



Deutsche Annington Finance B.V.

(incorporated in The Netherlands as a private company with limited liability)

€1,000,000,000 Undated Subordinated Notes subject to Interest Rate Reset with a First Call Date 2021

ISIN XS1117300837, Common Code 111730083 and German Securities Code (WKN) A1ZTXG
Issue Price: 100%

with unconditional and irrevocable guarantee on a subordinated basis by

Deutsche Annington Immobilien SE

(incorporated in Germany as a European Company (Societas Europaea))

Deutsche Annington Finance B.V., incorporated in The Netherlands as a private company with limited liability (the “**Issuer**”), issued €1,000,000,000 in the aggregate principal amount of undated, direct, unconditional, unsecured and subordinated notes subject to interest rate reset with a first call date 2021 (the “**Notes**”) on 17 December 2014 (the “**Issue Date**”) at an issue price of 100.0% of their principal amount in respect of the Notes. The Notes are issued only in denominations of €100,000 each. The Notes are unconditionally and irrevocably guaranteed, on a subordinated basis, by Deutsche Annington Immobilien SE, a European company (*Societas Europaea*) incorporated in the Federal Republic of Germany (the “**Guarantor**” and, together with all consolidated subsidiaries, “**Deutsche Annington**” or the “**Group**”) pursuant to a subordinated guarantee (the “**Subordinated Guarantee**”).

The Notes shall bear interest on their principal amount (i) from and including 17 December 2014 (the “**Interest Commencement Date**”) to but excluding 17 December 2021 (the “**First Call Date**”) at a rate of 4.000% p.a.; (ii) from and including the First Call Date to but excluding 17 December 2026 (the “**First Step-up Date**”) at the relevant 5-year swap rate for the relevant Reset Period (as defined in the Terms and Conditions) plus a margin of 339 basis points p.a.; (iii) from and including the First Step-up Date to but excluding 17 December 2041 (the “**Second Step-up Date**”) at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 364 basis points p.a. (including a 25 basis points step-up); and (iv) from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 6 of the Terms and Conditions at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 439 basis points p.a. (including a 100 basis points step-up). During each such period interest is scheduled to be paid annually in arrear on 17 December of each year (each an “**Interest Payment Date**”), commencing on 17 December 2015. Upon the occurrence of a Change of Control (as defined in § 6(6) of the terms and conditions of the Notes (the “**Terms and Conditions**”), the interest rate payable on the Notes may be increased by an additional 500 basis points p.a. above the otherwise applicable rate (as set out in § 3(3) of the Terms and Conditions).

The Issuer is entitled to defer payments of interest on any Interest Payment Date (“**Arrears of Interest**”) and may pay such Arrears of Interest voluntarily at any time, but only has to pay such Arrears of Interest under certain circumstances as set out in the Terms and Conditions.

The Notes have no final maturity date and shall not be redeemed except in accordance with the Terms and Conditions. The Notes are redeemable in whole but not in part at the option of the Issuer at an amount per Note equal to the Specified Denomination (as defined in the Terms and Conditions) plus interest accrued on the Note to but excluding the date of redemption but yet unpaid and any outstanding Arrears of Interest payable on the Note on the First Call Date or on any Reset Date thereafter. The Issuer may also redeem the Notes in whole but not in part at an amount per Note equal to 101% of the Specified Denomination plus interest accrued on the Note to but excluding the date of redemption but yet unpaid and any outstanding Arrears of Interest payable on the Note at any time following a Rating Event, an Accounting Event, a Tax Deductibility Event or an Acquisition Event (each as defined in the Terms and Conditions). Additionally the Issuer may redeem the Notes in whole but not in part at an amount per Note equal to the Specified Denomination plus interest accrued to but excluding the date of redemption but yet unpaid and any outstanding Arrears of Interest at any time following the occurrence of a Gross-up Event or a Repurchase Event (each as defined in the Terms and Conditions). Upon the occurrence of a Change of Control (as defined in the Terms and Conditions) the Issuer may redeem the Notes, in whole but not in part at an amount per Note equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and any Arrears of Interest payable on the Note under the Terms and Conditions.

The Notes will initially be represented by a temporary global bearer note (the “**Temporary Global Note**”), without interest coupons, which 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.

This prospectus (the “**Prospectus**”) constitutes a prospectus within the meaning of Article 5.3 of Directive 2003/71/EC and any amendments thereto, including Directive 2010/73/EU as implemented in member states of the European Economic Area (the “**Prospectus Directive**”). Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) which is the Luxembourg competent authority for the purposes of the approval of this Prospectus under the Luxembourg law on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) dated 10 July 2005, as amended (the “**Luxembourg Prospectus Law**”) transposing into Luxembourg law the Prospectus

http://www.oblible.com
Directive to approve this Prospectus. By approving this Prospectus, the CSSF assumes no responsibility for the economical and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer or the Guarantor pursuant to Article 7(7) of the Luxembourg Prospectus Law.

The Notes are rated BBB- by Standard & Poor's Credit Market Services Europe Limited (*Niederlassung Deutschland*) (German Branch) ("S&P"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. S&P is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 March 2011 (the "CRA Regulation"). 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.

This Prospectus will be published in electronic form together with any supplement thereto and all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Prospective investors should be aware that an investment in the Notes involves a risk 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.

The Issuer and the Guarantor are solely responsible for the information given in this Prospectus. Each of the Issuer and the Guarantor hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus 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 document 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 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, the Notes may not be offered, sold or delivered within the United States of America ("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 Prospectus, see "Selling Restrictions" below.

The Notes are admitted to trading on the unregulated open-market segment (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). 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 (which is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments) and to be listed on the Official List of the Luxembourg Stock Exchange.

Bookrunner
J.P. Morgan

The date of this Prospectus is 13 January 2015

RESPONSIBILITY STATEMENT

The Issuer and the Guarantor are solely responsible for the information given in this Prospectus. Each of the Issuer and the Guarantor hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus 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.

NOTICE

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

The information contained in this Prospectus has been provided by Deutsche Annington and other sources identified herein. To the fullest extent permitted by law, no representation or warranty is made or implied by the Manager or any of its affiliates, and neither the Manager 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 Prospectus or for any statement purported to be made by or on behalf of the Manager. Investors in the Notes must rely only on the information contained in this Prospectus.

No person has been authorised to give any information or to make any representation concerning Deutsche Annington or the Notes (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Deutsche Annington or J.P. Morgan Securities plc (the “**Manager**”). In making an investment decision, investors must rely on their own examination of the Issuer, Deutsche Annington and the terms of the offering, including the merits and risks involved. Any decision to purchase Notes should be based solely on this Prospectus.

Any reproduction or distribution of this Prospectus, 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 recipient of this Prospectus, by accepting delivery of this Prospectus, agrees to the foregoing.

The Issuer has confirmed to the Manager that this Prospectus 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 and the Guarantor, the omission of which would make this Prospectus 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 Manager does not accept any responsibility for the contents of this Prospectus or for any other statements made or purported to be made by the Manager or on its behalf in connection with the Issuer, the Guarantor, the Notes or the Guarantee. The Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

The Manager is and has been 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 and the Guarantor 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 Prospectus nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date upon which this Prospectus 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 Prospectus has been most recently

supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Prospectus 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, Deutsche Annington or the Manager, or any of their respective representatives, is making any representation to any recipient of this Prospectus regarding the legality of an investment in the Notes by such recipient under the laws applicable to such recipient. Prospective investors should not construe anything in this Prospectus as legal, tax, business or financial advice. Each investor should consult with his or her own advisers 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 will include Notes in bearer form that 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 Prospectus as well as the offering, sale, and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, Deutsche Annington and the Manager to inform themselves about and to observe any such restrictions. This Prospectus 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, Deutsche Annington or the Manager 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 Prospectus comes are required by the Issuer and the Manager 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 Prospectus and offering material relating to the Notes, see “*Subscription and Sale—Selling Restrictions*”.

This Prospectus 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 authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Prospectus 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, the Guarantor or the Manager that any recipient of this Prospectus should subscribe for or purchase Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE MANAGER (OR PERSONS ACTING ON BEHALF OF THE MANAGER) 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 MANAGER (OR PERSONS ACTING ON BEHALF OF THE MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION 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 STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Prospectus 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 Annington or future statistics by independent sources. As regards the market positions of Deutsche Annington, Deutsche Annington'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 Prospectus is English. The German text of the Terms and Conditions and the Subordinated Guarantee is controlling and binding, the respective English language text constitutes a translation. In respect of the documents incorporated by reference, the German language version is controlling and binding in relation to the documents listed in the table of documents incorporated by reference under the heading "*Deutsche Annington Finance B.V.*" and "*Deutsche Annington Immobilien SE*" in the section "*Documents Incorporated by Reference*". In relation to the document listed in the table of documents incorporated by reference under the heading "*Valuation Report of the determination of Fair Value of the residential real estate portfolios of DeWAG as of 31 March 2014 and of the Guarantor as of 30 June 2014*" there is no German language version.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this Prospectus is for distribution only to persons (i) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (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 Prospectus 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 Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

FORWARD-LOOKING STATEMENTS

This Prospectus 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 Prospectus containing information on future earning capacity, plans and expectations regarding Deutsche Annington'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 Prospectus 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 Annington'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 Annington's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the section "*Description of the Guarantor and the Group*". This section includes more detailed descriptions of factors that might have an impact on Deutsche Annington's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Manager 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 Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which Deutsche Annington operates are based on the Guarantor'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 Prospectus:

- Association of Residential Letting Agents (ARLA), Press Release, "New generation of 'rooted renters' in 2012", released 27 July 2012 ("**ARLA**");
- CBRE GmbH, GSW Housing Market Report with Housing Cost Atlas 2013 ("**GSW Housing Market Report with Housing Cost Atlas 2013**");
- CBRE GmbH, GSW Housing Market Report with Housing Cost Atlas 2014 ("**GSW Housing Market Report with Housing Cost Atlas 2014**");
- CBRE GmbH, LEG Housing Market Report NRW 2012 ("**Housing Market Report NRW 2012**");
- CBRE GmbH, LEG Housing Market Report NRW 2013 ("**Housing Market Report NRW 2013**");
- CBRE GmbH, Special Report, Residential Market Germany 2010/2011 ("**CBRE, Special Report, Residential Market Germany, 2010/2011**");
- Clameur, Analysis of Trends in Urban and Rural Market Regions, updated February 2013, www.clameur.fr ("**Clameur**");
- Deutsche Wohnen AG, company website and 2013 annual report ("**Deutsche Wohnen**");
- empirica ag, Report "empirica-bubble-index I/2014" ("empirica Blasenindex I/2014"), published April 2014 ("**empirica-bubble-index**");
- European Commission, Special Report, European Economic Forecast Spring 2014, European Economy, May 2014 ("**European Economic Forecast Spring 2014**");
- Eurostat - Statistical office of the European Union, Database, Subjects: Population, Gross domestic product, updated 2014 ("**Eurostat database**");
- Evonik Industries AG listing prospectus, dated 22 April 2013 ("**Evonik**");
- Federal Association of German Housing and Real Estate Enterprises (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen*), Chart „Anbieterstruktur auf dem deutschen Wohnungsmarkt am 9. Mai 2011", August 2014 ("**GdW Provider Structure**");
- Federal Association of German Housing and Real Estate Enterprises (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen*), GdW Wohnungswirtschaftliche Daten und Trends 2010/2011, 2011/2012, 2012/2013 and 2013/2014, updated November 2010, November 2011, November 2012 and November 2013, respectively ("**GdW**");
- Federal Association of German Housing and Real Estate Enterprises (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen*), Press Release „Wohnungswirtschaft legt stabile Jahresbilanz vor – Regulierungspläne trüben Zukunftsaussichten", 30 June 2014 ("**GdW Press Release 2014-07-02**");

