ProMarkt Handels GmbH and member of the management board at Wegert Holding GmbH, a private real estate and investment management company. Since 2006, Andreas Segal has worked in leading positions for GSW Immobilien AG. He worked as Chief Financial Officer (CFO) of the Group since 2007 and became a member of the management board in 2008. From August 2013 until January

2014 he acted as Co-CEO of GSW Immobilien AG. On January 31, 2014, Andreas Segal was appointed as Chief Financial Officer of Deutsche Wohnen AG with immediate effect.

Lars Wittan

Lars Wittan received a degree in economics from the College of Vocational Studies (*Berufsakademie*) of Berlin, in 2000. Lars Wittan began his professional career in 2000 with Arthur Andersen Deutschland, Germany. In 2002, he was transferred to Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (now Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft) following the merger with Arthur Andersen. He became a certified public auditor in 2006. Since August 2007, Lars Wittan has held various management positions for Deutsche Wohnen Group. During its meeting on March 18, 2011 the Supervisory Board appointed Lars Wittan as an additional member of the Management Board effective as of October 1, 2011. Succeeding Helmut Ullrich, Lars Wittan was Chief Financial Officer of the Company from July 1, 2012 until January 30, 2014. With effect from January 31, 2014, Lars Wittan was appointed Chief Investment Officer (CIO) of the Company. Since January 2014, Lars Wittan has also been a member of the management board of GSW Immobilien AG. Since January 2015, he has been serving as chairman of the management board (CEO) of GSW Immobilien AG.

Dr. Kathrin Wolff

Dr. Kathrin Wolff received a degree in geography from Humboldt University of Berlin and subsequently obtained a Ph.D. in economical geography (urban development) from the same university. She began her professional career in 1989 (head of the editorial office from 1990 to 1993) at the Tourist Verlag in Berlin, and worked from 1994 to 1996 for the real estate companies ProMark GmbH and Inter-Markt GmbH, where she was involved in real estate financing and project development. From 1996 to 1999, Dr. Wolff acted as Managing Director in group companies of Notbohm Holding GmbH/GIWA Grundstücks-, Industrie-, Wirtschaftsanlagen Verwertungs GmbH & Co. KG. In 2000, she joined GEHAG GmbH where she became head of the portfolio development department in April 2002 and authorized representative in March 2004. Since March 2008, Dr. Wolff is a managing director of Deutsche Wohnen Management GmbH, a wholly owned subsidiary of the Company, which carries out the entire residential real estate management for the Company's portfolios. On April 15, 2011 Dr. Kathrin Wolff was appointed as General Representative of Deutsche Wohnen AG. Since March 2014, Dr. Wolff has also been a member of the management board of GSW Immobilien AG.

The following table lists the names of all entities and companies in which the members of the Management Board and senior management were members of the administrative, management or supervisory bodies or were partners during the last five years, including whether the membership in this body or partnership is to continue. Roles held in Deutsche Wohnen AG's subsidiaries (other than in GSW Immobilien AG) are not listed.

Michael Zahn

Current mandates:

TLG IMMOBILIEN AG (chair of the supervisory board)

Terminated mandates:

GSW Immobilien AG (chair of the management board)

Andreas Segal

Current mandates:

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Terminated mandates:

Berlin Mediahaus GmbH (managing director)

GSW Berlin Asset Invest Verwaltungs-GmbH (managing director)

GSW Immobilien AG (member of the management board)

Zisa Verwaltungs GmbH (managing director)

Lars Wittan

Current mandates:
 GSW Immobilien AG (chair of the management board)
Terminated mandates:
 None

Dr. Kathrin Wolff

Current mandates:
 GSW Immobilien AG (member of the management board)
Terminated mandates:
 None

The employment contract between Michael Zahn and the Company runs until December 31, 2020. The current employment contract between Andreas Segal and the Company runs until December 31, 2018. The employment contract between Lars Wittan and the Company runs until September 30, 2019. None of the employment contracts stipulate additional benefits at the end of the term, though the contracts with Michael Zahn, Andreas Segal and Lars Wittan define severance pay in the event of a change of control and the resulting termination of his employment contract, as described below. Apart from those indicated above, no other contracts of employment have been executed between the members of the Management Board, the Supervisory Board and the Company or its subsidiaries.

The members of the Management Board and senior management may be reached at the Company's address.

Remuneration, Shareholdings and Other Legal Relationships

Based on the proposal of the Executive Committee, the Supervisory Board decides the remuneration system for the Management Board, including all essential contractual elements, and reviews it regularly against the background of the provisions of the German Stock Corporation Act (*Aktiengesetz*) introduced in 2009 concerning the appropriateness of the remuneration system of the Management Board. The Supervisory Board introduced a new remuneration system for the Management Board members in 2010, with changes that were made in 2014. The remuneration system (in its current form) applies to the employment contract of Michael Zahn, Lars Wittan and Andreas Segal. The remuneration system was approved by the general meetings on May 31, 2011 and again on June 11, 2014. The monetary remuneration is divided into a fixed annual base salary and variable salary components that consist of short-term incentives and long-term incentives.

The following table summarizes the remuneration earned by the members of the Management Board in 2014:

	<u>Michael Zahn</u>	<u>Andreas Segal</u> (audited)	<u>Lars Wittan</u>
	(in EUR thousand)		
Fixed remuneration.....	731	386	344
Supplementary payments.....	28	30	25
Total fixed	759	416	369
Short term incentive	500 ¹⁾	240 ¹⁾	240 ¹⁾
Stock Option Program 2014 ²⁾	750	260	260
Total variable	1,250	500	500
Total amount	2,009	916	869

- 1) In March 2015, the Supervisory Board set the achieved performance level for 2014 at 125%, resulting in short term incentive payments of EUR 625 thousand, EUR 300 thousand and EUR 300 thousand, respectively.
- 2) In the notes to the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2014 referred to as "AOP 2014".

The current fixed remuneration on a per year-basis of the members of the Management Board is set at EUR 825 thousand for Michael Zahn, EUR 426 thousand for Andreas Segal and EUR 376 thousand for Lars Wittan. In 2014, supplementary payments were made for Michael Zahn in the

amount of EUR 28 thousand, for Andreas Segal in the amount of EUR 30 thousand and for Lars Wittan EUR 25 thousand, in each case in accordance with their respective employment contracts.

The variable salary components are performance-based. In respect to the short-term incentive, which is limited to less than 50% of the overall variable compensation, each member of the Management Board agrees with the Supervisory Board on specific individual targets in advance of each fiscal year. Performance criteria include group performance (EBITDA, FFO) as well as individual targets. The level of variable remuneration under the short term incentive depends on the achievement of these pre-defined performance targets in the respective year. Bonus payments are capped at 125% of target payment. At less than 75% of target performance across all targets, no bonus payments are granted. For the year 2014, short term incentives of EUR 625 thousand were earned by Michael Zahn, EUR 300 thousand were earned by Lars Wittan and EUR 300 thousand were earned by Andreas Segal.

Until December 31, 2013 the long-term variable compensation component was calculated according to the provisions of the Deutsche Wohnen management performance share unit plan. As of December 31, 2013, the entitlements of the Management Board resulting from the performance share unit plan in the period 2010 to 2013 have a value of EUR 2.8 million (Michael Zahn EUR 1.35 million, Helmut Ullrich, a former member of the Management Board, EUR 0.75 million and Lars Wittan EUR 0.74 million). For fiscal year 2014, the performance share unit plan has been replaced by the Stock Option Program 2014 (see “*Business—Compensation*”) that was approved by the Company’s annual general meeting on June 11, 2014. The program is intended to better align Deutsche Wohnen’s remuneration policy with long-term shareholder value. Under the Stock Option Program 2014 the Company is authorized for up to four years after the entry of the Conditional Capital 2014/III in the commercial register to grant up to 8,371,839 Option Rights to members of the Management Board and up to 4,507,913 Option Rights to selected executives of the Company and affiliates. The number of stock options to be issued is based on the relevant share price at the time the Option Rights was granted and the planned variable compensation for the respective eligible person.

As the performance targets are set on a multi-year basis, the Stock Option Program 2014 complies with legal requirements set by the German Stock Corporation Act (*Aktiengesetz*) and the German Corporate Governance Code (*Deutsche Corporate Governance Kodex*), as amended on June 12, 2015, (the “**Code**”) regarding variable compensation. The variable compensation component participates not only in positive developments, but also, if one or several performance targets are not met, in negative developments during the assessment period. The Supervisory Board is allowed to partly or wholly limit the content and the size of the stock options granted to the Management Board if there are extraordinary, unforeseen developments.

Under the respective management agreements, Michael Zahn, Andreas Segal and Lars Wittan may be granted long-term incentive entitlements amounting, as per the date of grant, to a maximum of EUR 1,125 thousand, EUR 390 thousand and EUR 390 thousand (each corresponding to a performance level of 150% at the grant date under the Stock Option Program 2014).

In addition, the Supervisory Board is contractually entitled to award a special bonus to Management Board members, which is capped at the amount of the annual base salary of the respective Management Board member. In 2013, Michael Zahn and Lars Wittan have received under their old employment contracts a special remuneration following the successful takeover of GSW. Michael Zahn has been granted a special remuneration of EUR 900 thousand and Lars Wittan EUR 600 thousand (in each case partially expressed by a corresponding number of shares of the Company), 50% of which was paid in cash in 2013. 50% of the second part was paid in 2014. Michael Zahn and Lars Wittan invested the net cash amount received in shares of the Company. However, the remaining 50% of this second part will be paid dependent on achieving the envisaged synergy potential of the takeover of GSW of EUR 25 million per year.

Mr. Zahn’s, Mr. Segal’s and Mr. Wittan’s employment contract provide for severance payments if they terminate their employment contracts due to a change of control. A change of control in this sense is deemed to have occurred, as soon as (i) one or more parties acting in concert acquire at least 30% of the Company’s shares and (ii) as a result the role of Mr. Zahn, Mr. Segal or Mr. Wittan is materially affected. In case of a termination of their employment contracts without cause, the members

of the Management Board are entitled to a severance payment amounting to two annual salaries plus ancillary emoluments. However, the amount of severance payment shall not exceed the amount of Mr. Zahn's, Mr. Segal's and Mr. Wittan's compensation granted for the rest of their office terms. These payments meet the requirements under Point 4.2.3 paragraph 4 of the Code and the limit on severance pay defined therein.