- Federal Association of German Housing and Real Estate Enterprises (*Bundesverband deutscher Wohnungs- und Immobilienunternehmen*), Tables „Ergebnisse der GdW Jahresstatistik 2013”, August 2014 (“**GdW Annual Statistics 2013**”);
- Foncière Développement Logements, company website (“**Foncière Développement Logements**”);
- Gagfah, company website and 2013 annual report (“**Gagfah Group**”);
- German Central Bank (*Deutsche Bundesbank*), “Monthly Report December 2012”, December 2012 (“**Deutsche Bundesbank, Monthly Report December 2012**”);
- German Federal Ministry for Economic Affairs and Energy, Monthly Report “*Schlaglichter der Wirtschaftspolitik*” May 2014, published May 2014 (“**Federal Ministry for Economic Affairs and Energy, Monthly Report May 2014**”);
- German Federal Government, Ministry for Traffic, Construction and Urban Development (*Bundesministerium für Verkehr, Bau und Stadtentwicklung*), Report “Living and Construction by Numbers 2011/2012” (“*Wohnen und Bauen in Zahlen 2011/2012*”), published 19 October 2012 (“**BMVBS Report on Residential and Construction Market 2011/2012**”);
- German Federal Government, Ministry for Traffic, Construction and Urban Development (*Bundesministerium für Verkehr, Bau und Stadtentwicklung*), Report “Living and Construction by Numbers 2012/2013” (“*Wohnen und Bauen in Zahlen 2012/2013*”), published October 2013 (“**BMVBS Report on Residential and Construction Market 2012/2013**”);
- German Federal Institute for the Research on Construction, Urban and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR*), “Regional Planning 2030” (“*Raumordnungsprognose 2030*”) (“**BBSR – Regional Planning 2030**”);
- German Federal Institute for the Research on Construction, Urban and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR*), “Residential Market Prediction 2025” (“*Wohnungsmarktprognose 2025*”) (“**BBSR – Residential Market Prediction 2025**”);
- German Federal and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), Database, Subject: Buildings and Housing – Dwellings by type of use (*Gebäude und Wohnen – Wohnungen nach Art der Nutzung*), updated 3 June 2013 (“**Regional Statistical Office, Buildings and Housing**”);
- German Federal and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), Database, Subject: Unemployment, Regional Breakdown, updated 2014 (“**Regional Statistical Office, Unemployment**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: National Accounts, updated 25 November 2014 (“**Federal Statistical Office, National Accounts, as of 25 November 2014**”);
- German Federal Statistical Office and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), Database and Publications, Subject: Population and Households, updated 2014 (“**Federal Statistical Office, Population**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Prices, updated 2014 (“**Federal Statistical Office, Genesis Online Database, Prices**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Private Households, dated 2014 (“**Federal Statistical Office, Genesis Online Database, Private Households**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Completed Buildings and Completed Apartments, Building and Apartment Permits, Living Space, updated July 2014 (“**Federal Statistical Office, Construction**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database and Publications, Subject: Consumer Price Index Germany (*Verbraucherpreisindizes für Deutschland*), published 16 May 2014 (“**Federal Statistical Office, Consumer Price Index for Germany**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, “Consumer prices in 2013: +1.5% on 2012”, updated 16 January 2014 (“**Federal Statistical Office, Press Release 017/2014-01-16**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, “Moderates Wachstum der deutschen Wirtschaft im Jahr 2013”, 15 January 2014 (“**Federal Statistical Office, Press Release 016/2014-01-15**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, „Increase in the population expected again for 2013”, updated 8 January 2014 (“**Federal Statistical Office, Press Release 007/2014-01-08**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Gross Domestic Product 2013 for Germany, updated February 2014 (“**Federal Statistical Office, Gross Domestic Product 2013**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Housing, updated 2014 (“**Federal Statistical Office, Housing**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Index of net cold rents, updated 2014 (“**Federal Statistical Office, Index of net cold rents**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: National Accounts – Gross domestic product, regional breakdown, updated 25 February 2014 (“**Federal Statistical Office, National accounts – Gross domestic product, regional breakdown**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: National Economy & Environment – Domestic Product, updated February 2014 (“**Federal Statistical Office, National Economy & Environment – Domestic Product**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Unemployment, updated 2014 (“**Federal Statistical Office, Unemployment**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Social & Society – Housing, Income, Consumption, Expenditure, updated 2014 (“**Federal Statistical Office, Social & Society – Consumption Expenditure**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: States and Regions – Municipal Directory 2014, published April 2014 (“**Municipal Directory 2014**”);
- German Federal Statistical Office (*Statistisches Bundesamt*), Special Report, “In Focus: Older People in Germany and the EU 2011”, published June 2011, (“**Federal Statistical Office, Report on Older People in Germany and the EU 2011**”);

- German Tenant Association, Press Release „Bezahlbare Wohnungen fehlen – Wohnkosten und Mieten steigen“, dated 22 May 2013 (“**Deutsche Mieterbund Press release 2013-05-22**”);
- German Tenant Association, Press Release “Strengthen Tenant Law” (“*Mieterrechte stärken, nicht abbauen*”), dated 6 December 2012 (“**Deutsche Mieterbund Press release 2012-12-06**”);
- GfK GeoMarketing, Table, Subject: Purchasing Power Germany 2013 (*GfK Kaufkraft Deutschland 2013*) updated 2013 (“**GfK Kaufkraft - Purchasing Power Germany 2013**”);
- GfK GeoMarketing, Table, Subject: Purchasing Power Germany 2014 (*GfK Kaufkraft Deutschland 2014*) updated 2014 (“**GfK Kaufkraft - Purchasing Power Germany 2014**”);
- ifs Institute for Urban Construction, Residential Real Estate and Savings Plans (*ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V.*), Special Report, Owner Occupancy Rates in Germany and Europe, dated 8 May 2012 (“**ifs Report**”);
- IMF, Report, „World Economic Outlook Update July 2014 - An Uneven Global Recovery Continues“, (“**IMF, World Economic Outlook July 2014**”);
- InWIS Forschung und Beratung GmbH – Atlas Wohnen Nordrhein-Westfalen 2010 (“**Atlas Wohnen NRW 2010**”);
- IVD, Press Conference of 19 December 2013 (“*Jahresausblick Wohnimmobilienmärkte 2014*”) (“**IVD Forecast 2014**”);
- IVD, Report “IVD Residential-Price-Overview 2013/2014” (“*IVD-Wohn-Preisspiegel 2013/2014*”), dated, 2013 (“**IVD Residential-Price-Overview**”);
- IVD, Research on Rental Yields in Germany between 2001 and 2011, dated 2012 (“**IVD Bundesverband Research - Development of rental yields in Germany between 2001 and 2011**”);
- LEG Immobilien AG, company website and 2013 annual report (“**LEG**”);
- LEG, Press Release, “Rents in North-Rhine Westphalia growing strongly” (“*Mieten in Nordrhein-Westfalen im deutlichen Aufwärtstrend*”) dated August 29, 2013 (“**LEG Press Release 2013-08-29**”);
- Munich Personal RePEc Archive, MPRA Paper No. 43315 “M. Voigtländer - The Stability of the German Housing Market”, posted 18. December 2012 (“**MPRA Paper No. 43315**”);
- NRW.INVEST Germany, website, “North Rhine-Westphalia (NRW) – Your investment location in Europe”, “North Rhine-Westphalia at a Glance” (“**NRW.Invest**”);
- Pestel Institut, Report commissioned by Kampagne Impulse für den Wohnungsbau, “Demand for Senior Citizen Housing in Germany” (“*Bedarf an seniorengerechten Wohnungen in Deutschland*”), January 2011 (“**Pestel Institut, Demand for Senior Citizen Housing in Germany**”);
- Schader Stiftung, Article, “The Housing Situation” (“*Zur Wohnsituation*”), updated 8 July 2005 (“**Schader Stiftung**”);
- Standard & Poor’s Financial Services LLC, company website (www.standardandpoors.com);

- Standard & Poor's Financial Services LLC, Press Release "German Residential Property Company Deutsche Annington Ratings Placed on CreditWatch Positive on GAGFAH Takeover Offer"; dated 1 December 2014 ("**S&P Research Update December 2014**");
- State Parliament of North-Rhine Westphalia, Enquete Report "Change of the residential market and new financial investors on the real estate markets in North-Rhine Westphalia", LT Drucksache 16/2299 as of 25 February 2013 ("**Enquete Report**");
- TAG Immobilien AG, company website, 2012 and 2013 annual reports ("**TAG AG**"); and
- Vivawest GmbH, company website and 2013 annual report ("**Vivawest**").

It should be noted in particular that reference has been made in this Prospectus 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 Prospectus by the Issuer and the Guarantor, neither the Issuer nor the Guarantor have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Issuer and the Guarantor make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. Prospective investors should note that the Guarantor'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 ("**CBRE**"), Hausvogteiplatz 10, 10117 Berlin, Germany, has prepared a valuation report relating to the Fair Value of the real estate portfolios of DeWAG group as of 31 March 2014 and of the real estate portfolio of Deutsche Annington as of 30 June 2014 pursuant to IAS 40 in conjunction with Section 13 of the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") (the "**Valuation Report**"), which is incorporated in this Prospectus by reference. All other statements regarding Fair Values of Deutsche Annington's properties set forth in this Prospectus are based on internal valuations. For more information on CBRE's independence, see the "*Declaration of Independence*" in the Valuation 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 Valuation Report in this Prospectus by reference. CBRE's valuations were carried out as of March 31, 2014 with respect to the portfolio of DeWAG group and as of 30 June 2014 with respect to Deutsche Annington's portfolio. CBRE has not been engaged to update their valuations for purposes of this Prospectus, has no obligation so to do and has not updated their valuations after these valuation dates. The Issuer and the Guarantor affirm that, as of the date of this Prospectus, no material change in the value of the properties appraised in the Valuation Report has occurred since the valuation dates of 31 March 2014 and 30 June 2014 relating to the portfolios of DeWAG group and Deutsche Annington, respectively.

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OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

The following overview contains basic information about the Notes and the Guarantee and is not intended to be complete. It does not contain all the information that is important to making a decision to invest in the Notes. For a more complete description of the Notes and the Subordinated Guarantee, please refer to the sections “Terms and Conditions of the Notes” and “Subordinated Guarantee”, respectively, of this Prospectus. For more information on the Issuer and the Guarantor, their business and their financial condition and results of operations, please refer to the sections “Description of the Issuer” and “Description of the Guarantor and the Group”, respectively, of this Prospectus. Terms used in this overview and not otherwise defined have the meanings given to them in the Terms and Conditions.