For the fiscal year 2014, Dr. Wolff received a total compensation of EUR 240 thousand.

In addition, each member of the Management Board and senior management is entitled to family health insurance sponsored in part by the Company, as well as a company car, reimbursement of travel expenses, and a subsidy for family health insurance. The Company has purchased group accident insurance that also covers the Management Board members and provides for the payment of death and disability benefits. The Company provides the Management Board members with retirement and survivor benefits in the form of direct insurance.

The Company has taken out a D&O insurance policy for members of the Management Board, which provides (since July 1, 2010) for a deductible. The deductible payable by the members of the Management Board amounts to 10% of the compensation for all insured events in a year up to a maximum of 150% of the basic annual remuneration. The D&O insurance policy provides insurance coverage for financial losses resulting from breaches of duty by the governing bodies in exercising their functions.

Michael Zahn holds 8,500 shares in Deutsche Wohnen AG. Andreas Segal holds directly and indirectly a total of 40,098 shares in Deutsche Wohnen AG. Lars Wittan holds 5,210 shares in Deutsche Wohnen AG. The members of senior management do not hold any shares in the Company. There are no actual or potential conflicts of interest between the responsibilities of the members of the Management Board or senior management vis-à-vis the Company and their private interests or other responsibilities. There are no family relationships between (i) individual members of the Management Board and between Management Board members and senior management or (ii) between Management Board members/senior management and members of the Supervisory Board. There are no service agreements between the Company or its subsidiaries and the members of the Management Board or senior management that would provide for any benefits upon their termination.

No member of the Management Board or senior management faces any convictions in relation to fraudulent offences for the last five years. In addition, no member of the Management Board or senior management has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies, and/or receiverships, and/or insolvencies or liquidations. No member of the Management Board or senior management has ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

Supervisory Board

Pursuant to section 6 paragraph 1 of the Articles of Association, the Supervisory Board consists of six members. It is not subject to employee codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*). Therefore, the members of the Supervisory Board are all elected by the general meeting as representatives of the shareholders. The members of the Supervisory Board are generally elected for a fixed term of approximately five years. Reelection, including repeated reelection, is permissible.

For each member of the Supervisory Board, the shareholders may, at the same time the respective member is elected, appoint substitute members. These substitute members will replace the elected Supervisory Board member in the event of his premature departure in an order that was defined at the time of the appointment. The term of office of the substitute member replacing the departing member terminates, if a successor is elected at the next general meeting or the following one, at the close of the

general meeting, otherwise on the expiry of the term of office of the departed member of the Supervisory Board. Members of the Supervisory Board who were elected by the general meeting may be dismissed at any time during their term of office by a resolution of the general meeting adopted by 50% of the votes cast. In accordance with the Articles of Association, any member or substitute member of the Supervisory Board may resign at any time, even without providing a reason, by giving one month's notice of his resignation to the Management Board in writing. This does not affect the right to resign for good cause.

Pursuant to section 107 paragraph 1 of the German Stock Corporation Act (*Aktiengesetz*) and section 6 paragraph 4 of the Articles of Association, the Supervisory Board elects its Chairman and Vice Chairman from among its members. Currently, Uwe E. Flach has been elected Chairman and Dr. Andreas Kretschmer Vice Chairman.

The Supervisory Board forms committees from among its members. The following four committees were set up in the fiscal year 2013:

- the Executive Committee (advises and passes resolutions relating to urgent matters; remains in constant communication with and advises the Management Board; prepares the Supervisory Board's meetings; decides on the content of and executes employment agreements with members of the Management Board in accordance with resolutions of the Supervisory Board);
- the Nomination Committee (proposes suitable candidates to Supervisory Board for election recommendation to the general meeting in compliance with the requirements of the Code);
- the Audit Committee (conducts advance review and prepares the unconsolidated annual financial statements and the consolidated financial statement for approval by the Supervisory Committee, discusses the quarterly and semi-annual interim reports with the Management Board prior to publication; discusses compliance, risk assessment, risk management, and the adequacy and effectiveness of the internal control system with the Management Board; prepares the recommendation for appointing the external auditors at the general meeting); and
- the Acquisition Committee (discussion of potential targets and conditions for the purchase or sale of property or holdings with the Management Board and preparation of the Supervisory Board's decision to approve the same).

No separate remuneration committee has been established.

The German Stock Corporation Act (*Aktiengesetz*) stipulates that a quorum of the Supervisory Board is present if at least three members, and at least one-half of the members of the Supervisory Board as mandated by law or the Articles of Association, participate in the voting. The resolutions of the Supervisory Board are passed with a simple majority, unless otherwise mandated by law. In the event of a parity of votes, the Chairman or, if he is unable to vote, the Vice Chairman, has the deciding vote.

Members of the Supervisory Board

The following table lists the members of Supervisory Board and the positions they hold outside the Company.

Name	Member since	Appointed until	Committee Memberships	Principal occupation outside the Company
Uwe E. Flach (Chairman)	January 18, 2008 ¹⁾	2018 general meeting	Executive Committee Nomination Committee Audit Committee Acquisition Committee	Senior Advisor to Oaktree GmbH, Frankfurt am Main
Dr. rer. pol. Andreas Kretschmer (Vice Chairman)	June 28, 2000	2015 general meeting	Executive Committee Nomination Committee Audit Committee Acquisition Committee	Chief Executive Officer of Ärzteversorgung Westfalen-Lippe, Münster
Dr. h.c., Dr. Ing. e.h. Wolfgang Clement	July 6, 2011 ²⁾	2017 general meeting	Nomination Committee	Former Federal Minister for Economy and Labor; Publicist and independent consultant
Matthias Hünlein	June 28, 2000	2015 general meeting	Executive Committee Acquisition Committee	Managing Director of Tishman Speyer Properties Deutschland GmbH, Frankfurt am Main
Dr. Florian Stetter	March 23, 2006	2016 general meeting	Audit Committee	Real estate salesman
Claus Wissner	June 11, 2014	2019 general meeting	–	Business man and master craftsman

1) After the initial appointment by court order of January 18, 2008, Mr. Flach was further appointed by the general meeting on June 17, 2008, and reelected by the general meeting on May 28, 2013.

2) After the initial appointment by court order of July 6, 2011, Dr. Clement was further appointed by the general meeting on June 6, 2012.

Short biographies of the current Supervisory Board members are given below:

Uwe E. Flach

Uwe E. Flach studied business administration and is a qualified banker. Mr. Flach began his professional career with Dresdner Bank AG and he joined Dillon Read & Company where he worked in New York, London and Paris for six years. In 1976, he moved to DG BANK AG, where he became in 1977 senior manager with responsibility for capital markets, securities and corporate finance. In 1989, he first became a deputy member of the Management Board of DG Bank AG, and in 1991 he became a member of the Management Board, taking responsibility for the investment banking division. From 2001 until his retirement in 2003, he was appointed as deputy chairman to the Management Board of DG BANK's successor bank, DZ BANK AG. Besides his affiliation with DG BANK AG and DZ BANK AG, Mr. Flach has held various supervisory board positions in various companies (see list below). Since 2004, he has been a senior advisor and consultant for Oaktree GmbH. Mr. Flach has been a member of the Supervisory Board of Deutsche Wohnen AG since January 2008 and since July 2011, the chairman of the Supervisory Board.

Dr. Andreas Kretschmer

Dr. Andreas Kretschmer studied economics with a focus on auditing/accounting and further started a second course of studies in law at the Johann-Wolfgang-Goethe University in Frankfurt am Main, Germany. In 1977, he received a Ph.D. in economics from the Johannes Gutenberg University in Mainz, Germany. From 1973 to 1992, Dr. Kretschmer worked at Dresdner Bank, where he held leading positions, including executive assistant and director of corporate customer service. Dr. Kretschmer was active both nationally and internationally during his work at Dresdner Bank. During 1991 and 1992, he also worked as Head of Finances to the governmental agency privatizing eastern German property (*Treuhandanstalt*). In 1992, Dr. Kretschmer joined the pension scheme for physicians in Westphalia-Lippe (*Ärzteversorgung Westfalen-Lippe*) as managing director of capital investment and was appointed as CEO in 2009. Dr. Kretschmer has held various board positions in various companies (see list below). Dr. Kretschmer has been a member of the Supervisory Board of Deutsche Wohnen AG since June 2000; he was first elected as vice chairman to the Supervisory Board in August 2006.

Dr. h.c., Dr. Ing. e.h. Wolfgang Clement

Wolfgang Clement received a law degree and at the same time completed a journalism internship in 1965. He became an assistant at the Institute for Litigation at Marburg University, and then editor, head of the political department and deputy editor in chief of “Westfälische Rundschau” in Dortmund. From 1981 to 1986 he was spokesman for the federal executive board of the Social Democratic Party of Germany (*Sozialdemokratische Partei Deutschlands – SPD*) and was also the deputy secretary-general of the party from 1985 to 1986. From 1987 to 1988 he served as editor in chief of “Hamburger Morgenpost”. Wolfgang Clement was appointed head of the state chancellery of the German federal state of North Rhine-Westphalia in 1989 and ran this office in the post of Minister for Special Tasks starting in 1990. From 1995 to 1998, he was Minister for Economic Affairs, Small- and Medium-Sized Business Enterprises, Technology and Transport of the State of North Rhine-Westphalia. In addition, he became a deputy chairman of the board of the SPD of North Rhine-Westphalia in 1996. In 1998, he succeeded Johannes Rau as Prime Minister of the State of North Rhine-Westphalia. Following the regional elections in 2000, he was confirmed in office. In 2002 he was appointed Federal Minister for Economy and Labor under the administration of Federal Chancellor Gerhard Schröder. In this role he was responsible, among other things, for a host of labor market reforms as part of the “Agenda 2010.” Since 2005 he has been working as a publicist, sits on the board of trustees for various scientific organizations, and is a member of different supervisory boards as well as the impartial chairman for the Central Arbitration Board for the German Construction Industry (*Zentralschlichtungsstelle für das deutsche Baugewerbe*). Wolfgang Clement holds various mandates in the supervisory bodies of numerous companies (see list below) and has been a member of the Supervisory Board of Deutsche Wohnen AG since July 2011.