Issuer	Deutsche Annington Finance B.V., a Dutch private company with limited liability governed by Dutch law.
Guarantor	Deutsche Annington Immobilien SE, a European company (<i>Societas Europaea</i>) incorporated in Germany and governed by European and German law.
Notes	€1,000,000,000 undated subordinated Notes subject to Interest Rate Reset with a First Call Date 17 December 2021 guaranteed by the Guarantor on a subordinated basis. ISIN: XS1117300837; Common Code: 111730083; German Securities Code (WKN): A1ZTXG
Manager	J.P. Morgan Securities plc
Principal Paying Agent	Deutsche Bank Aktiengesellschaft
Principal Amount	€1,000,000,000
Issue Price	100.0%
Issue Date	17 December 2014
Specified Denomination	€100,000
Form of Notes	The Notes will initially be represented by the Temporary Global Note, without interest coupons, which will be delivered on or around the Issue Date to a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, <i>société anonyme</i> (“Clearstream, Luxembourg”), and, together with Euroclear, the “Clearing System”). The Temporary Global Note will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in the Permanent Global Note, without interest coupons, not earlier than 40 days after the Issue Date in accordance with the provisions set out in the Terms and Conditions. No definitive notes or interest coupons will be issued.

Status of the Notes

The obligations under the Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and in the event of the winding-up, dissolution or liquidation of the Issuer rank:

- (a) senior only to the Junior Obligations of the Issuer,
- (b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and
- (c) junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

“**Junior Obligations of the Issuer**” means (i) the ordinary shares and preferred shares (if any) of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security, registered security or other instrument of the Issuer under which the Issuer’s obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer’s obligations under such guarantee or other assumptions of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

“**Parity Obligations of the Issuer**” means any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer’s obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes.

Subordinated Guarantee

The Guarantor will give the unconditional and irrevocable Subordinated Guarantee on a subordinated basis for the due and punctual payment of any amounts payable under any Notes. The Subordinated Guarantee constitutes a contract for the benefit of the holders of the Notes (the “**Holders**”) from time to time as third-party beneficiaries in accordance with Section 328 para. 1 German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the Subordinated Guarantee directly from the Guarantor and to enforce the Subordinated Guarantee directly against the Guarantor.

The obligations of the Guarantor under the Subordinated Guarantee rank:

- (a) senior only to the Junior Obligations of the Guarantor,

- (b) *pari passu* with any other present and future Parity Obligations of the Guarantor, and
- (c) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

“Junior Obligations of the Guarantor” means (i) the ordinary shares and preferred shares (if any) of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by any Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

“Parity Obligations of the Guarantor” means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Subordinated Guarantee.

Prohibition of set-off

No Holder may set-off any claims arising under the Notes or the Subordinated Guarantee against any claims that the Issuer or the Guarantor may have against it. The Issuer may not set-off any claims it may have against the Holders against any of its obligations under the Notes. The Guarantor may not set-off any claims it may have against the Holders against any of its obligations under the Subordinated Guarantee.

Interest on the Notes

The Notes will bear interest on their principal amount from (and including) the Interest Commencement Date to (but excluding) the First Call Date at the rate of 4.000% p.a., payable annually in arrears on 17 December in each year, commencing on 17 December 2015.

From (and including) the First Call Date to (but excluding) the First Step-up Date the Notes will bear interest on their principal amount at the 5-year swap rate for the relevant Reset Period plus a margin of 339 basis points p.a., payable annually in arrear on each Interest Payment Date, commencing on 17 December 2022.

From (and including) the First Step-up Date to (but excluding) the Second Step-up Date the Notes will bear interest on their principal amount at the 5-year swap rate for the relevant Reset Period plus a margin of 364 basis points p.a. (including a step-up of 25 basis points), payable annually in arrear on each Interest Payment Date, commencing on 17 December 2027.

From (and including) the Second Step-up Date to (but excluding) the date on which the Issuer redeems the Notes in whole pursuant to § 6 of the Terms and Conditions the Notes will bear interest on their principal amount at the 5-year swap rate for the relevant Reset Period plus a margin of 439 basis points p.a. (including a step-up of 100 basis points), payable annually in arrear on each Interest Payment Date, commencing on 17 December 2042.

“**Reset Date**” means the First Call Date and each fifth anniversary of the First Call Date.

“**Reset Period**” means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

Interest following the occurrence of a Change of Control

If a Change of Control (as defined below) occurs and the Issuer does not redeem the Notes in whole, the interest rate applicable to the Notes will be subject to an additional 500 basis points p.a. above the otherwise applicable rate of interest from the Change of Control Effective Date (as defined in § 6(6) of the Terms and Conditions).

Optional Interest Deferral

The Issuer may elect to defer the payment of interest which will be due and payable (*fällig*) on an Interest Payment Date, upon giving not less than 10 Business Days’ prior notice to the Holders.

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay interest on such Interest Payment Date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Arrears of Interest will not bear interest.

Optional Payment of Arrears of Interest

The Issuer or the Guarantor will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at

any time by giving notice to the Holders not less than 10 Business Days before such voluntary payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

Mandatory Payment of Arrears of Interest

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the next Mandatory Settlement Date.

“**Mandatory Settlement Date**” means the earliest of the following calendar days:

- (a) the calendar day falling 10 Business Days after the day on which a dividend, other distribution or other payment was validly resolved on, declared, paid, or made in respect of Junior Obligations of the Issuer (other than any dividend, other distribution or other payment made by the Issuer exclusively to the Guarantor), Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such dividend, other distribution or payment was required in respect of employee share schemes);
- (b) the calendar day falling 10 Business Days after the day on which the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of the Guarantor has redeemed, repurchased or otherwise acquired Junior Obligations of the Issuer, Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such redemption or repurchase was mandatory under the terms of the instrument or required in respect of employee share schemes);
- (c) the calendar day on which the Notes are redeemed;
- (d) the next Interest Payment Date on which the Issuer pays interest on the Notes scheduled to be paid on such Interest Payment Date; or
- (e) the calendar day after an order is made for the winding-up, dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or Guarantor, as the case may be);

provided that:

- (x) in the cases (a) and (b) above, no Mandatory Settlement Date occurs if the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of

the Guarantor is obliged under the terms and conditions of such parity or junior obligations to make such payment, such redemption, such repurchase or such other acquisition; and

- (y) in the case (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of the Guarantor repurchases or otherwise acquires any Parity Obligations of the Issuer or Parity Obligations of the Guarantor in whole or in part in a public tender offer or public exchange offer at a purchase price per Parity Obligation below its par value.

No Maturity

The Notes have no final maturity date and shall not be redeemed except in accordance with the specific provisions set forth in the Terms and Conditions.

Redemption following a Rating Event, an Accounting Event, a Tax Deductibility Event, an Acquisition Event, a Gross-up Event or a Repurchase Event

After the occurrence of a Rating Event, an Accounting Event, a Tax Deductibility Event, an Acquisition Event, a Gross-up Event or a Repurchase Event (each as defined in the Terms and Conditions), the Issuer may, by giving not less than 30 and not more than 60 days' prior notice to the Holders, call the Notes for redemption (in whole but not in part).

In the case such call notice is given following a Gross-up Event or a Repurchase Event, the Issuer shall redeem the Notes on the specified redemption date at an amount per Note equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any payable Arrears of Interest.

In the case such call notice is given following a Rating Event, an Accounting Event, a Tax Deductibility Event or an Acquisition Event, the Issuer shall redeem the Notes on the specified redemption date at an amount per Note equal to 101% of the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any payable Arrears of Interest.

Redemption following a Change of Control

If a Change of Control occurs, the Issuer may call the Notes for redemption (in whole but not in part) upon giving notice in accordance with the Terms and Conditions with effect as of the date fixed for redemption therein. In the case such call notice is given, the Issuer shall redeem each Note at an amount equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Arrears of Interest which are due and payable (*fällig*).

A "**Change of Control**" shall be deemed to have occurred at each time (whether or not approved by the management

board of the Guarantor (the “**Management Board**”) or the supervisory board of the Guarantor (the “**Supervisory Board**”)) that:

- (i) In the event of a public tender offer for shares of the Guarantor a situation arises in which:
 - (1) shares already directly or indirectly under the control of the bidder and/or Persons acting in concert with the bidder and shares which have already been tendered in the tender offer, carry in aggregate more than 50% of the voting rights in the Guarantor and
 - (2) the offer is or has become unconditional (other than for conditions relating to regulatory, in particular merger control, approvals and other conditions the satisfaction of which may remain pending following the end of the acceptance period pursuant to Section 16 para. 1 German Takeover Act (*Gesetz zur Regelung von öffentlichen Angeboten zum Erwerb von Wertpapieren und von Unternehmensübernahmen – WpÜG*)), provided that if (y) following a public tender offer for shares of the Guarantor any Person or Persons control(s) 30% or more of the voting shares in the Guarantor, but did not acquire Control and (z) subsequently such Person or Persons acquire(s) Control, a Change of Control shall be deemed to have occurred at the time such Person or Persons acquire(s) Control; or
- (ii) the Guarantor sells or otherwise transfers all or substantially all of its assets to any Person (except for any Controlled Subsidiary).

“**Control**” means any direct or indirect legal or beneficial ownership or any legal or beneficial entitlement (as defined in Section 22 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) of, in the aggregate, more than 50% of the voting shares of the Guarantor which does not constitute, at the same time, a Portfolio Restructuring.

“**Portfolio Restructuring**” means any sale, assignment, conveyance, transfer, lease or other disposition of voting rights in the Guarantor within the Terra Firma Group.

“**Terra Firma Group**” means Terra Firma Investments (DA) Limited (TFIDA); Terra Firma Investments (DA) II

Limited (TFIDA II); any associate of TFIDA or TFIDA II; any fund managed and/or advised by TFIDA or TFIDA II and/or an associate thereof; and/or any successor of TFIDA and/or TFIDA II as general partner and/or manager of any or all of the Terra Firma Deutschland Annington Funds.

**Redemption at the
Option of the Issuer**

The Issuer may, upon giving not less than 30 nor more than 60 days' notice call the Notes for redemption (in whole but not in part) for the first time with effect as of the First Call Date and subsequently with effect as of each Reset Date thereafter. In the case such call notice is given, the Issuer shall redeem the Notes at an amount per Note equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and any Arrears of Interest payable on the specified redemption date.

Events of Default

None.

Negative Pledge

None.

Taxation

All amounts payable in respect of the Notes shall be made, and the Subordinated Guarantee shall provide that all amounts payable in respect of such Subordinated Guarantee 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 any jurisdiction in which the Issuer or the Guarantor, as applicable, is organised, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or through or from which payment on the Notes or the Subordinated Guarantee, as applicable, is made or any political subdivision or any authority thereof or therein having power to tax (each, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law. If such withholding with respect to amounts payable in respect of the Notes is required by law, the Issuer will pay, and the Subordinated Guarantee shall provide that, if such withholding with respect to amounts payable in respect of such Subordinated Guarantee is required by law, the Guarantor 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, subject to exceptions set out in the Terms and Conditions.