Matthias Hünlein

Matthias Hünlein received a law degree from the University of Passau, Germany. In 1990, Matthias Hünlein began his professional career with Deutsche Bank Group after completing his law degree. Among other positions he was hired by Deutsche Bank-Investmentgesellschaft DB Real Estate Management GmbH (now RREEF Management GmbH) and as managing director of DB Real Estate Spezial Invest GmbH (now RREEF Spezial Invest GmbH), where he was responsible for product development and client relationships. In November 2005, Matthias Hünlein joined Tishman Speyer Properties Deutschland GmbH where he is responsible, as managing director, for client relationships and capital raising activities in Europe and the Middle East. Matthias Hünlein has held various board positions in various companies (see list below). Matthias Hünlein has been a member of the Supervisory Board of Deutsche Wohnen AG since June 2000.

Dr. Florian Stetter

Dr. Florian Stetter studied business administration at the Vienna University of Economics and Business and received a Ph.D. from the University of Vienna, Austria. He began his professional career in 1988 with McKinsey & Company as a business analyst. From 2000 to 2010, Dr. Stetter was managing director of Strabag Property and Facility Services GmbH. He is currently an independent real estate salesman. Dr. Stetter is a member of the supervisory board in one other company (see list below). Dr. Stetter has been a member of the Supervisory Board of Deutsche Wohnen AG since March 2006.

Claus Wisser

After studying business administration in 1963 in Frankfurt am Main, Claus Wisser founded WISAG Service Holding GmbH & Co. KG (“**WISAG**”) in 1965. Under Mr. Wisser’s stewardship, WISAG developed into one of the leading facility and building service companies in Germany.

Since 1975, Mr. Wisser has served as a founder, director and shareholder of numerous real estate companies, where he has developed and managed his own and others’ property with an emphasis on the Rhine-Main region. Claus Wisser also continues to serve as chairman and member of a number of management and supervisory boards and councils (see list below), including serving as chairman of the supervisory board of AVECO Holding AG (the parent company of WISAG group), as well as a member of the supervisory board for Deutsche Familienversicherung AG. At the same time, he is actively involved with a number of charitable, cultural and social organizations. Mr. Wisser was appointed to the Supervisory Board of Deutsche Wohnen AG on June 11, 2014.

Current and terminated mandates

Over the last five years, the members of the Supervisory Board were or currently are members of the executive, administrative, or supervisory bodies and/or partners in the following enterprises and companies, both domestic and foreign, outside Deutsche Wohnen Group (other than in GSW Immobilien AG):

Uwe E. Flach
(Chairman)

Current mandates:

Deutsche Office AG, Cologne, Germany (vice chairman of the supervisory board)
DZ Bank AG, Frankfurt am Main, Germany (advisory council)
GSW Immobilien AG, Berlin, Germany (chairman of the supervisory board)

Terminated mandates:

Nordenia International AG, Greven, Germany (supervisory board)
STADA Arzneimittel AG, Bad Vilbel, Germany (supervisory board)
Versatel AG, Berlin, Germany (supervisory board)

Dr. Andreas Kretschmer
(Vice Chairman)

Current mandates:

Amprion GmbH, Dortmund, Germany (vice chairman of the supervisory board)
BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany (chairman of the supervisory board)
GSW Immobilien AG, Berlin, Germany (vice chairman of the supervisory board)

Terminated mandates:

Biofrontera AG, Leverkusen, Germany (vice chairman of the supervisory board)
Oppenheim Immobilien-Kapitalanlagegesellschaft mbH, Wiesbaden, Germany (supervisory board)
Private Life Biomed AG, Hamburg, Germany (chairman of the supervisory board)

**Dr. h.c., Dr. Ing. e.h. Wolfgang
Clement**

Current mandates:

Daldrup & Söhne Aktiengesellschaft, Grünwald/Geiselgasteig, Germany (chairman of the supervisory board)
DIS Deutscher Industrie Service Aktiengesellschaft, Dusseldorf, Germany (supervisory board)
Peter Dussmann-Stiftung, Berlin, Germany (member of the foundation board)
Dussmann Stiftung & Co. KGaA, Berlin, Germany (chairman of the supervisory board)
Landau Media Monitoring AG & Co. KG, Berlin, Germany (supervisory board)
RWE Power Aktiengesellschaft, Essen, Germany (supervisory board)
Karl Spiehs – Privatstiftung, Vienna, Austria (management board)

Terminated mandates:

Energy Consulting, Moscow, Russia (management board)
M. DuMont Schauberg GmbH & Co. KG, Cologne, Germany (supervisory board)
Versatel AG, Berlin, Germany (supervisory board)

Matthias Hünlein

Current mandates:

GSW Immobilien AG, Berlin, Germany (supervisory board)

Terminated mandates:

A. A. A. Aktiengesellschaft Allgemeine Anlageverwaltung, Frankfurt am Main, Germany (supervisory board)

Dr. Florian Stetter

Current mandates:

CalCon Deutschland AG, Munich, Germany (supervisory board)
Enovo s.r.o., Bratislava, Slovakia (managing partner)

Terminated mandates:

None

Claus Wisser

Current mandates:

AVECO Holding AG, Frankfurt am Main, Germany (chairman of the supervisory board)
DFV Deutsche Familienversicherung AG, Frankfurt am Main, Germany (member of the management board)

Terminated mandates:

None

The members of the Supervisory Board may be reached at the Company's address.

Remuneration, Shareholdings and Other Legal Relationships

Pursuant to the Articles of Association each member of the Supervisory Board receives a fixed annual compensation payment of EUR 30 thousand for his activity. The chairman of the Supervisory

Board receives twice this amount and a vice chairman one and a half times the compensation of an ordinary member of the Supervisory Board. In addition, each member of the Supervisory Board receives a lump-sum remuneration of EUR 5 thousand per fiscal year for their membership on the audit committee of the Supervisory Board. Furthermore, every member of the executive and acquisition committee of the Supervisory Board will receive an attendance fee of EUR 1 thousand for personally participating in each meeting. If a fiscal year is shorter than twelve months, compensation is paid on a pro rata basis. The total remuneration of the members of the Supervisory Board for 2014 amounts to EUR 240 thousand (net without VAT) and will be paid following the Company's annual general meeting to be held on June 12, 2015. The following table shows a breakdown of the total remuneration for 2014 by member of the Supervisory Board:

	<u>Remuneration</u> (audited) (in EUR thousand)
Uwe E. Flach (Chairman).....	65
Dr. rer. pol. Andreas Kretschmer (Vice Chairman)	50
Dr. h.c., Dr. Ing. e.h. Wolfgang Clement	30
Matthias Hünlein	30
Dr. Michael Leinwand.....	13.3
Dr. Florian Stetter.....	35
Claus Wisser.....	16.8
Total amount	240

Uwe E. Flach will receive a remuneration of EUR 65 thousand, Dr. Andreas Kretschmer EUR 50 thousand, Dr. Wolfgang Clement EUR 30 thousand, Matthias Hünlein EUR 30 thousand, Dr. Michael Leinwand EUR 13.3 thousand, Dr. Florian Stetter EUR 35 thousand and Claus Wisser EUR 16.8 thousand for 2014, in each case net without VAT.

The agenda for the Company's general meeting on June 12, 2015 includes an item asking the shareholders to vote on a significant increase in the compensation for the members of the Supervisory Board. If the resolution was passed by the Company's general meeting, the annual fixed base compensation per member of the Supervisory Board would be increased to EUR 60,000. The chairman of the Supervisory Board would receive twice this amount, and the vice-chairman would receive one-and-a-half times the remuneration of an ordinary member. Each member of the audit committee would receive an additional annual compensation of EUR 10,000, with the chairman of the audit committee receiving twice this amount. Members of other committees, with the exception of the nomination committee, would receive an annual compensation of EUR 5,000 per member and committee.

The Supervisory Board members are further entitled to reimbursement of all expenses. In addition, the Company has purchased, at its own expense, D&O insurance for the members of the Supervisory Board, which provides (since July 1, 2010) for a deductible pursuant to the Code. The deductible payable by the members of the Supervisory Board amounts to 10% of the compensation for all insured events in a year up to a maximum of 150% of the basic annual remuneration.

Uwe E. Flach, the chairman of the Supervisory Board, held 2,500 Deutsche Wohnen AG shares on December 31, 2014. Pursuant to directors' dealings notification received by the Company, Uwe E. Flach sold his 2,500 shares in Deutsche Wohnen AG on January 13, 2015. As of December 31, 2014, his wife held 2,500 Deutsche Wohnen AG shares. Ms. Flach sold her shares in the Company on January 8, 2015. The wife of Supervisory Board member Dr. Andreas Kretschmer held 4,705 Deutsche Wohnen AG shares on December 31, 2014. On January 19, 2015, Ms. Kretschmer sold 2,000 shares in the Company. Member of the Supervisory Board Wolfgang Clement held, together with his wife, 1,000 shares of Deutsche Wohnen AG as of December 31, 2014. The remaining members of the Supervisory Board currently do not hold any shares in Deutsche Wohnen AG. No Supervisory Board member holds options over shares in Deutsche Wohnen AG.

With the exception of these shareholding interests, there are no actual or potential conflicts of interest between the responsibilities of the members of the Supervisory Board vis-à-vis the Company and their private interests or other responsibilities. However, it should be noted that Mr. Claus Wisser

is the company founder and chairman of the Supervisory Board of AVECO Holding AG, a holding company of the WISAG group, Mr. Wisser does not hold any shares in AVECO Holding AG. WISAG group provides limited building cleaning and maintenance services to FACILITA Berlin GmbH, a participation of Deutsche Wohnen at market-standard conditions.

There are no family relationships between (i) individual members of the Supervisory Board or (ii) between Supervisory Board members and senior management or (iii) between Supervisory Board members and members of the Management Board. There are no service agreements in place between the Company or its subsidiaries and the members of the Supervisory Board that would provide for benefits in the event of termination of the respective service relationship. The Supervisory Board members have not taken out loans from Deutsche Wohnen AG.

No member of the Supervisory Board faces any convictions in relation to fraudulent offences for the last five years. In addition, no member of the Supervisory Board has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies, and/or receiverships, and/or insolvencies or liquidations. No member of the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

General Meeting

The general meeting is the body in which shareholders can exercise their rights within the Company. The general meeting of the Company is convened by the Management Board in the cases provided for by law or the Articles of Association or if required in the interests of the Company. Pursuant to section 9 paragraph 1 of the Articles of Association, the general meeting must be held at the registered office of the Company or in another German city with a stock exchange. Notice of the general meeting, accompanied by the agenda, must be issued no later than 30 days before the day on which shareholders must register prior to the meeting. This period does not include the day on which the convening notice is issued and the day on which the shareholders must register to participate in the general meeting. Notice of the convening of the general meeting is made through publication in the German Federal Gazette (*Bundesanzeiger*).