**German Act on Issues
of Debt Securities
(Schuldverschreibungsgesetz)**

The Notes will be subject to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* ("**SchVG**")), which, *inter alia*, provides for the ability of the Issuer to amend the Terms and Conditions and the terms of the Subordinated Guarantee with the consent by majority resolution of the Holders and to appoint a joint representative (*gemeinsamer Vertreter*)

for the preservation of their rights. Resolutions of the Holders which result in the Notes no longer being recorded as “equity” in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS (as defined in § 6(7) of the Terms and Conditions) or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor are invalid.

Governing Law

The Notes and the Subordinated Guarantee will be governed by German law.

Jurisdiction

Subject to any mandatory jurisdiction for specific proceedings under the SchVG, the place of non-exclusive jurisdiction for any action or other legal proceedings in connection with the Notes shall be Frankfurt am Main, Germany.

Listing and admission to trading

The Notes are admitted to trading on the unregulated open-market segment (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). 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 (which is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments) and to be listed on the Official List of the Luxembourg Stock Exchange.

Selling Restrictions

The offer and the sale of the Notes and the distribution of offering materials are subject to specific restrictions. The relevant restrictions applicable in the United States and the United Kingdom are set out under “*Subscription and Sale*” of this Prospectus.

Clearing and Settlement

The Notes are accepted for clearing through Euroclear and Clearstream, Luxembourg.

Availability of Documents

This Prospectus and any supplements thereto will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Risk Factors

Investing in the Notes involves risks. Investors should carefully consider the information under the caption “*Risk Factors*” relating to the Notes, the Issuer and the Guarantor set forth on pages 11 through 52 of this Prospectus.

Restrictions regarding redemption and repurchase of the Notes

The Issuer intends (without thereby assuming a legal or contractual obligation) that it will redeem or repurchase the Notes only to the extent they are replaced with instruments with equivalent S&P equity credit. Such replacement would be provided during the 360-day period prior to the date of such redemption or repurchase. The net proceeds received by the Issuer, the Guarantor or subsidiary of the Guarantor from the sale to third party purchasers of securities which are assigned an S&P equity credit that is at least equal to the highest respective equity credit assigned to the Notes by S&P during

the period from the Issue Date to the last date on which an Acquisition Event can occur will count as replacement.

The following exceptions apply as to the Issuer's replacement intention. The Notes are not required to be replaced:

- (i) if the rating assigned by S&P to the Issuer or the Guarantor is at least BBB and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) in the case of repurchase of less than (x) 10% of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (y) 25% of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years is repurchased, or*
- (iii) if the Notes are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at S&P), an Accounting Event, a Tax Deductibility Event, a Gross-Up Event or an Acquisition Event; or*
- (iv) if the Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or*
- (v) if such redemption or repurchase occurs on or after the Second Step-up Date*

Terms used but not defined in the preceding paragraphs shall have the meaning set out in the Terms and Conditions.

RISK FACTORS

Below is a description of risk factors that are material for the assessment of the market risk associated with the Notes and risk factors that may affect each of the Issuer's ability to fulfil its obligations under the Notes and, as applicable, the Guarantor's ability to fulfil its obligations under the Subordinated Guarantee. Any of these risks could have a material adverse effect on the financial condition and results of operations of Deutsche Annington. 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 Prospectus 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 Annington is not presently aware could also affect the business operations of Deutsche Annington and have material adverse effects on Deutsche Annington's business activities, financial condition and results of operations.

Words and terms that are defined in the Terms and Conditions below or elsewhere in this Prospectus have the same meaning in this section "Risk Factors".

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

Risk Factors Relating to the Issuer

The Issuer is dependent on the Guarantor and other entities of the Group.

The Issuer acts as a financing subsidiary of the Guarantor. The principal activity of the Issuer is the provision of loans to members of the Group financed with funds acquired from the capital market, bank loans and loans from other companies of the Group. Its assets mainly consist of financial investments in Group companies, receivables from loans to Group companies, and other receivables owed by Group companies. The Issuer may issue further notes in the future.

The ongoing business activities of the Issuer depend on the ability of the Guarantor and other companies of the Group to fulfil their payment obligations *vis-à-vis* the Issuer or the obligation to assume losses. If individual or all members of the Group were unable to meet their payment obligations to the Issuer in due time, this could considerably impair the ability of the Issuer to fulfil its obligations under the Notes or cause the market price for the Notes to decline.

Risk Factors Relating to the Guarantor

Risks Related to Deutsche Annington's Market Environment

Deutsche Annington is dependent on demographic and economic developments in Germany and in the regional sub-markets where its properties are located. Further, the Group is dependent on its ability to adapt its housing activities to these developments.

As Deutsche Annington's properties are dispersed across more than 500 cities and communities throughout the Federal Republic of Germany ("**Germany**"), Deutsche Annington's business activities are affected by numerous demographic and economic factors. In particular, developments in and related to the residential property market in Germany and in its regional sub-markets are of significant importance for Deutsche Annington's business and future prospects. These developments play a decisive role in determining housing prices, rent levels, turnover and vacancy rates, as well as home ownership and rental rates and may vary significantly across Germany and within regional sub-markets.

Economic studies forecast that demographic change, including a shrinking and ageing 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*). As of 30 September 2014, approximately 69% of Deutsche Annington's residential units were concentrated in cities with more than 100,000 inhabitants. Economic and demographic forecasts for metropolitan areas in Germany differ from forecasts for less densely populated regions. In recent years, the population and, consequently, demand for housing have grown faster in German metropolitan areas than in Germany's less densely populated rural regions, where growth has been more moderate or even negative. Such dynamics are expected to continue in the future (*Source: BBSR – Regional Planning 2030*). Other macro-economic indicators, such as the development of gross domestic product ("GDP"), unemployment rates, purchasing power and the development of the average household size, are also expected to develop in a diverse manner across the different regions in which the Group owns properties.

Economic and demographic developments significantly impact, among other things, the demand for Deutsche Annington's properties, the rents Deutsche Annington is able to charge and the payment behaviour of Deutsche Annington's tenants. These factors have a significant effect on vacancy rates, Deutsche Annington's revenues and the value of Deutsche Annington's properties. Consequently, Deutsche Annington may be negatively affected by unfavourable economic and demographic developments in Germany or in the regions where its properties are located, which in turn, could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

The slow and uncertain recovery of the global economy from the recent financial and economic crisis may result in market volatility, limited access to debt and equity financing and possible defaults by Deutsche Annington's counterparties.

Notwithstanding improvements in business conditions since the economic and financial crisis of 2008 and 2009, the global economy continues to experience a slow and uncertain recovery. 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 crisis in Ukraine and the severe economic sanctions being imposed on the Russian Federation as well as possible retaliatory actions by the Russian Federation may have negative repercussions for the European economy as a whole. Such instability and the resulting market volatility may also create contagion risks for economically strong countries like Germany and may spread to the German financial sector and the German residential real estate market.

Given Deutsche Annington's dependence on its ability to access financial markets for the refinancing of its liabilities, the continued instability or a further deterioration of the economic environment or the capital markets may reduce Deutsche Annington's ability to refinance its existing and future liabilities. Furthermore, Deutsche Annington's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

Any of these risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

The current macroeconomic environment is characterised by low interest rates and comparatively high values of residential real estate portfolios in Germany. Any rise in interest rates could have material adverse effects on the German real estate market and on Deutsche Annington.

The recent global financial and economic crisis and the sluggish global economic recovery have resulted in increased uncertainty regarding future economic developments. This uncertainty regarding the general economic outlook has made investment opportunities that provide stable and largely predictable cash flows more popular, such as investments in German residential real estate.

This trend has been exacerbated by historically low interest rates in Europe. As a result, property prices and the value of residential real estate companies have increased.

These developments could reverse themselves if, for example, interest rates were to rise, as observed in some parts of the world. A rise in interest rates could be driven by economic conditions, resulting in increased investor interest in investments with a higher risk profile and a decrease in interest in real estate investments. Rising interest rates could adversely impact Deutsche Annington in a number of ways, including:

- Increases in interest rates may make residential real estate difficult to afford for potential customers. Demand for new homes is sensitive to changes in housing affordability. Most new home purchasers finance their home purchases through lenders providing mortgage financing. Lack of availability of mortgage financing at acceptable rates therefore reduces demand for homes. Even if potential customers do not need mortgage financing, changes in interest rates and in the availability of mortgage financing may make it harder for them to sell their current homes to potential buyers who themselves may need such financing.
- The discount rate used to calculate the value of the Group's properties recorded on the Guarantor's balance sheet in accordance with International Accounting Standard ("IAS") 40 (such value hereinafter referred to as the "**Fair Value**") tends to increase in an environment of rising interest rates, which in turn could result in Deutsche Annington's properties having a lower Fair Value. For more information, see "*—Risk Factors Relating to the Guarantor—Risks Related to the Valuation of Deutsche Annington's Properties—If interest rates change, the market deteriorates or the Group's rent levels or vacancy rates develop unfavourably, Deutsche Annington may be required to adjust the current Fair Values of its investment properties and recognise significant losses*".
- Deutsche Annington's strategy of disposing assets from its "Non-Core" portfolio at or around Fair Value and pursuing sales of assets from its "Privatise" portfolio at a premium to Fair Value could be jeopardised. Income from the sale of properties constitutes an important source of both profit (fiscal year 2013: €52.0 million, first nine months of 2014: €48.9 million) and cash flow (fiscal year 2013: €270.3 million, first nine months of 2014: €264.2 million) for Deutsche Annington. At present, Deutsche Annington's disposal strategy is benefiting from the low-interest economic environment and the prevailing perception of residential real estate as a low-risk investment opportunity. If any of these factors change, Deutsche Annington could be prevented from increasing its portfolio quality and operational efficiency through divestments of assets allocated to the "Privatise" and "Non-Core" portfolios.
- Deutsche Annington's business model is currently based on borrowing against its properties. When negotiating financing agreements or extending such agreements, Deutsche Annington depends on its ability to agree to terms and conditions that will provide for interest payments that will not impair its targeted profit, and for amortisation schedules that do not restrict its ability to pay intended dividends. Further, the Group may be unable to enter into hedging instruments that may become necessary if variable interest rates are agreed upon or may only be able to do so at significant costs. If the current low-interest rate environment is followed by one in which high rates prevail, the Group's financing costs, including costs for hedging instruments, may increase.
- As of 30 September 2014, Deutsche Annington took out interest rate hedges for an aggregate of 49.1% of its loans that bear interest at a variable rate or that are otherwise subject to hedging commitments. As of 30 September 2014, loans with a total amount of €1,456.0 million had variable interest rates. The valuation of hedging instruments, which itself depends on the level of interest rates, also impacts the Group's equity and

results of operations. Any increase in interest rates would result in an increase in the Group's equity and would have a negative effect on its results of operations.

Any increase in interest rates could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

It could become more difficult for Deutsche Annington to implement its strategy of acquiring residential real estate portfolios or residential real estate companies on attractive terms, particularly due to the relatively high current market prices for real estate portfolios and real estate companies. Any such development could impair the growth of Deutsche Annington's business and could prevent the Group from generating additional economies of scale and from improving its overall portfolio quality through acquisitions.

As part of its business strategy, the Group seeks to capture external growth opportunities by acquiring residential real estate portfolios and residential real estate companies when these are deemed value-enhancing. Such acquisitions may only be implemented, however, if attractive real estate portfolios or real estate companies are available for purchase at reasonable prices. Given the current high demand for residential real estate in Germany, such portfolios and companies may be unavailable or available only on unfavourable terms. In addition, competitors with asset acquisition objectives similar to those of Deutsche Annington may possess greater financial resources and lower costs of capital than Deutsche Annington. Furthermore, it cannot be guaranteed that the Group will be able to generate sufficient funds to finance such envisaged acquisitions in the future.