If the interests of the Company so require, the general meeting can also be convened by the Supervisory Board. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), shareholders whose shares constitute at least 5% of the share capital may demand that the general meeting be convened; this demand must be made in writing, stating the purpose of the meeting and be directed to the Management Board. Using the same procedure, shareholders whose aggregated shares constitute at least 5% of the Company's share capital, or a proportional interest of EUR 500,000 of the share capital, may demand that items be submitted for vote at a general meeting. In addition, shareholders must prove that they have owned their shares for at least three months and that they will hold their shares until their motion has been decided upon. If such demand is not met by the Company, a court may authorize the shareholders who issued the demand to convene the general meeting. The convening notice or publication must make reference to such authorization.

Holders of bearer shares are entitled to participate in the general meeting and exercise their voting rights pursuant to section 9 paragraph 5 of the Articles of Association, provided that they have registered for participation in the meeting in due time as defined in section 9 paragraph 6 of the Articles of Association. In order to exercise the rights attributable to bearer shares, the holders of bearer shares must also prove to the Company their eligibility to participate in the general meeting and to exercise their voting rights. Written evidence of the shareholdings in German or English, prepared by the custodian institution, must be presented by the end of the seventh day before the date of the general meeting. The written evidence of shareholding must relate to the beginning of the twenty-first day prior to the general meeting.

Pursuant to section 9 paragraph 5 of the Articles of Association, registration of participation is in due time according to section 9 paragraph 6 of the Articles of Association if it is received by the

Management Board at the registered office of the Company, or at another location specified in the convening notice, no later than on the seventh day before the date of the general meeting; registration of participation must be made in writing, by fax or, if the Management Board so decides, in another way to be defined by the Management Board (primarily electronically).

The ordinary general meeting must take place within the first eight months of each fiscal year. In addition, an extraordinary meeting of the shareholders must be convened by the Management Board if the interests of the Company so require.

The general meeting votes on the appropriation of the distributable profits and on the approval of the actions of the Management Board members and those of the Supervisory Board members for the fiscal year completed before the respective general meeting. The general meeting also appoints an external auditor for the respective current fiscal year. The general meeting approves the unconsolidated annual financial statements of the Company if the Management Board and the Supervisory Board fail to do so.

Pursuant to section 10 paragraph 1 of the Articles of Association, each individual share grants the owner one vote in the general meeting. Voting rights can be exercised through a proxy. Neither German stock corporation law nor the Articles of Association require a minimum participation at a general meeting for a quorum. Resolutions are adopted by the general meeting with a simple majority and, if the law so requires, with a simple majority of share capital, unless otherwise provided by mandatory applicable law or the Articles of Association.

Under the German Stock Corporation Act (*Aktiengesetz*), certain resolutions of fundamental importance mandatorily require – in addition to a majority of the votes cast – a majority of at least three-quarters of the share capital represented at the vote. These resolutions include in particular:

- Changes to the company's business objectives;
- Capital reductions;
- Creation of authorized or contingent capital;
- Exclusion of subscription rights;
- Corporate transformation measures, such as mergers, de-mergers and changes in legal form;
- Transfer of all the assets of the company;
- Execution and amendment of company agreements (for example, control and profit-and-loss transfer agreements); and
- Liquidation of the company.

Corporate Governance

The Code contains recommendations and suggestions for the management and supervision of German companies listed on the stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and general meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires that the management board and supervisory board of a German listed company declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the management board and the supervisory board do not/will not apply such recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed.

The Management Board and Supervisory Board passed the following Declaration of Conformity in December 2014 according to section 161 paragraph 1 of the German Stock Corporation Act (*Aktiengesetz*):

“Since the adoption of the last declaration of compliance in December 2013, Deutsche Wohnen AG has complied with the recommendations given by the Government Commission of the German Corporate Governance Code, with the following exceptions:

- In deviation from the recommendation in clause 5.4.6 of the Code, the remuneration regulation for the Supervisory Board members in Deutsche Wohnen AG’s articles of association does indeed take the membership in committees into consideration, yet they do not apply separate consideration to chairing Supervisory Board committees. Moreover, memberships and chairs in Supervisory Board committees are not considered in this pay. The company is of the opinion that the present pay scale for the Supervisory Board members sufficiently compensates them for assuming duties as chairperson of Supervisory Board committees, too.

In the future, Deutsche Wohnen AG will comply with the recommendations of the Government Commission of the German Corporate Governance Code (in the version of 24 June 2014) with the following exceptions:

- In deviation from the recommendation in clause 5.4.6 of the Code, the remuneration regulation for the Supervisory Board members in Deutsche Wohnen AG’s articles of association does indeed take the membership in committees into consideration, yet they do not apply separate consideration to chairing Supervisory Board committees. Moreover, memberships and chairs in Supervisory Board committees are not considered in this pay. The company is of the opinion that the present pay scale for the Supervisory Board members sufficiently compensates them for assuming duties as chairperson of Supervisory Board committees, too.
- The consolidated financial statements and the interim reports are made publicly accessible within the periods defined by law, yet possibly not within 90 days of the end of the financial year or 45 days of the end of the period under review (Code clause 7.1.2 sentence 4). Given the time required for a diligent preparation of financial statements and business reports, it is, for the time being, impossible to enter into commitments concerning earlier dates of publication.”

As of the date of this Offering Memorandum, the Company is in compliance with the recommendations of the Code in the scope declared in the Declaration of Compliance by the Management Board and Supervisory Board of December 2014.

Shareholder Structure

The Company's issued share capital (including shares issued based on contingent capital that have not yet been registered with the commercial register) amounted on June 4, 2015 to EUR 337,332,258 divided into 337,332,258 ordinary bearer shares with no par-value, each representing a notional value of EUR 1.00. The share capital has been fully paid in.

On the basis of the notifications received by the Company as of the date of this Offering Memorandum in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to the information provided by the respective shareholders, the following shareholders hold more than 3% of the Company's ordinary shares as of the date of this Offering Memorandum:

Shareholders	Stake/Share of Voting Rights
Sun Life Financial Inc. ¹⁾ /Massachusetts Financial Services Company (MFS)	9.94%
BlackRock, Inc. ^{1) 2)}	7.99%
Norges Bank (Central Bank of Norway) ²⁾	6.71%
APG Asset Management N.V.	3.01%
Total	27.65%

1) Attribution pursuant to section 22 paragraph 1, sentence 1, No. 6 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with section 22 paragraph 1, sentence 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

2) Attribution pursuant to section 22 paragraph 1, sentence 1, No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in Deutsche Wohnen AG, hold the remaining shares of Deutsche Wohnen AG.

All Deutsche Wohnen AG shares confer the same voting rights.

To the extent known to Deutsche Wohnen AG, the Company is neither directly nor indirectly owned or controlled by a major shareholder.

Recent Developments and Outlook

On February 15, 2015, the Company announced a voluntary public tender offer in cash for all outstanding shares in and convertible bonds issued by conwert Immobilien Invest SE. The minimum tender threshold pursuant to the tender offer for conwert Immobilien Invest SE was not reached and, accordingly, the offer was terminated. The anticipatory mandatory public offer for free float shares in ECO Business Immobilien AG not already owned by conwert Immobilien Invest SE which had been launched simultaneously with the tender offer for conwert Immobilien Invest SE was also terminated.

Deutsche Wohnen signed purchase agreements concerning the acquisition of approximately 6,500 residential units, predominantly located in Berlin, for an aggregate purchase price of approximately EUR 500 million or approximately EUR 1,180 per square meter. Closing for the vast majority of these acquisitions is expected to take place at the end of the first half of 2015. The annual net cold rent for these acquisitions is approximately EUR 25.6 million. The average vacancy rate is approximately 2.6%. Deutsche Wohnen expects, based on historical numbers, that these acquisitions will make a positive EBITDA contribution of more than EUR 20 million on an annualized basis.

By resolution of the Company's management board dated May 20, 2015, with approval of the supervisory board on the same day, the management board resolved to increase the registered share capital of the Company by up to EUR 42,166,532 to up to EUR 336,426,511 against contribution in cash, by issuing up to 42,166,532 new no par value bearer shares (*Stückaktien*), each with a notional value of EUR 1.00, with subscription rights for existing shareholders. The implementation of the capital increase was entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on June 5, 2015. Of the net proceeds of approximately EUR 885 million raised in the course of the capital increase, Deutsche Wohnen intends to use approximately EUR 500 million to finance the aggregate purchase price for the acquisitions of approximately 6,500 residential units, predominantly located in Berlin, and the remaining net proceeds are intended to be used for potential future acquisitions and to repay financial liabilities.

Deutsche Wohnen aims, markets permitting, to refinance parts of its financial liabilities that mature predominantly in 2018 and 2019 with new bank loans of approximately EUR 650 million and the net proceeds of the issuance of the Notes of approximately EUR 496.5 million. The financial liabilities earmarked for refinancing have an average remaining maturity of approximately 4 years and currently have an average interest rate of approximately 3.4%. The aggregate refinancing volume in the banking and bond market is anticipated to amount to up to EUR 1.2 billion. In addition, Deutsche Wohnen intends to redeem selected, high margin bank loans of approximately EUR 350 million with existing cash. In aggregate, Deutsche Wohnen intends to address financial liabilities amounting to up to EUR 1.5 billion thereby aiming to reduce the LTV Ratio to between 45% and 40% for the Group, to reduce the average interest rate to less than 1.9% and to increase the average maturity of Deutsche Wohnen's financial liabilities to about 10 years after the refinancing and the debt pay down. As a result of these measures the Company expects, subject to stable market conditions, to significantly reduce current interest expenses, thereby significantly increasing the FFO as well as the free cash flow with full effect as of 2016. The expected non-recurring financing costs as well as the expected upfront interest payments in connection with the planned termination of swap arrangements are expected to pay off in approximately 3 years by the envisaged interest savings.

Except as described above, between March 31, 2015 and the date of this Offering Memorandum, there has been no material adverse change in the prospects of Deutsche Wohnen AG or the Group, and there have been no significant changes to Deutsche Wohnen AG's or the Group's financial position, financial performance, cash flows or trading position.

The German Council of Economic Experts (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) anticipates a slight upturn in worldwide growth in 2015. While the United States and the United Kingdom are expected to record an increase in their gross domestic product of 3.1% and 2.6% respectively, experts are forecasting more restrained growth within the Eurozone, which is expected to experience an increase in gross domestic product of 1.0% and a rate of inflation

of 0.7%, such that the German Council of Economic Experts (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) considers a descent into deflation to be unlikely.

The German economy is also expected to experience only moderate growth in 2015. The gross domestic product is expected to increase by 1.0%, while the rate of inflation is likely to be higher than in 2014. Positive momentum is again expected to come from private consumption bolstered by the persistently favorable situation on the job market as well as rising real wages. The German Council of Economic Experts (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) anticipates that the export business will experience little growth.

In line with the ongoing trend towards metropolitan areas and conurbations, demand for housing in such regions remains high. Although there are signs of increased construction of new housing, new additions to the housing stock are expected to be inadequate to keep pace with the considerable population growth. The Federal Institute for Building, Urban Affairs and Spatial Research (*Bundesinstitut für Bau-, Stadt- und Raumforschung*) currently anticipates the lower limit for the required amount of new housing at approximately 250,000 residential units per year, or at least 1 million residential units over four years, with the total required amount of new housing being affected not only by demand in quantitative terms but also by qualitative factors such as personal preference, an increase in living space and construction of replacement buildings.

As a result of the significant rent developments in the past few years and increasing ancillary residential costs, rents in major German cities are projected to rise at a slower pace in 2015. In addition, a consequential shunning of such locations in favor of city districts where prices are lower or surrounding areas is to be expected.

Favorable financing terms and low rates of return for alternative capital investments furthermore encourage the purchase of residential units.

Excluding one-off items, Deutsche Wohnen assumes that earnings will improve in 2015 when compared with 2014.

TAXATION

The following is a general discussion of certain German and Luxembourg tax consequences of the acquisition, ownership and disposal of the Notes offered by the Issuer. This discussion does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase these Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany and the Grand Duchy of Luxembourg (“**Luxembourg**”) currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the securities, including the effect of any state or local taxes, under the tax laws applicable in Germany, Luxembourg and each country of which they are residents.

Taxation in Germany

Income Tax

Notes Held by German Tax Residents as Private Assets

Taxation of Interest. Payments of interest on the Notes to its Holders who are tax residents of Germany (*i.e.*, persons whose residence or habitual abode is located in Germany) are subject to German income tax (*Einkommensteuer*). In each case where German income tax arises, a solidarity surcharge (*Solidaritätszuschlag*) is levied in addition to such tax. Furthermore, church tax may be levied, where applicable. If coupons or interest claims are disposed of separately (*i.e.*, without the securities), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of coupons or interest claims if the securities are disposed of separately.

On payments of interest on the Notes to individual tax residents of Germany, income tax is generally levied as a flat income tax at a rate of 25% (plus the solidarity surcharge in an amount of 5.5% of such tax resulting in a total tax charge of 26.375%, and, if applicable, church tax). The total investment income of an individual will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and registered partners filing jointly). A deduction of expenses actually incurred is excluded

If the Notes are kept or administrated in a custodial account which the Holder of the Notes maintains with a German branch of a German or non-German credit institute (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*) or with a securities trading business (*Wertpapierhandelsunternehmen*) or with a securities trading bank (*Wertpapierhandelsbank*) (each within the meaning of the German Banking Act (*Kreditwesengesetz (KWG)*) in Germany (each a “**Disbursing Agent**”), the flat income tax will generally be levied by way of withholding at the aforementioned rate (including the solidarity surcharge and, if applicable, church tax) from the gross interest payment to be made by the Disbursing Agent. For Holders who are subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

No withholding tax will be levied if the Holder of the Notes filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, but only to the extent the interest income derived from the Notes, together with other investment income, does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

In computing the withholding tax, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realised by a Holder via the Disbursing Agent. The Disbursing Agent also deducts accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security by a private Holder via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by a private Holder in the custodial account with the Disbursing Agent.

If the Notes are kept or administrated in a custodial account abroad or if no Disbursing Agent is involved in the payment process, the Holder of the Notes will have to include its income on the Notes in its tax return and the flat income tax of 25% (plus the solidarity surcharge and, if applicable, church tax) will be collected by way of assessment.

Payment of the flat income tax by way of withholding will generally satisfy any income tax liability (including the solidarity surcharge and, if applicable, church tax) of the Holder of the Notes with respect to such investment income. Holders of the Notes may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

Taxation of Capital Gains. Capital gains realized by individual tax residents of Germany from the disposition or redemption of Notes are subject to the flat income tax on investment income at a rate of 25% (plus the solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%, and, if applicable, church tax), irrespective of any holding period.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the Substitute Debtor and subject to similar taxation rules as the Notes. In particular, such a substitution could result in the recognition of a taxable gain or loss for any Holder of a Note. The Substitute Debtor is obligated to indemnify each Holder for any tax incurred by such Holder as a result of a substitution of the Issuer pursuant to the section “*Terms and Conditions of the Notes—§12 Substitution, Transfer of Domicile*”. The indemnities to be paid may constitute taxable income.

If the Notes are kept or administrated in a custodial account which the Holder of the Notes maintains with a Disbursing Agent, the flat income tax will generally be levied by way of withholding from the difference between the redemption amount (or the proceeds from the disposition) after deduction of expenses directly related to the redemption (or disposition) and the issue price (or the purchase price) of the Notes. If Notes kept or administrated in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains (FIFO method). The FIFO method is applied on the level of the individual custodial account. Where Notes are acquired and/or sold in a currency other than Euro, the sales price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to taxation. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

If the Notes have been transferred to the custodial account of the Disbursing Agent only after their acquisition, and no evidence on the acquisition data has been provided to the new Disbursing Agent by the Disbursing Agent which previously held the Notes in its custodial account or by a statement of a bank or financial services institution within the EEA or certain other countries in accordance with art. 17 para. 2 of the European Union Savings Directive (EU Council Directive 2003/48/EC dated June 3, 2003, the “**EU Savings Directive**”) (*e.g.* Switzerland or Andorra), withholding tax will be levied on 30% of the proceeds from the disposition or redemption of the Notes. The transfer of the Notes to the custodial account of another person is considered as a disposition of the Notes and withholding tax will be levied from the difference between the stock market price and the issue price of the Notes, minus the costs of transfer. If a stock market price is not available, withholding tax will be levied on 30% of the issue price. The Holder of the Notes can avoid the levy of withholding tax by informing the Disbursing Agent that the Notes were transferred free of charge.

If no Disbursing Agent is involved in the payment process, the Holder of the Notes will be required to include capital gains from the disposition or redemption of the Notes in its tax return and the flat income tax of 25% (plus the solidarity surcharge and, if applicable, church tax) will be collected by way of assessment. The same applies if the withholding tax on a disposition or redemption has been calculated from 30% of the disposal proceeds and the capital gain calculated on the basis of the actual acquisition costs of the Notes is higher than the basis for the withholding tax.

Payment of the flat income tax by way of withholding will generally satisfy any income tax liability (including the solidarity surcharge and, if applicable, church tax) of the Holder of the Notes with respect to such investment income. Holders of the Notes may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

Notes Held by German Tax Residents as Business Assets

Payments of interest on the Notes and capital gains from the disposition or redemption of Notes held as business assets by German tax resident individuals or corporations (including via a partnership, as the case may be), are generally subject to German income tax or corporate income tax (*Körperschaftsteuer*) (in each case, plus the solidarity surcharge and, if applicable, church tax in case of individuals). The interest and capital gain will also be subject to trade tax (*Gewerbesteuer*) if the Notes form part of the property of a German trade or business. The trade tax rate depends on the municipal multiplier of the respective municipality.

If the Notes are kept or administrated in a custodial account which the Holder of the Notes maintains with a Disbursing Agent, tax at a rate of 25% (plus the solidarity surcharge and, if applicable, church tax in case of individuals) will also be withheld from interest payments on Notes held as business assets. In these cases, the withholding tax does not satisfy the income tax liability of the Holder of the Notes, as in the case of the Notes held by tax residents as private assets, but will be credited as advance payment against the income or corporate income tax liability (plus the solidarity surcharge and, if applicable, church tax in case of individuals) of the Holder of the Notes.

Generally and subject to further requirements, no withholding will be required with regard to capital gains deriving from Notes held by corporations resident in Germany, provided that, regarding certain legal entities, the legal form of the corporation has been evidenced by a certificate of the competent tax office. Upon application, the same applies to Notes, held as business assets by individuals or partnerships.

Notes Held by Non-German Tax Residents

Interest and capital gains are not subject to German taxation for non-residents (*i.e.*, persons having neither their residence nor their habitual abode nor legal domicile nor place of effective management in Germany), unless the Notes form part of the business property of a permanent establishment (*Betriebsstätte*) or business for which a permanent representative (*ständiger Vertreter*) in Germany has been appointed. Interest or capital gains may, however, be subject to German income tax if the capital investments are secured by real estate situated in Germany or paid against handing over coupons, or if they otherwise constitute taxable income in Germany.

Non-German tax residents are, in general, exempt from German withholding tax on interest and capital gains and from any solidarity surcharge thereon. However, if the interest or capital gain is subject to German taxation, as set forth in the preceding paragraph, and the Notes are kept or administrated in a custodial account with a Disbursing Agent, withholding tax will be levied as explained above under “—Notes Held by German Tax Residents as Private Assets” or under “—Notes Held by German Tax Residents as Business Assets”, respectively.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any securities will generally arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such securities are not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent

representative has been appointed, in Germany. Exceptions to this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, neither a net assets tax (*Vermögensteuer*) nor a financial transfer tax is levied in Germany.

German Provisions implementing the European Union Savings Directive

By legislative regulations dated January 26, 2004 the German Federal Government enacted provisions implementing the Savings Directive into German law. These provisions apply from July 1, 2005.

Taxation in Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues, and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the “**Relibi Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of June 21, 2005 implementing the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10%.

EU Savings Directive

Under the EU Savings Directive, member states of the European Union (“**EU Member States**”) are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in an EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On March 24, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the “**Amending Directive**”). This Amending Directive requires EU Member States to apply these new requirements from January 1, 2017, and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in an EU Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

On March 18, 2015, the European Commission proposed to repeal the EU Savings Directive as restated by the Amending Directive. According to the European Commission, the repeal is appropriate because the automatic exchange of information between the EU Member States is sufficiently provided for by the EU Council Directive 2014/107/EU dated December 9, 2014 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation. As a consequence of the proposed repeal, the EU Member States would no longer be obliged to implement the Amending Directive but would still be required to implement an automatic exchange of information as provided for by Cooperation Directive.