Additionally, the supply of real estate portfolios might be limited, for example, due to fewer sales of real estate portfolios by municipalities and federal states. If municipalities and federal states cease privatising or if they reduce their privatisation activities, supply could be constricted, which could increase competition for acquisitions that would be suitable for the Group and result in the prices of residential properties on the German market increasing further. As a consequence of these factors, the Guarantor could be forced to pay higher prices or to acquire fewer (if any) properties.

Any inability to acquire residential real estate portfolios or residential real estate companies could not only impair Deutsche Annington's strategy to capture external growth opportunities but could also jeopardise Deutsche Annington's efforts to improve the quality of its portfolio and to reduce the administrative burden per unit through active sales and acquisitions.

Any inability to acquire suitable properties on attractive terms could limit Deutsche Annington's growth and could have material adverse effects on Deutsche Annington's business, cash flow and results of operations.

Risks Related to Deutsche Annington's Business

Deutsche Annington is exposed to risks related to the structural condition of its properties and their maintenance and repair. The Group's loan and purchase agreements require Deutsche Annington to invest specified amounts in certain portfolios. Such requirements may lead to a sub-optimal funds allocation.

In order to ensure the safety of a rental property's inhabitants, sustain demand for a rental property and generate adequate revenue over the long term, a property's condition must be maintained or improved to a standard that satisfies technical requirements and meets market demand. Failure to maintain the technical soundness of a rental property poses a risk to the health and safety of Deutsche Annington's tenants and employees. Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. If maintenance and modernisation are required to meet changing legal or market requirements (e.g., with regard to energy efficiency or health and safety requirements), the property owner may be burdened with substantial expenses. In Germany, rent increases may be introduced to compensate for these expenses only under certain conditions, and these rent increases may not exceed a certain percentage of the costs incurred in connection with certain modernisation measures. In addition, Deutsche Annington may not be able to increase rents to the extent legally permissible as a result of prevailing market conditions or the

inability of tenants receiving state aid (as is the case for a part of Deutsche Annington's tenants) to afford these increased rents or otherwise.

Although Deutsche Annington has a reporting system in place to monitor and budget necessary maintenance and modernisation measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernisation. These factors may include the material and substances used at the time of construction, currently unknown building code violations and/or the age of the relevant building. Approximately 76% of Deutsche Annington's residential real estate units were built between 1949 and 1980, and approximately 15% were built prior to 1949 (calculated on the basis of the floor area as of 30 September 2014).

Deutsche Annington would incur additional and unexpected costs if the actual costs of maintaining or modernising its properties were to exceed Deutsche Annington's estimates, if Deutsche Annington is not permitted to raise rents in connection with modernisation and maintenance due to statutory or contractual constraints or if hidden defects not covered by insurance or contractual warranties are discovered during the maintenance or modernisation process.

In addition, with respect to some of the properties in its portfolio, Deutsche Annington also entered into obligations under its loan and purchase agreements to spend minimum average amounts per sqm on maintenance and modernisation. This may restrict the Group's ability to focus on otherwise planned modernisations and may thus result in a sub-optimal allocation of funds.

The Guarantor's failure to undertake appropriate maintenance and modernisation work in response to the factors described above could adversely affect the rental income earned from affected properties. Such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts.

Any such event could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington may be unable to sell its portfolio on favourable terms in full or in part or may be unable to do so at all.

The real estate market, in which Deutsche Annington invests and operates, is characterised by limited liquidity. Deutsche Annington's general ability to sell parts of its real estate portfolio depends on the state of investment markets and on market liquidity. If Deutsche Annington were required to sell parts, or the whole, of its real estate portfolio, including for the purpose of raising cash to support its operations, there is no guarantee that the Group would be able to sell such parts, or the whole, of its portfolio on favourable terms or at all. In addition, existing contractual obligations under purchase agreements restrict Deutsche Annington's ability to sell certain parts of its portfolio. As of 30 September 2014, approximately 39,000 residential units were subject to such restrictions. In the case of a forced sale of all or part of Deutsche Annington's real estate portfolio, for example, if creditors realise collateral, there would likely be a significant shortfall between the price obtained and the carrying amount of the portfolio sold.

Any such shortfall could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington bears 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. In addition, transaction costs for the acquisition of real estate may increase due to a recent change in German tax law. Furthermore, real estate portfolios or companies that may be acquired in the future may not develop as favourably as expected.

As part of Deutsche Annington's strategy, Deutsche Annington 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 which Deutsche Annington believes might improve the quality of its portfolio. In the past, Deutsche Annington has carried out several takeovers of real estate

companies, including, most recently, a portfolio of around 11,500 residential units managed by DeWAG (“**DeWAG**”) that closed on 1 April 2014 (the “**DeWAG Transaction**”), the takeover of certain entities of the Vitus Group comprising around 30,000 residential units which closed on 1 October 2014 (the “**Vitus Group Takeover**”). Additionally, on 29 August 2014 an acquisition of 5,000 residential units and 210 commercial units was agreed on with CitCor Residential Group, a joint venture of Citigroup Property Investors and CORPUS SIREO (“**CitCor**”). In December 2014, this agreement was partially suspended and supplemented with an additional purchase agreement for 94.9% of certain portfolio-holding companies of CitCor. Both of these agreements are anticipated to close on 1 April 2015.

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 that then cannot be deployed elsewhere in Deutsche Annington. Deutsche Annington’s acquisition of additional property portfolios and real estate companies can be financed by taking on additional debt or by issuing new shares of the Guarantor in the capital markets or by a combination thereof. If Deutsche Annington 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 (“**LTV-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.

Furthermore, Deutsche Annington may only be able to conduct limited due diligence on the properties, entities or companies in question. Accordingly, the Group may not be in a position to examine whether the original owners of the properties, and/or the properties themselves, have obtained all required permits for new buildings, satisfied all permit conditions, received all necessary licenses and fire, health and safety certificates or satisfied all comparable requirements. In addition, the properties may suffer from hidden defects, such as contamination, and may thus require significant modernisation investments. Moreover, Deutsche Annington may not be 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 the acquisition of companies or residential and other property portfolios, specific risks may not be, or might not have been, recognised or evaluated correctly. Thus, legal and economic liabilities may be, or might have been, overlooked or misjudged. Although sellers typically make various warranties in purchase agreements that Deutsche Annington enters into in connection with such property acquisitions, it is possible that these warranties do not cover all risks or that they fail to cover such risks sufficiently. Additionally, a warranty made by a seller may be unenforceable due to the seller’s insolvency or for other reasons. In some cases, a seller makes no representation or warranty as to the completeness and correctness of the information that is made available in the context of 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 closing of the relevant acquisition.

As a consequence, in particular in the case of acquisitions of large-volume property portfolios, such as the recently closed DeWAG Acquisition and the Vitus Group Takeover, Deutsche Annington could overestimate earning potential and synergies, underestimate the rental and cost risks and consequently pay a purchase price higher than the portfolio’s actual value. Furthermore, the property portfolios could be inaccurately appraised by Deutsche Annington for other reasons, even if they were acquired on the basis of valuation reports and due diligence reviews. Therefore, neither a particular target return from rentals, nor, if applicable, a certain price upon resale can be guaranteed with respect to acquired property portfolios.

Comparable risks could arise if Deutsche Annington acquires participations in real estate companies. Here, too, Deutsche Annington could overestimate the earning potential and synergies associated with the participation to be acquired, or could underestimate the liabilities and risks inherent

in the real estate company in which it is to acquire a participation, and could consequently pay a purchase price higher than the actual value of the investment.

Accordingly, such risks can arise despite a thorough due diligence investigation, and they could have material adverse effects on Deutsche Annington'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 Real Estate Transfer Tax ("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 can generally only be avoided if the direct and indirect holdings of the Guarantor in the newly acquired real estate holding entity, when taken together, do not reach 95%. Accordingly, if Deutsche Annington 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.

Moreover, portfolios and companies that may be acquired in the future may not develop as favourably as expected. For example, targeted rent increases may not be implemented as planned due to a lack of tenants who are willing or able to pay increased rents, or vacancy rates may increase, for example, due to unfavourable demographic or economic developments.

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

Future acquisitions may not close or not as originally contemplated, for example, due to conditions in the acquisition agreement or a failure to reach final agreements on the acquisition loan documentation.

In planned acquisitions of real estate, real estate portfolios or real estate companies, unforeseen problems could arise, for example, in the form of substantial economic or legal impediments to a takeover. For example, the Vitus Group Takeover was subject to a number of closing conditions and contained certain rights of withdrawal for both parties. If certain conditions precedent set out in the investment agreement had not been fulfilled or if the parties would have failed to reach final agreements with respect to loan documentation entered into in connection with this transaction, the Vitus Group Takeover might not have occurred in the form and/or within the timeframe originally contemplated. The same applies for the CitCor takeover, the closing of which is subject to a range of closing conditions.

In the event of a failure of other future acquisitions, Deutsche Annington would have to bear the associated transaction costs without receiving any of the intended results and benefits from the envisaged acquisition. The realisation of this risk could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington plans significant investments in modernisation measures, which may not generate the expected return.

Over the next five years, Deutsche Annington plans to invest approximately €800 million in modernisation and maintenance measures, including approximately €160 million forecast for 2014. The modernisation measures focus on energy-efficient modernisation of buildings, modernisation of individual apartments for senior living and high-standard refurbishments in markets where fully refurbished apartments are expected to deliver a rental premium. Deutsche Annington targets a yield of approximately 7% on the invested capital, which Deutsche Annington expects to contribute approximately 1% to the targeted annual Group-wide in-place rent growth from 2015 onwards.

In the past, the Group has shown that it is able to generate an average yield of approximately 7% on invested capital. The recently invested amounts, however, have been significantly smaller, and Deutsche Annington faces the risk that it may not be able to generate these returns on the basis of a significantly expanded investment programme. In particular, Deutsche Annington's projections of the future demand for apartments suitable for senior living and energy-efficient apartments may turn out to be inaccurate, or customer preferences may change. Furthermore, Deutsche Annington may face management challenges to oversee and organise such enlarged investment programmes or may not be in a position to find sufficient investment opportunities to invest the budgeted amount per year. Management may make investment decisions that turn out to be less profitable than expected as a result of insufficient information or lack of knowledge of the facts. In addition, Deutsche Annington may not be able to pass on the costs of these modernisation measures to its customers if the customers are unable to afford rent increases as a result of these modernisation measures. Further, the Group may be restricted in its ability to finance the investment programmes through loans or other debt instruments depending on Deutsche Annington's current and future debt level and structure.

The materialisation of any of the risks described above could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

In connection with several key acquisitions, Deutsche Annington has entered into contractual obligations that restrict its ability to freely divest parts of its portfolio, to transfer or terminate employment relationships or to increase rents for certain units, and thereby potentially prevent the Group from extracting the maximum value from the affected properties.