The Proposed Financial Transactions Tax

The European Commission has published a proposal for a directive for a common FTT in the Participating Member States.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Responsibility of the Issuer for the Withholding of Taxes at Source

The Issuer does not assume any responsibility for the withholding of taxes at source.

SUBSCRIPTION AND SALE

Subscription

The Issuer and the Joint Bookrunners have entered into a subscription agreement dated June 25, 2015 (the “**Subscription Agreement**”). Under the Subscription Agreement, the Issuer has agreed to issue and sell to the Joint Bookrunners, and the Joint Bookrunners have agreed, subject to certain customary closing conditions, to subscribe and pay for the Notes on July 24, 2015. The Issuer has agreed to pay certain fees to the Joint Bookrunners and to reimburse the Joint Bookrunners for certain expenses incurred in connection with the issue of the Notes.

The Joint Bookrunners may, under certain circumstances, terminate the Subscription Agreement. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities it may incur in connection with the offer and sale of the Notes.

The Joint Bookrunners or its affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and/or its affiliates, for which the Joint Bookrunners or their affiliates have received or will receive customary fees and commissions.

Selling Restrictions

General

The Joint Bookrunners have acknowledged that no representation is made by the Issuer or any of the Joint Bookrunners that any action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of the Offering Memorandum or other material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner undertook to comply, to the best of its knowledge and belief, in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Offering Memorandum (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Joint Bookrunners have represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, the Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, the Joint Bookrunners have further represented, warranted and undertaken that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph shall have the same meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Bookrunner has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Bookrunners; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the Issuer or any Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes the relevant implementing measure in each Relevant Member State.

United Kingdom of Great Britain and Northern Ireland (United Kingdom)

Each of the Joint Bookrunners has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Application has been made to the CSSF, which is the Luxembourg competent authority for the purposes of the approval of this Offering Memorandum, which will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). By approving this Offering Memorandum, the CSSF assumes no responsibility for the economical and financial soundness of the transactions contemplated by this Offering Memorandum or the quality or solvency of the Issuer.

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes and is thus, for the purposes of the offering of the Notes, not a prospectus within the meaning of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the offering contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for the Issuer or the Joint Bookrunners to produce a prospectus for such offers. None of the Issuer or the Joint Bookrunners has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Joint Bookrunners which constitute the final placement of the Notes contemplated in this Offering Memorandum.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this Offering Memorandum is for distribution only to Relevant Persons. This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Interests of Natural and Legal Persons Involved in the Issue

From time to time, the Joint Bookrunners and their affiliates have performed, and may in the future perform, investment banking and advisory services for the Issuer for which they have received, or will receive, customary fees and expenses.

In particular, the Joint Bookrunners have entered into a contractual relationship with the Company in connection with the Issue of the Notes.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Bookrunners and their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer, as applicable, consistent with their customary risk management policies. Typically, the Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, potentially including the Notes. Any such short positions could adversely affect future trading prices of the Notes.

The Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Authorization and Issue Date

The issuance of the Notes was authorized by the Management Board on June 25, 2015. The Issue Date of the Notes is expected to be July 24, 2015.

Use of Proceeds

The net proceeds from the issuance of the Notes, estimated by the Issuer to be approximately EUR 496.5 million will be used to refinance existing indebtedness. The estimated total expenses of the issue are estimated by the Issuer to be approximately EUR 3.5 million.

Minimum Offered Amount, Delivery of Notes

The Notes will be offered only in minimum offered amounts of EUR 100,000 and any integral multiple of EUR 1,000 above EUR 100,000.

Delivery and payment of the Notes will be made on the Issue Date, which is expected to be July 24, 2015. The Notes so purchased will be delivered via book-entries through the Clearing System and their depository banks against payment of the issue price therefor.

Costs and Expenses Relating to the Purchase of Notes

The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

Listing and Admission to Trading of the Notes

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (as amended).

Clearing System and Security Codes

The Notes will be accepted for clearance through:

Clearstream Banking, *société anonyme*

42 Avenue JF Kennedy
1855 Luxembourg
The Grand Duchy of Luxembourg

and

Euroclear Bank SA/NV

1 Boulevard du Roi Albert II
1210 Brussels
Kingdom of Belgium

The Notes have the following securities codes:

International Securities Identification Number (ISIN) XS1250867642

Common Code 125086764

German Securities Identification Number (WKN) A161MH

Ratings of the Issuer and the Notes

S&P³ has assigned the long-term credit rating “A-”⁴ (stable outlook) to the Issuer.

³ S&P is established in the European Community and is registered under the CRA Regulation.

Moody's⁵ has assigned the long-term credit rating "A3"⁶ (stable outlook) to the Issuer.

The Notes are expected to be rated "BBB+"⁷ by S&P and "A3"⁶ by Moody's.

Indication of Yield

The yield in respect of the Notes from July 24, 2015 (the "Interest Commencement Date") to (but excluding) the Maturity Date is 1.44% *per annum*, calculated on the basis of the issue price of the Notes. Such yield is calculated in accordance with the ICMA (*International Capital Markets Association*) Method.

Documents Available

So long as Notes are outstanding, copies of the following documents will be available from the registered office of the Issuer and from the specified offices of the Principal Paying Agent:

- (a) the Articles of Association;
- (b) a copy of this Offering Memorandum and any supplement thereto; and
- (c) the documents incorporated herein by reference.

The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/list-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

⁴ S&P defines "A-" as follows: "An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. [...] The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories."

⁵ Moody's is Moody's Investors Service Limited, established in the European Community and registered under the CRA Regulation.

⁶ Moody's defines "A3" as follows: "Obligations rated A are considered upper-medium grade and are subject to low credit risk. [...] Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category."

⁷ S&P defines "BBB+" as follows: "An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. [...] The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories."

DOCUMENTS INCORPORATED BY REFERENCE

The pages set out in the “*Table of documents incorporated by reference*” below, which are extracted from the Equity Prospectus and the Property Appraisal Report dated June 5, 2015, shall be deemed to be incorporated by reference in, and to form part of, this Offering Memorandum. The Equity Prospectus and the Property Appraisal Report have been published and filed with the CSSF. The pages which are extracted from the Equity Prospectus consist of the audited consolidated financial statements (prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315a paragraph 1 of the German Commercial Code (*Handelsgesetzbuch*)) as of and for the fiscal years ended December 31, 2012, 2013 and 2014 of the Issuer, in each case including the respective auditor’s report thereon, the unaudited condensed consolidated interim financial statements (prepared in accordance with IFRS for interim financial reporting (IAS 34)) as of and for the three months ended March 31, 2015 of the Issuer as well as the audited unconsolidated annual financial statements (prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*)) as of and for the fiscal year ended December 31, 2014 of the Issuer, including the respective auditor’s report thereon.

Any information not incorporated by reference into this Offering Memorandum but contained in one of the documents mentioned as source documents in the cross reference list below is either not relevant for the investor or covered in another part of this Offering Memorandum.

The Issuer will provide, without charge, upon written or oral request, a copy of any or all of the documents incorporated herein by reference. Requests for such documents should be directed to either Issuer at their registered offices set out at the end of this Offering Memorandum.

Table of documents incorporated by reference:

(A) Financial Information extracted from the Equity Prospectus of Deutsche Wohnen AG, dated May 20, 2015

- (1) Unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG for the period from 1 January to 31 March 2015 (IFRS) (extracted from the Equity Prospectus)

Consolidated Balance Sheet	page F-3
Consolidated Profit and Loss Statement.....	page F-4
Consolidated Statement of Comprehensive Income	page F-5
Consolidated Statement of Cash Flows	page F-6
Consolidated Statement of Changes in Equity	page F-7
Notes to the Condensed Consolidated Interim Financial Statements	pages F-8 to F-11

- (2) Audited consolidated financial statements of Deutsche Wohnen AG for the year ended 31 December 2014 (IFRS) (extracted from the Equity Prospectus)

Consolidated Balance Sheet	page F-13
Consolidated Profit and Loss Statement.....	page F-14
Consolidated Statement of Comprehensive Income	page F-15
Consolidated Statement of Cash Flows	page F-16
Consolidated Statement of Changes in Equity	page F-17
Notes to the Consolidated Financial Statements.....	pages F-18 to F-62
Auditor’s Report.....	page F-63

(3) Audited consolidated financial statements of Deutsche Wohnen AG for the year ended 31 December 2013 (IFRS) (extracted from the Equity Prospectus)	
Consolidated Balance Sheet	page F-65
Consolidated Profit and Loss Statement.....	page F-66
Consolidated Statement of Comprehensive Income	page F-67
Consolidated Statement of Cash Flows	page F-68
Consolidated Statement of Changes in Equity	page F-69
Notes to the Consolidated Financial Statements.....	pages F-70 to F-108
Auditor’s Report.....	page F-109
(4) Audited consolidated financial statements of Deutsche Wohnen AG for the year ended 31 December 2012 (IFRS) (extracted from the Equity Prospectus)	
Consolidated Balance Sheet	page F-111
Consolidated Profit and Loss Statement.....	page F-112
Consolidated Statement of Comprehensive Income	page F-113
Consolidated Statement of Cash Flows	page F-114
Consolidated Statement of Changes in Equity	page F-115
Notes to the Consolidated Financial Statements.....	pages F-116 to F-147
Auditor’s Report.....	page F-148
(5) Audited annual financial statements of Deutsche Wohnen AG for the year ended 31 December 2014 (HGB) (extracted from the Equity Prospectus)	
Balance Sheet	page F-150
Profit and Loss Statement.....	page F-151
Notes to the Annual Financial Statements.....	pages F-152 to F-209
Auditor’s Report.....	page F-210
(B) Property Appraisal Report, dated June 5, 2015, prepared by CBRE GmbH and titled “Valuation Report for the Determination of Fair Value”	
Basis of Valuation	pages V-7 to V-10
Residential Portfolio (excluding land).....	pages V-11 to V-17
Nursing and Assisted Living Portfolio	pages V-18 to V-21
Explanation of Valuation.....	pages V-22 to V-34
Valuation Conclusions.....	pages V-35 to V-36
Valuation Key Definitions.....	pages V-37 to V-38