Residential real estate transactions often include contractual clauses that restrict a buyer's right to divest the acquired portfolio or increase rent on the acquired units. Furthermore, sellers often restrict the buyer's right to terminate existing leases, which reduces the attractiveness of the affected units for prospective purchasers. Such restrictions are especially common in connection with the privatisation of publicly-owned property, where the selling public authorities (particularly cities and municipalities) often intend to mitigate potential social effects of such transactions, or when these portfolios are subsequently sold on to third parties. Usually, most obligations lapse in full or in part after a certain period of time. As of 30 September 2014, approximately 91,000 of the Group's residential units were subject to certain contractual restrictions (of which 78,000 had preferential occupancy rights (*Belegungsrechte*)) with approximately 41,000 units being subject to multiple restrictions. These limitations include in particular:

- *Restrictions on sales.* In total, as of 30 September 2014, approximately 39,000 residential units were subject to selling restrictions (excluding preferential occupancy rights), of which approximately 19,000 residential units may not be freely sold before a certain date. Such selling restrictions include total or partial bans on divesting residential units, pre-emptive rights (with or without preferential terms) and provisions which require the consent of specified delegates of the original seller before a sale. Depending on the contractual arrangements, 98% of the selling restrictions will lapse by 31 December 2016.
- *Preferential pre-emptive purchase rights.* Approximately 6,000 residential units may only be sold if the tenants are given preferential pre-emptive purchasing rights, meaning that Deutsche Annington is required to offer the residential units to such tenants at a discount of between 10% and 15% of the price that would be achievable if the residential units in question were sold to a third party.
- *Restrictions on the termination of lease agreements.* Restrictions on termination of lease agreements affect approximately 15,000 residential units. These restrictions include termination for reason of personal use and being able to make appropriate economic use and in many cases must be accepted by acquirers of the residential units.
- *Minimum maintenance spending and restrictions on modernisation and maintenance.* Approximately 32,000 residential units fall within the scope of a covenant to spend an average of at least €12.78 per sqm per year on maintenance and

modernisation by 31 December 2016. In addition, approximately 50,000 residential units are affected by restrictions on modernisation and maintenance measures aimed at changing the socioeconomic mix of tenants (so-called luxury modernisations (*Luxusmodernisierungen*)). Of the latter restrictions, 64% will expire by 31 December 2016.

- *Restrictions on rent increases.* Restrictions on rent increases (comprising mainly consent requirements for modernisations that result in a higher rent, including luxury modernisations) affect approximately 50,000 residential units. These restrictions may prevent Deutsche Annington from fully realising the potential rents of the affected units.
- *Special protection for employees.* Approximately 500 Deutsche Annington employees are subject to special protections against dismissal, such as guarantees that their employment cannot be terminated due to operational conditions or the transfer of employment contracts (*Betriebsübergang*). In the case of more than 105 employees, Deutsche Annington is required to pay a contract penalty of €500,000 per employee per month if it infringes upon these covenants. The penalty only becomes due if the alleged breach of the covenant is reported within a two-month period following the event giving rise to the penalty. The breach, however, may be retroactively cured within a six-month period in order to avoid the penalty. These special employee protections will expire on 8 February 2020.

In addition to these contractual obligations entered into in connection with acquisitions, Deutsche Annington has received subsidies from public authorities which restrict the level of rents chargeable on a part of Deutsche Annington's portfolio. For more information, see "*—Deutsche Annington has received subsidies from public authorities which restricts the level of rents chargeable on a part of Deutsche Annington's portfolio. Providers of the subsidised loans may also unilaterally exercise their right to increase the rate of interest payable on such loans*". Deutsche Annington has also entered into loans subject to covenants restricting the sale of properties or prescribing minimum selling prices. For more information on the risks related to these covenants, see "*—Financial Risks—If the Guarantor or other Group companies breach financial covenants or other provisions in connection with any existing or future bonds, notes or other debt instruments or under any existing or future loan agreements, Deutsche Annington may be required to bear higher interest costs or fully repay the relevant bonds, notes, debt instruments or loans before they become due, and security trustees or creditors could seize or realise significant collateral furnished by Deutsche Annington*".

Some of the aforementioned restrictions may limit Deutsche Annington's ability to attractively market parts of its portfolio, which in turn could potentially force the Group to pass up opportunities for streamlining and generating profit. They could thereby lower the overall value of the Group's property portfolio and limit its ability to generate cash flow from selective divestitures. This could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington has established a caretaker and craftsmen organisation to insource its on-site support services and for which it has recruited a large number of employees. This insourcing policy has significantly increased its personnel expenses and other fixed costs and continues to pose a management challenge.

In late 2011, Deutsche Annington started insourcing certain caretaker and craftsmen services previously performed by third parties with the objective of improving customer satisfaction and targeting cost savings through savings on value added tax ("**VAT**") (*Umsatzsteuer*) and on margins previously charged by third-party providers. The Group established its own caretaker organisation, which performs traditional caretaker tasks as well as local quality management and coordination, and a craftsmen organisation, which handles maintenance and repairs. In this context, Deutsche Annington hired more than 2,000 new employees, roughly doubling its headcount. The increase in headcount led

to a rise in personnel expenses and other fixed costs and will continue to negatively affect such fixed costs in the future.

Further, the insourcing of personnel has placed and may continue to place a strain on Deutsche Annington's management and administrative, operational and financial infrastructure. The Group's ability to manage its operations and growth requires the continuous improvement of operational, financial and management controls, reporting systems and procedures. Additionally, if, as a result of business or economic conditions, Deutsche Annington was to scale down its business operations, it would be substantially more difficult for the Group to reduce its headcount than to reduce the services provided by third-party contractors. Any of these circumstances could result in higher costs than expected. Deutsche Annington may not be able to compensate for these increased costs by generating the targeted savings.

Despite the existing quality control procedures, the quality of services rendered by Deutsche Annington's own employees could fall below the level of the services previously performed by third-party contractors and reduce the attractiveness of Deutsche Annington's properties. Moreover, if services rendered by Deutsche Annington's craftsmen organisation are not performed as scheduled or if the quality of work falls below applicable standards, Deutsche Annington may face claims from its tenants or may not be in a position to re-let vacant units that require maintenance and modernisation before new tenants can move in. Since these tasks are performed within the Group, Deutsche Annington will not be in a position to claim compensation for damages from third parties resulting from non-performance or improper performance by Deutsche Annington's craftsmen organisation.

The materialisation of any of the risks described above could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

In addition to residential property management and non-core income from the real estate portfolio, Deutsche Annington's business includes residential unit sales (privatisations), which may result in some units of the developed condominiums remaining unsold. The unsold units may require greater administrative resources and may lead to additional expenses and other negative consequences for the Group.

As part of its business strategy, Deutsche Annington intends to selectively sell individual residential units to owner-occupants or small capital investors in single unit sales (privatisations). In general, individual residential units can be sold at a premium compared to bulk sales of residential properties and at prices exceeding their Fair Value. In executing these sales, Deutsche Annington sells individual units but not necessarily all units within a building.

Management of partially sold properties may require greater administrative resources than the management of units in properties entirely owned by Deutsche Annington. For example, owners of units in a residential property may decide on measures which concern the property as a whole by majority vote at the unit owner's assembly convened by the facility manager. If Deutsche Annington sells only individual units in a property it currently owns, it may lose its ability to control decision-making and could be forced to comply with decisions passed by a majority of the owners of other units in the relevant property with respect to property management, such as the performance of maintenance and modernisation, which could be economically impractical and might result in the incurrence of additional costs. Since Deutsche Annington would have to bear a proportionate share of these costs, this could adversely affect Deutsche Annington's profitability. As of 30 September 2014, approximately 9,000 of Deutsche Annington's residential units were part of properties in which Deutsche Annington does not have a majority vote in the unit owner's assembly.

In addition, pursuant to the German Condominium Act (*Wohnungseigentumsgesetz*), condominium owners may only engage a facility manager for a maximum of five years. Thereafter, the contract must be renewed or another manager can be engaged. Upon the expiration of the applicable contract, Deutsche Annington might not be reappointed as facility manager with respect to partially sold residential properties. If Deutsche Annington is not reappointed, this could increase the risk that the newly appointed facility manager may make decisions unfavourable for Deutsche Annington.

The occurrence of any of these risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington could be exposed to risks from residual pollution including wartime ordinance, soil conditions and contaminants in building materials, as well as possible building regulation violations. Some of the buildings in Deutsche Annington's real estate portfolio are located at mining sites and may suffer damage caused by mining activities.

It is possible that the properties Deutsche Annington owns or acquires may contain ground contamination, hazardous materials, other residual pollution or wartime ordinance. For example, in several of the Group's units, so-called floor-flex plates that contain small quantities of asbestos were used as floor covering. These floor-flex plates contain non-friable asbestos from which asbestos fibres are usually not released. Except in the event of structural alterations, there is generally no obligation to remove such non-friable asbestos under currently applicable German federal state asbestos regulations (*Asbest-Richtlinien*). Nevertheless, Deutsche Annington bears the risk of cost-intensive remediation and removal of the aforementioned hazardous materials, other residual pollution, wartime ordinance or ground contamination. In addition, some properties sold to unaffiliated entities were exposed to oil and chemical soil contamination and Deutsche Annington was required to carry out on-site environmental remediation with respect to such properties. The Group has made provisions for the future cost of such remediation measures but the provisions may prove to be insufficient. The discovery of further residual pollution or wartime ordinance, particularly in connection with the lease or sale of properties, can also trigger claims for rent or purchase price reductions, damages and other breach of warranty claims or lease terminations. The remediation of any pollution or wartime ordinance and related additional measures may negatively affect Deutsche Annington and involve considerable additional costs. Deutsche Annington is also exposed to the risk that it may no longer be able to take recourse against the polluter or the previous owners of the properties. The existence or even suspected existence of wartime ordinance, hazardous materials, other residual pollution or ground contamination can negatively affect the value of a property and Deutsche Annington's ability to lease or sell such property. Moreover, building components may contain hazardous substances (such as asbestos, polychlorinated biphenyl ("PCB"), dichlorodiphenyltrichloroethane ("DDT"), pentachlorophenol ("PCP") and Lindane), or properties acquired may pose other environmental risks and Deutsche Annington may be responsible for their removal.

Deutsche Annington's business is also exposed to risks associated with noncompliance with building codes or environmental regulations. These regulations are often implemented retroactively, affecting previously developed properties, and therefore require Deutsche Annington to modernise existing buildings so that they comply with these stricter standards. Even though the Guarantor conducts inspections during the acquisition of individual properties, there is a risk that building codes or environmental regulations were not complied with. It is also possible that landlord responsibilities could be further expanded, particularly with respect to fire protection and environmental protection, which could require additional maintenance and modernisation measures (see"—*Regulatory and Legal Risks—Deutsche Annington's business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernisation provisions, restrictions regarding modernisation measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to Deutsche Annington*").

In addition, the properties owned by Deutsche Annington have an average age of approximately 55 years (age of the buildings as of 30 September 2014 weighted by rental space) which may lead to an additional need for expensive modernisation and maintenance measures. The projected cost of such measures is based on the assumption that the required permits are issued promptly and in accordance with Deutsche Annington's plans. It is possible, however, that the required permits for such measures will not always be issued promptly. If such permits are not issued promptly, or are issued only subject to conditions, substantial delays in addressing the concerns can occur and can result in costs exceeding those projected and reduce residential in-place rents for the relevant properties.

As of 30 September 2014, approximately 15,100 of Deutsche Annington's buildings were located in the Ruhr region; approximately 1,700 buildings thereof were located on sites affected by mining activities conducted at depths of up to 100 metres below the surface. Of these 1,700 buildings, Deutsche Annington has, based on a risk evaluation, identified 900 buildings as being located at sites which present a risk of future clean-up costs and other environmental liabilities due to their surface structure.

Although, under German mining law, surface damages occurring within the sphere of influence of underground mining are assumed to result from mining activities, former mining operators and their legal successors, who are ultimately responsible for any such potential damages, may be able to refute this assumption. These operators or legal successors may no longer exist or may lack sufficient funding and therefore or due to legal reasons or due to the fact that Deutsche Annington has waived its claims, Deutsche Annington may no longer be able to take recourse against them. Furthermore, when real estate is damaged by past or current deep-mining activities in the northern Ruhr area of Germany, the Guarantor's ability to recover the cost of any required remediation, which may be substantial, or any compensation from the relevant mining companies could be impaired by waiver agreements entered into with certain mining companies. The presence of any such mining damage, or the failure to remediate such damage properly, could also adversely affect Deutsche Annington's ability to sell or lease affected real estate or to obtain financing using the real estate as collateral. Additionally, mining damage may injure tenants, for which the Guarantor may be required to pay compensation.

The occurrence of any of these risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington has a strategic partnership with Deutsche Telekom Group under which Deutsche Annington is obligated to pay fixed fees per residential unit regardless of Deutsche Annington's ability to pass on those costs to its tenants. In addition, Deutsche Annington employs and works together with a large number of service providers and is dependent on their performance.

At the end of fiscal year 2011, Deutsche Annington entered into a strategic partnership with Deutsche Telekom Group in order to equip 144,000 residential units throughout Germany with cable television and equip most of those units with modern fibre-optic technology. Work started on implementing the project at the beginning of 2012 and by the end of the third quarter of 2014, more than 55,000 residential units were connected. As part of the cooperation, Deutsche Multimedia Service GmbH ("**DMS**"), a wholly-owned subsidiary of Deutsche Annington, is obligated to order the supply of basic television and radio signals for 144,000 residential units and to pay a fixed monthly fee for each residential unit supplied, irrespective of Deutsche Annington's ability to resell television and radio signals to its tenants. Furthermore, DMS has agreed to pay a staggered share of the costs that may be required for modernising the cable network according to mandatory legal requirements. As of 30 September 2014, the Group had recognised contingent liabilities of €172 million with respect thereto. Deutsche Annington's successful completion of this project on economically reasonable terms depends on the acceptance, cooperation and consent of third parties. In particular, Deutsche Annington is dependent on its ability (i) to terminate contracts with existing cable service providers, (ii) to facilitate the switching of signals by cable service providers and prepare tenants to receive the new Deutsche Telekom Group signals, and (iii) to modernise the existing residential cable networks of the housing units that may be owned by third parties or to install new cable networks. In addition, if German legislation concerning the basic supply of television and radio signals by landlords were to change and restrict the revenues from charges passed on to tenants, this could substantially affect Deutsche Annington's business model.

Deutsche Annington employs and collaborates with a large number of service providers, including energy providers and providers of gardening, house cleaning and winter services and therefore depends on their performance. No assurance can be given that such services will be rendered in a timely manner or that their quality will comply with the Guarantor's requirements. Moreover, certain contractors may experience operational or solvency issues and certain services may become

unavailable to Deutsche Annington as a result. Any failures by contractors may result in delays and additional expenses for the Group.

Deutsche Annington may be liable to cover rent shortfalls pursuant to a guarantee given to a real estate fund.

One of the Guarantor's subsidiaries, Deutsche Annington Immobilien-Dienstleistungen GmbH ("DAID"), was engaged in 1998 by a closed-end real estate fund held by DB Real Estate (the "DB Fund"), a subsidiary of Deutsche Bank Aktiengesellschaft, to construct a residential building consisting of 510 residential units, ten commercial units and 255 parking spaces in the centre of Berlin. Following the completion of this building, the DB Fund granted DAID an extended usage right expiring on 31 August 2044. In exchange, DAID agreed to make annual payments to the DB Fund pursuant to a schedule providing that such payments will increase annually through 2044. The annual payments DAID is obligated to make to the DB Fund do not correlate to the number of units leased, (i.e., DAID must pay rent regardless of the extent to which the units are leased at the relevant time). At present, Deutsche Annington expects that the rents receivable from tenants in this building will be sufficient to cover the amounts payable by DAID but there can be no assurance that the DAID will succeed in letting a sufficient number of units to cover its own costs in the future. If the number of let units falls below the required minimum, DAID will not be able to recover the payments made to the DB Fund. In accordance with IFRS, DAID's obligations with respect to the DB Fund are treated as a finance lease. In accordance with IAS 40, such lease obligations are included as liabilities in the Guarantor's consolidated balance sheet at their net present value. The residential building continues to be included as an asset in the Guarantor's consolidated balance sheet and is recorded at Fair Value. As of 30 September 2014, Deutsche Annington's liabilities with respect to the DB Fund amounted to €92.3 million. Any decline in the aggregate rent receivable from tenants in this building would not only affect Deutsche Annington's rental income but also the Fair Value of the residential building as reflected in the Guarantor's financial statements. This could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington has received subsidies from public authorities which restrict the level of rents chargeable on a part of Deutsche Annington's portfolio. Providers of the subsidised loans may also unilaterally exercise their right to increase the rate of interest payable on such loans.

Deutsche Annington receives grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans that impose certain limitations on the Group. As of 30 September 2014, approximately 13% of Deutsche Annington's properties (approximately 24,500 residential units) were rent-restricted due to subsidies provided by publicly owned economic development banks. Most of the subsidies are granted in the form of low-interest long-term loans. As of 30 June 2014, the Group had received subsidised loans which carry a book value of €349 million under IFRS, due to the applied effective interest method, but a nominal value of €449 million. The public bodies granting a subsidised loan impose maximum rent levels on the properties constructed, acquired or modernised using such subsidised loan in order to compensate for construction, financing and property-related costs. Although the rent levels set by the public bodies are significantly below current market rents for a number of rent-restricted residential units, it may be difficult to increase rents to market levels after the lapse of subsidy restrictions because of the lack of tenants who are willing or able to pay market level rents for such properties. Rent restrictions are scheduled to expire on approximately 1,200 units in 2014, on approximately 30 units in 2015 and on approximately 1,000 units in 2016.

Moreover, Deutsche Annington's subsidised loan agreements contain a clause pursuant to which the provider of the loan is granted the right to unilaterally increase the interest rates of the loans up to a maximum of 4.6% p.a. In such an event, Deutsche Annington is entitled to increase its rents accordingly. The lenders under these agreements have exercised this right only selectively in the recent past. It cannot be excluded, however, that the lenders may exercise this right more frequently in the future and that Deutsche Annington may not be in a position to increase its rents either because tenants

might not be able to pay the increased rents or the increased rent would exceed the market rents for comparable units or otherwise.

If Deutsche Annington fails to adapt its rent levels to market rent levels after the expiration of the subsidised loans, or if the provider of Deutsche Annington's subsidised loans exercises its right to increase interest rates and Deutsche Annington is not in a position to adjust rents accordingly, this could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

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

Deutsche Annington's properties are all insured against losses due to fire, natural hazards and specified other risks. However, its insurance policies may not provide adequate coverage as they are subject to exclusions and limitations of liability, including with respect to losses resulting from damages from mining, nuclear power or war. Deutsche Annington may, therefore, have limited or no coverage for losses that are excluded or that exceed the respective coverage limitations. In addition, Deutsche Annington's insurance providers could become insolvent. Should an uninsured loss or a loss in excess of Deutsche Annington's insurance limits occur, Deutsche Annington could lose capital invested in the affected property as well as anticipated income and capital appreciation from that property. Moreover, Deutsche Annington may incur further costs to repair damage caused by uninsured risks. Deutsche Annington could also be held liable for any debt or other financial obligation related to such a property. Thus, Deutsche Annington may experience material losses in excess of insurance proceeds, which could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington has a relatively small number of employees in administrative and management functions overseeing its business and may be unable to replace key personnel.

Deutsche Annington only has a small number of Senior Management executives responsible for managing its core business. Deutsche Annington's success depends significantly on the performance of its management executives and qualified employees in key positions, particularly management board members and other management executives with substantial sector expertise. Additionally, it is important for Deutsche Annington to be able to hire additional qualified employees to the extent that an expansion exceeds its available resources or to replace lost employees. The loss of one or more management board members or other key employees, and any failure to attract new highly-qualified management executives, could impair Deutsche Annington's growth and make it difficult for the Guarantor to manage its business operations effectively.

The materialisation of one or more of the risks described above could have material adverse effects on Deutsche Annington's business, financial condition and results of operations.

Deutsche Annington is dependent on cooperative relations with its employees, the works council (employee representatives) and the union ver.di.

The Guarantor has concluded several collective bargaining agreements (*Tarifverträge*) that regulate work conditions and remuneration. These collective bargaining agreements are subject to renegotiation with the unions from time to time. A certain number of Deutsche Annington's employees are members of the United Services Union (*ver.di – Vereinte Dienstleistungsgewerkschaft e.V., "ver.di"*). Deutsche Annington maintains and aims to continue to maintain a good and constructive relationship with its employees, works councils and ver.di. Nevertheless, Deutsche Annington faces the risk that it may become subject to strikes or other industrial action in the course of labour negotiations, all of which could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Damage to Deutsche Annington's reputation and inadequate customer satisfaction may result in reduced demand for Deutsche Annington's residential units and may make it more difficult for Deutsche Annington to raise capital on favourable terms or at all.

If Deutsche Annington is unable to maintain its reputation and high level of customer service, customer satisfaction and demand for its services and properties could suffer. In particular, harm to Deutsche Annington's reputation could make it more difficult for Deutsche Annington to let its residential units and could lead to delays in rental payments or the termination of rental contracts by its tenants. Any reputational damage due to Deutsche Annington's inability to meet customer service expectations could consequently limit its ability to retain existing and attract new customers. Furthermore, harm to Deutsche Annington's reputation could impair Deutsche Annington's ability to raise capital on favourable terms or at all. Any of the risks described above could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington's information technology systems could malfunction or become impaired.

Deutsche Annington's information technology systems are essential for its business operations and success. Any interruptions in, failures of or damage to its information technology systems, such as the Group's SAP software or its voice-over-internet protocol telephone system, could lead to delays or interruptions in the Group's business processes. In particular, Deutsche Annington's information technology systems may be vulnerable to security breaches and cyber-attacks from unauthorised persons outside and within the Group. Any malfunction or impairment of the Group's computer systems could interrupt its operations, lead to increased costs and may result in lost revenue. Deutsche Annington cannot guarantee that anticipated or recognised malfunctions can be avoided by appropriate preventive security measures in every case. The materialisation of one or more of these risks could have material adverse effects on Deutsche Annington's business.