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GLOSSARY

- 2013 Convertible Bond**..... On November 22, 2013, the Company issued convertible bonds with a total nominal amount of EUR 250 million, divided into 2,500 bonds with a nominal amount of EUR 100,000 each. The 2013 Convertible Bonds bear interest of 0.5% *per annum* on their nominal amount, payable semi-annually in arrears.
- 2014 Convertible Bond**..... On September 8, 2014, the Company issued convertible bonds with a total nominal amount of EUR 400 million, divided into 4,000 bonds with a nominal amount of EUR 100,000 each. The 2014 Convertible Bonds bear interest of 0.875% *per annum* on their nominal amount, payable semi-annually in arrears.
- Active Bookrunners**..... Deutsche Bank AG, London Branch, Société Générale Corporate and Investment Banking, UBS Limited and UniCredit Bank AG.
- Addendum Agreement**..... An addendum agreement to the GSW Privatization Agreement concluded between GSW and the parties to the GSW Privatization Agreement, dated April 1, 2010 and entering into effect on April 19, 2010, in which GSW confirmed, amongst others, that it had assumed all obligations of the Initial Investors under the GSW Privatization Agreement in the course of a downstream merger of one of the Initial Investors' acquisition vehicle with GSW's predecessor company.
- Additional Amounts** Additional amounts that the Issuer will pay if withholding with respect to amounts payable in respect of the Notes is required by law as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction.
- Affiliate** Any affiliated company (*verbundenes Unternehmen*) within the meaning of section 15 German Stock Corporation Act (*Aktiengesetz*).
- Amending Directive**..... A Council Directive amending the EU Savings Directive formally adopted by the European Council on March 24, 2014.
- Amendment Agreement** An Amendment and Co-Signing Agreement Regarding Certain Credit Agreements, effective as of October 2, 2014, entered into by the Group Companies as guarantors and Helaba as lender, thereby amending existing loan agreements between Deutsche Wohnen AG and the Group Companies as respective borrowers and Helaba as lender. As of March 31, 2015, the outstanding balance was EUR 605 million.
- Archon**..... Archon Group Deutschland GmbH, an indirect subsidiary of the Goldman Sachs Group, Inc.
- Articles of Association**..... The articles of association of the Company.
- BaFin**..... The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
- BauBeCon Group** The BauBeCon Group consisted of the companies BauBeCon Immobilien GmbH, BauBeCon Wohnwert GmbH, BauBeCon Assets GmbH, BauBeCon BIO GmbH, Algarobo Holding B.V., Hamnes Investment B.V., Intermetro B.V. (now Intermetro GmbH).
- Berlin Hyp**..... Berlin Hyp AG, Berlin, Germany.
- BEV**..... Bundeseisenbahnvermögen.

Borrower's Note Agreement	A borrower's note framework agreement entered into by GSW as borrower and Berlin Hyp as lender as of October 2, 2014. The Borrower's Note Agreement provides for two loan facilities with an aggregate amount of EUR 413.4 million (balance as of March 31, 2015: EUR 413.4 million).
Business Day	A day (other than a Saturday or a Sunday) on which banks are open for general business in Frankfurt am Main and on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to effect payments.
BVK	The Bavarian Pension Fund (<i>Bayerische Versorgungskammer – Zusatz-versorgungskasse</i>).
BWG	GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH.
Calculation Agent	Deutsche Bank AG.
Calculation Period	The calculation of an amount of interest on any Note for any period of time.
Call Redemption Amount	The amount per Note that is the higher of (i) the principal amount per Note and (ii) the present value per Note.
Call Redemption Date	Any date specified by the notice of redemption given to the Paying Agent and the Holders for the issuers to redeem the Notes at their Early Call Redemption Amount.
Capital Market Indebtedness	Any present or future obligation for the payment of borrowed money (including obligations by reason of any guarantee or other liability agreement for such obligations of third parties) which is in the form of, or represented by, bonds, notes or other securities which are capable of being quoted, listed, dealt in or traded on a stock exchange, over-the-counter-market or other recognized securities market.
Care Mandate	Care contracts (<i>Versorgungsverträge</i>), pursuant to SGB XI, stipulate the nature, substance and scope of the general care services that the care facility is to provide to the policy holders during the term of the contract. The contract obligates the care facility to provide the policy holders with care in accordance with the Care Mandate.
CBL	Clearstream Banking, <i>société anonyme</i> , Luxembourg.
CBRE	Independent appraiser CBRE GmbH, the appraisers of which include members of the Royal Institution of Chartered Surveyors (RICS).
Cerberus	Funds and accounts affiliated with Cerberus Capital Management, L.P.
Change of Control	A change of control shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board) that any Relevant Person(s) or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50 per cent of the issued ordinary share capital of the Issuer or (ii) such number of the shares in the capital of the Issuer carrying more than 50 percent of the voting rights.
Clearing System	CBL together with Euroclear.
Code	U.S. Internal Revenue Code of 1986, as amended.

Commitment and Option

Agreement Deutsche Wohnen concluded on April 28, 2014 a commitment and option agreement with Deutsche Bank, pursuant to which Deutsche Bank undertook to acquire from Deutsche Wohnen AG 5% plus 10,000 shares in GSW held by Deutsche Wohnen AG shortly before the settlement offer was submitted to the Minority GSW Shareholders.

Company Company refers to Deutsche Wohnen AG, a stock corporation organized under the laws of the Federal Republic of Germany.

Conditional Capital

2014/III By resolution of the annual general meeting on June 11, 2014 (entered into the commercial register on August 6, 2014), the Company conditionally increased its share capital by up to 12,879,752 new no par-value bearer shares. The conditional capital increase solely serves to grant shares to Beneficiaries under the Stock Option Program 2014.

Consolidated Adjusted

EBITDA The number set out under the heading “*EBITDA (adjusted)*” in the Consolidated Financial Statements of the Issuer or, if the Consolidated Financial Statements of the Issuer do not contain an item “*EBITDA (adjusted)*”, the number set out in the item “*EBIT*” adjusted for gains/losses from the fair value adjustments of investment properties, depreciation and amortization and non-recurring or exceptional items (in each case subject to the determination specified in the Terms and Conditions).

Consolidated Financial

Statements With respect to any Person, collectively, the consolidated financial statements and notes to those financial statements of that Person and its subsidiaries prepared in accordance with IFRS.

Consolidated Net Financial

Indebtedness The net financial indebtedness of the Issuer and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS as shown as “*net financial liabilities*” in the Consolidated Net Financial Statements of the Issuer.

Cooperation Directive The EU Council directive 2014/107/EU dated 9 December 2014 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation.

CRA Regulation Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EC) no. 513/2011 of the European Parliament and of the Council of March 11, 2011.

Custodian Any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System.

D&O Directors & officers.

DB 14 DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG.

Default Any event that is, or after the giving of notice or passage of time or both would be, an Event of Default under the Terms and Conditions.

Deutsche Wohnen, Deutsche Wohnen Group	Deutsche Wohnen AG together with its fully consolidated subsidiaries.
Disbursing Agent	A German branch of a German or non-German credit institution, financial services institution, a German securities trading company or a German securities trading bank (<i>inländische auszahlende Stelle</i>).
Domination Agreement	The domination agreement entered into on April 30, 2014 between Deutsche Wohnen AG, as the controlling company, and with GSW Immobilien AG, the controlled company.
DPR	The German Financial Reporting Enforcement Panel (<i>Deutsche Prüfstelle für Rechnungslegung</i>).
DSCR	DSCR refers to debt service coverage ratio. The debt service coverage ratio is a commonly used ratio in a loan agreement as part of the debtor's contractual assurances (covenants) for the duration of the loan and which is also used to assess debt service capacity. It indicates to which proportion the interest payments and contractual (periodic) debt repayments have to be/are covered by the earnings of the Company or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses).
Early Call Redemption Amount	The higher amount per Note of (i) the principal amount per Note and (ii) the present value per Note.
Early Put Redemption Amount	For each Note 101.00 per cent. Of the principal amount of such Note, plus unpaid interest accrued up to (but excluding) the Put Date.
EBIT	Earnings before interest and taxes. The EBIT is not a performance indicator defined under IFRS. The EBIT that is reported in this Offering Memorandum is not necessarily comparable to the performance figures published by other companies as EBIT or under a similar designation.
EBITDA (adjusted)	The EBITDA (adjusted) (adjusted earnings before interest, taxes, depreciation and amortization) indicates the Company's earnings before interest and taxes (EBIT) adjusted for gains/losses from the fair value adjustments of investment properties, depreciation and amortization, non-recurring or exceptional items. The EBITDA (adjusted) is not a performance indicator defined under IFRS. The EBITDA (adjusted) that is reported in this Offering Memorandum is not necessarily comparable to the performance figures published by other companies as EBITDA (adjusted) or under a similar designation.
EBT	Earnings before taxes. The EBT indicates the Company's earnings before taxes. The EBT is not a performance indicator defined under IFRS.
EBT (adjusted)	The EBT (adjusted) is calculated from the Company's profit/loss before taxes, which is adjusted for gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds and non-recurring or exceptional items. The EBT (adjusted) is not a performance indicator defined under IFRS. The EBT (adjusted) reported by the Company is not necessarily comparable to the performance figures published by other companies as EBT (adjusted) or under a similar designation.
EEA	European Economic Area.
EPRA	European Public Real Estate Association. EPRA is a nonprofit organization that represents the interests of European-listed real estate companies.

EPRA NAV	A specific definition of NAV as used by EPRA. EPRA NAV (undiluted) corresponds to equity (before non-controlling interests) adjusted for the net total of derivative financial instruments (assets and liabilities) and certain deferred taxes.
Equity Prospectus	The equity prospectus of Deutsche Wohnen AG which has been approved by the BaFin on May 20, 2015 and has been published on the website of Deutsche Wohnen (www.deutsche-wohnen.de) under “Investor Relations”.
ESG	Eisenbahn-Siedlungsgesellschaft Berlin mbH.
EU	EU refers to the European Union.
EU Member State	Member state of the EU.
EU Savings Directive	The European Union Savings Directive (EU Council Directive 2003/48/EC dated June 3, 2003).
Euroclear	Euroclear Bank SA/NV.
EURIBOR	Euro Interbank Offered Rate, a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market.
Exchange Offer	A takeover offer by Deutsche Wohnen AG for the acquisition of all shares of GSW Immobilien AG in exchange for shares of Deutsche Wohnen AG.
Exchange Ratio	The ratio – seven shares of Deutsche Wohnen AG for three registered shares of GSW – at which Deutsche Wohnen AG undertakes to acquire the shareholder’s shares in GSW in exchange for bearer shares in Deutsche Wohnen AG at the request of a minority shareholder of GSW.
EY	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.
Facility A	One of two loan facilities granted by Berlin Hyp to GSW under the Borrower’s Note Agreement in the amount of EUR 271.4 million.
Facility B	One of two loan facilities granted by Berlin Hyp to GSW under the Borrower’s Note Agreement in the amount of EUR 142 million.
FFO	Funds from operations.
FFO (including disposals)	FFO (including disposals) is calculated by adding the earnings from disposals to FFO (without disposals) and adjusting the earnings from disposals attributable to non-controlling interests.
FFO (without disposals)	FFO (without disposals) is defined by taking the profit/loss for the period and adjusting it for earnings from disposals, depreciation and amortization, gains/losses from the fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and convertible bonds, non-cash finance expense arising from accrued interest on liabilities and pensions, non-recurring or exceptional items and other non-recurring income, deferred taxes (tax expense/income), the tax expense from capital increase costs and FFO (without disposals) attributable to non-controlling interests.
FFO Forecast	The forecast for funds from operations (FFO) for the fiscal years 2014 and 2015 set out in this Offering Memorandum.
Final Redemption	In respect of each Note, its principal amount.

Amount.....

Financial Indebtedness..... Any indebtedness (excluding any indebtedness owed to another member of the Group) for or in respect of (i) money borrowed; (ii) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent; (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers, debentures, loan stock or any similar instrument; (iv) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); (v) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Issuer or a Subsidiary under which the Issuer or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favor of a person who agrees to purchase a Real Estate Property owned by the Issuer or a Subsidiary; (vi) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (vii) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above, in each such case if and to the extent the relevant amount or obligation is recorded as “indebtedness” in accordance with IFRS.

Financial Promotion

Order Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.

FSMA..... The Financial Services and Markets Act of 2000, as amended.

FTT The European Commission’s published proposal for a directive for a common financial transactions tax.

GDP..... Gross domestic product. The gross domestic product refers to the market value of all final goods and services produced within a country (or region, city, etc.) in a given period.

GEHAG GEHAG GmbH.

GEHAG Funds Real estate funds designed and created by GEHAG Group companies.

GEHAG Group..... GEHAG, together with its subsidiaries.

Germany..... The Federal Republic of Germany.

GfS GSW Gesellschaft für Stadterneuerung GmbH, a wholly owned subsidiary of GSW Immobilien AG.

Global Notes..... The Temporary Global Note together with the Permanent Global Note.

Group..... The Issuer together with all consolidated subsidiaries.

Group Companies..... All subsidiaries of Deutsche Wohnen AG.

GSW..... GSW Immobilien AG.

GSW Group GSW Immobilien AG together with its consolidated subsidiaries.

GSW Privatization

Agreement The GSW privatization agreement as of May 27, 2004, as amended.

GSW Shares Shares of GSW Immobilien AG.

Helaba..... Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, Germa-

	ny.
HGB	German Commercial Code (<i>Handelsgesetzbuch</i>).
Holder	Any holder of a proportionate co-ownership or other beneficial interest or right in the Notes
Holders' Representative	A joint representative appointed for the Holders.
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.
IFRS/IAS	International Financial Reporting Standards/International Accounting Standards. In this Offering Memorandum "IFRS" refers to the International Financial Reporting Standards, including International Accounting Standards (IAS) and interpretations published by the International Accounting Standards Board (IASB), as adopted by the European Union in Commission Regulation (EC) no. 1126/2008 of November 3, 2008, as amended, available at http://www.iasb.org/IFRSs/IFRS.htm .
Implementation Committee	Committee established by the parties to the GSW Privatization Agreement to monitor compliance with its requirements.
Initial Investors	The purchasing entities – Archon, Whitehall Funds and Cerberus – to which the state of Berlin sold its shares in the predecessor company of GSW Immobilien AG.
Interest Commencement Date	The beginning of each Interest Period, from (and including) July 24, 2015.
Interest Payment Date	July 24 of each year, subject to Business Day Convention. The first payment of interest shall be made on July 24, 2016.
Interest Period	Each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the following Interest Payment Date.
Investor's Currency	A currency or currency unit other than Euro in which a Holder's financial activities are principally denominated.
ISCR	Interest service coverage ratio. The interest service coverage ratio is a commonly used ratio which belongs in a loan agreement to the debtor's covenants for the duration of the loan and which is also used to assess the ability to service interest payments. It indicates to which proportion the interest payments are covered by the earnings of the Company or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses).
Issue Date	July 24, 2015.
Issuer	Deutsche Wohnen AG, a German stock corporation (<i>Aktiengesellschaft</i>) incorporated in Germany and governed by German law.
Joint Bookrunners	Deutsche Bank AG, London Branch, Société Générale Corporate and Investment Banking, UBS Limited, UniCredit Bank AG and Goldman Sachs International.
KATHARINENHOF®	KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH.
KATHARINENHOF® Group	KATHARINENHOF®, with its subsidiaries.

Loan-to-Value Ratio	As defined in the Terms and Conditions, <i>i.e.</i> the ratio of (i) the sum of (x) the Consolidated Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (y) the Net Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published to (ii) the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Issuer have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness).
LTV Ratio	Loan-to-value ratio (as disclosed in the consolidated financial statements of the Issuer as of and for the fiscal years ended December 31, 2012, 2013 and 2014), <i>i.e.</i> , the ratio of net financial liabilities (financial liabilities and convertible bond minus cash and cash equivalents) to the value of the total real estate holdings (investment properties plus non-current assets held for sale and land and buildings held for sale).
Luxembourg	Grand Duchy of Luxembourg.
Management Board	The management board of the Issuer.
Market Interest Rate	The current interest rate on the capital market.
Material Subsidiary	Any subsidiary of the Issuer whose total assets are at least equal to 2 per cent. of the Total Assets.
Maturity Date	The date on which the Notes will be redeemed at their Final Redemption Amount, July 24, 2020.
Minority GSW Shareholder	The minority shareholders of GSW.
Moody's	Moody's Investors Service Limited.
NAV	Net asset value. The figure shows the intrinsic equity value of a real estate company. Different definitions exist, but as a general matter, it is the sum of all assets less liabilities, and is adjusted for various items (<i>e.g.</i> , deferred taxes and market value of derivative financial interests). Within that calculation, the property values of the property portfolio are adjusted to their fair values, if they are not already shown at their fair values.
Net Cash Interest	All cash interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).
Net Financial Indebtedness	The nominal amount of Financial Indebtedness incurred minus the nominal amount of Financial Indebtedness repaid.

Option Rights	The subscription rights that the Company's annual general meeting resolved on June 11, 2014 to issue in connection with the Stock Option Program 2014.
Participating Member States	Member states participating in the FTT: Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.
Passive Bookrunner	Goldman Sachs International.
Paying Agent	Deutsche Bank AG.
Permanent Global Note	A permanent global bearer note, of which the Temporary Global Note will be exchangeable for, without interest coupons, in whole or in part not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership.
Person	Any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government (or any agency or political subdivision thereof) or other entity.
Property Appraisal Report	The property appraisal report on the fair value of the Deutsche Wohnen Group's entire residential and commercial real estate portfolio as of December 31, 2014 and the fair value of Deutsche Wohnen Group's nursing and assisted living facilities as of June 30, 2014 pursuant to IAS 40 in conjunction with IFRS 13 and prepared by the independent appraiser CBRE.
Prospectus Directive	The European Union's Directive 2003/71/EC, as amended.
Qualified Majority	Any resolutions which materially alter the Terms and Conditions or adopt other measures, in particular in the cases as listed in Section 5 para. 3 sent. 1 no. 1-9 SchVG, require a majority of at least 75% of the votes participating in the vote.
Rating Agency	Any of the following rating agencies: S&P or Moody's or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.
Regulation S	Regulation S under the Securities Act.
Relevant Member State	Each member state of the EEA that has implemented the Prospectus Directive.
Relevant Person	All such persons (i) who are investment professionals falling within Article 19(5) of the Financial Promotion Order or (ii) falling within Article 49(2)(a) to (d) of the Financial Promotion Order (high net worth companies, unincorporated associations, etc.) or (iii) other persons to whom it may be lawfully communicated in accordance with the Financial Promotion Order.
Relibi Law	Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended.
RREEF	RREEF Management GmbH, whom Deutsche Wohnen settled a loss adjustment agreement with.
S&P	Standard & Poor's Credit Market Services Europe Limited (Niederlassung Deutschland) (German Branch).
SchVG	The German Act on Issues of Debt Securities (<i>Gesetz über Schuldver-</i>

schreibungen aus Gesamtemissionen).

Securities Act	U.S. Securities Act of 1933, as amended.
Securitized Capital Market Indebtedness	Any Capital Market Indebtedness incurred in respect of or in connection with any securitization or similar financing arrangement relating to assets owned by the Issuer or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Issuer is limited solely to such assets or any income generated therefrom.
SEG Buch	SEG Buch Stadtentwicklungsgesellschaft Buch mbH.
SGB XI	The Eleventh Book of the Social Security Act XI (<i>Sozialgesetzbuch XI</i>).
Stock Option Program 2014	The stock option program of the Company resolved on June 11, 2014 by the annual general meeting for the issuance of a maximum of 12,879,752 subscription rights to grant shares under the Conditional Capital 2014/III.
Subscription Agreement ...	The subscription agreement entered into between the Issuer and the Joint Bookrunners on June 25, 2015.
Subsidiary	Any Person that must be consolidated by the Issuer for purposes of preparing Consolidated Financial Statements of the Issuer.
Supervisory Board	The supervisory board of the Company.
Target Share	The limit of Deutsche Wohnen's accretion of shares in GSW to a maximum of 95% minus 10,000 shares in GSW.
Temporary Global Note	Temporary global bearer note without interest coupons, which will be delivered on or around the Issue Date to a common depository, the Clearing System.
Terms and Conditions	The terms and conditions of the Notes.
Territories	Dependent and associated territories of EU Member States.
United States	The United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).
Whitehall Funds	Real estate investment funds sponsored and managed by Goldman Sachs.
WISAG	WISAG Service Holding GmbH & Co. KG.

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