Risks Related to the Valuation of Deutsche Annington's Properties

If interest rates change, the market deteriorates or the Group's rent levels or vacancy rates develop unfavourably, Deutsche Annington may be required to adjust the current Fair Values of its investment properties and recognise significant losses.

Deutsche Annington values its investment properties (i.e., properties that are held for the purpose of earning rental income, for appreciation or both and are not used by the Group) at Fair Value in accordance with IAS 40 in conjunction with IFRS 13. Up to and including fiscal year 2012, the Group used the income capitalisation method for the valuation of its portfolio, whereby the Fair Values of Investment properties are calculated on the basis of income and expenses as well as risk-adjusted capitalised interest rates. Starting in fiscal 2013, the Group refined its valuation methodology and now uses the discounted cash flow ("DCF") methodology. Under the DCF methodology, the expected future income and costs associated with each property are generally forecast over a 10-year period and discounted as net present value on the day of valuation. To determine the forecasted cash flows, various parameters such as market rent, probable rent increases, vacancy rates and maintenance expenses are taken into consideration. The market rent is derived for each location from the respective rent index (*Mietspiegel*) and from market data from an external service provider. The forecast cash flows calculated on this basis are discounted, on an annual basis, up to the date of the valuation. In addition, the terminal value of the property at the end of the 10-year period is determined using the expected stabilised cash flow and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of the property, special property features (e.g., inheritable rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows. If the market situation deteriorates, for example, because interest rates rise or rent levels or vacancy rates deteriorate, Deutsche Annington will have to revise the Fair Values of the total portfolio on the consolidated balance sheet downwards.

Any significant negative Fair Value adjustments Deutsche Annington is required to recognise would have significant negative effects on its NAV and LTV-Ratio and could have material adverse effects on Deutsche Annington's net assets, financial condition and results of operations.

Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside Deutsche Annington's or an external appraiser's control.

The Valuation Report comprising valuations of the residential real estate portfolios of DeWAG as of 31 March 2014 and of Deutsche Annington as of 30 June 2014, respectively, pursuant to IAS 40 in conjunction with IFRS 13 incorporated by reference in this Prospectus was prepared by the independent appraiser CBRE, the appraisers of which include members of the Royal Institution of Chartered Surveyors (RICS). The Valuation Report is based on standard valuation principles and represents the opinion of CBRE. The Valuation Report is based on assumptions that could subsequently turn out to have been incorrect. Data provided by Deutsche Annington and used in the Valuation Report were examined and verified for plausibility on a random sampling basis. The valuation of real estate is based on a multitude of factors that also include the appraiser's subjective judgment. These factors include, for example, the general market environment, conditions in the rental market and the quality of the location. The valuation of real estate contained in the Valuation Report is therefore subject to numerous uncertainties. The past or future assumptions underlying the property valuations may later be determined to have been erroneous.

The values assigned to the appraised properties in the Valuation Report and in Deutsche Annington's existing or future published annual or interim financial information may exceed the proceeds that Deutsche Annington can generate from the sale of the appraised properties. This could also be the case for sales that occur on, or shortly after, the valuation date. Accordingly, the Valuation Report does not necessarily represent future or current achievable sales prices of Deutsche Annington's properties or of the property portfolio.

Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside Deutsche Annington's or an external appraiser's control. If any of the information or assumptions on which a valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and may have to be reconsidered. In connection with the acquisition of property portfolios and other unforeseeable events this could result in Deutsche Annington being unable to achieve its expected returns. This could have material adverse effects on Deutsche Annington's net assets, financial condition and results of operations.

Financial Risks

Deutsche Annington is dependent on its current corporate investment grade rating to pursue its financing strategy, including the satisfying of its future financing needs through the issuance of unsecured corporate bonds and notes.

In 2013, which was again confirmed on 1 December 2014 Deutsche Annington changed its financing strategy to satisfy a significant portion of its future financing needs through the issuance of unsecured corporate bonds and notes. To facilitate the issuance of unsecured bonds and notes, the Guarantor sought and obtained a corporate investment grade rating of "BBB" from S&P. Issuers with a "BBB" rating are considered by S&P to have adequate capacity to meet financial commitments, but to be more subject to adverse economic conditions.

If Deutsche Annington were to lose its investment grade rating, future issuances of unsecured bonds and notes may become significantly more expensive or may not be possible in the targeted amounts. S&P could downgrade Deutsche Annington if the value of Deutsche Annington's assets, Deutsche Annington's interest coverage ratio or Deutsche Annington's debt-to-capital ratio were to fall below certain thresholds, if Deutsche Annington were unable to keep or render sufficient values of its assets unencumbered or if the residential real estate market in Germany deteriorates in general. If

any of the risks described above were to materialise, it would be more difficult for Deutsche Annington to pursue its current financing strategy, which could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington has a substantial level of debt and Deutsche Annington's ability to repay existing debt with loans and other debt instruments could be limited. It may be difficult or expensive to obtain new sources of financing.

Deutsche Annington has a substantial level of debt; Deutsche Annington's outstanding financial liabilities amounted to €7.1 billion as of 30 September 2014. Deutsche Annington is dependent on refinancing significant amounts that will become due over the next few years. In the past, Deutsche Annington raised debt by issuing bonds and notes and by borrowing from commercial banks, mortgage banks and the Kreditanstalt für Wiederaufbau ("KfW").

In the future, Deutsche Annington intends to refinance maturing debt with new bonds, notes and loans (or by extending such debt). Deutsche Annington's ability to repay existing financial obligations by taking on new debt (or by extending existing debt) could be limited, for example, as a result of market conditions, its business condition or the level of debt of the Guarantor or other Group companies. Although Deutsche Annington was able to refinance, reduce its debt and extend maturities in the past, its current level of debt could lead capital markets and banks to refuse to make new debt funding available to Deutsche Annington, or to do so only on less favourable financial terms or to require additional security.

Any of the risks described above could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

If the Guarantor or other Group companies breach financial covenants or other provisions in connection with any existing or future bonds, notes or other debt instruments or under any existing or future loan agreements, Deutsche Annington may be required to bear higher interest costs or fully repay the relevant bonds, notes, or loans before they become due, and security trustees or creditors could seize or realise significant collateral furnished by Deutsche Annington.

As of 30 September 2014, the Guarantor and its subsidiaries had financial indebtedness in the nominal amount of €7.1 billion; as part of its financing strategy, Deutsche Annington issued the following unsecured bonds and notes in 2013 and 2014: notes with a nominal amount of €700 million due 2016 and notes with a nominal amount of €600 million due 2019 on 25 July 2013 (the "**July 2013 Notes**"); notes with a nominal amount of US\$750 million due 2017 and notes with a nominal amount of US\$250 million due 2023 on 2 October 2013 (the "**USD Notes**"); under its €4.0 billion medium-term debt issuance programme (the "**EMTN Programme**"), notes with a nominal amount of €500 million due 2021 on 8 October 2013 (the "**2013 EMTN Notes**"); subordinated notes, which the Guarantor guarantees on a subordinated basis, with interest rate adjustments and a first redemption date in 2019 in the nominal amount of €700 million due in 2074 on 8 April 2014 (the "**April 2014 Hybrid**"); as well as a tranche of notes with a nominal amount of €500 million under the EMTN Programme on 9 July 2014 (the "**2014 EMTN Notes**"). The EMTN Programme was updated in September 2014 and increased to €5.0 billion.

On 4 March 2014, Deutsche Annington and Commerzbank Aktiengesellschaft entered into a €130 million revolving credit facility agreement (the "**Working Capital Facility**"). As of 30 September 2014, €124.7 million has been taken out in the form of a loan and €5.3 million in the form of a bank guarantee (*Avalkredit*). The loan was fully repaid in October 2014. The bank guarantee decreased by €0.6 million to €4.7 million by the time the Takeover Offer was announced.

The lenders or noteholders of the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, the 2014 EMTN Notes, the Working Capital Facility and any other existing or future Deutsche Annington lenders are entitled to terminate their financing agreements if Deutsche Annington companies breach material provisions under their respective terms and conditions or financing agreements and are not in a position to cure such breaches. The existing loan agreements and the July 2013 Notes, the USD Notes, the 2013 EMTN Notes and the 2014 EMTN Notes require, in particular, that Deutsche

Annington complies with certain financial covenants, such as a maximum LTV-Ratio, a minimum debt-service or interest cover ratios, a minimum ratio of unencumbered properties and other assets and restrictions on the sale of properties. A failure to comply with such financial covenants or other material provisions of the financing agreements and the terms and conditions of the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, the 2014 EMTN Notes and the Working Capital Facility could have severe consequences, including that:

- the lenders or noteholders of the July 2013 Notes, the USD Notes (or the trustee under the corresponding indenture), the 2013 EMTN Notes, the 2014 EMTN Notes and the Working Capital Facility, as applicable, may have the right to terminate the relevant loan agreement or the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, or the 2014 EMTN Notes, respectively, and outstanding amounts could become immediately due and payable;
- other lenders, bondholders or noteholders could be entitled to terminate their financing agreements or bonds or notes with Deutsche Annington as a result of cross-default or cross-acceleration provisions;
- the lenders may be entitled to extraordinary (partial) prepayments or higher interest rates and the noteholders of the July 2013 Notes, the USD Notes, the 2013 EMTN Notes and the 2014 EMTN Notes may be entitled to require Deutsche Annington to redeem, in whole or in part, the July 2013 Notes, the USD Notes, the 2013 EMTN Notes and the 2014 EMTN Notes, respectively, at their principal amount, together with accrued interest;
- in addition, Deutsche Annington may be liable for damages, prepayment penalties or other fines; or
- the right of the Guarantor or its subsidiaries to distribute profits and income from the properties which serve as security for the respective loans (or future secured bonds or notes) may be restricted and may therefore limit Deutsche Annington's ability to service its other obligations or distribute profits to its shareholders, which would in turn enable the Issuer to defer interest payments on the Notes.

If the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, the 2014 EMTN Notes, the Working Capital Facility, other debt instruments or one or more of Deutsche Annington's other loans should become due as a result of an early termination or cross-default, Deutsche Annington might be unable to refinance the outstanding obligations as they become due, or might be able to do so only on less favourable terms.

To secure its financial obligations, Deutsche Annington, under certain financing agreements (other than the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, the 2014 EMTN Notes, the April 2014 Hybrid and the Working Capital Facility), has granted land charges and mortgages on properties owned by Deutsche Annington companies and has assigned, as security, claims under tenancy and leasing agreements, potential insurance claims and potential claims under real estate sales programmes. Deutsche Annington has also pledged or is obliged to pledge shares in certain Deutsche Annington companies as well as bank accounts to lenders. If Deutsche Annington is unable to perform the obligations under its financing agreements, Deutsche Annington's lenders could seize and realise collateral, including real estate, pledged shares and bank accounts, without further negotiations. This could cause Deutsche Annington to lose parts of its real estate portfolio in a forced sale on economically unfavourable terms. Contractual restrictions limit the voluntary sale of properties ahead of a forced public auction, which could have an amplified negative effect.

Approximately 9.7% of all residential real estate units owned by Deutsche Annington are built on the basis of hereditary building rights (*Erbbaurechte*). The consent of the legal owners is required for a registration of land charges and mortgages on these units as well as for their sale. Although the owners are legally required to grant such consent if and to the extent a requested encumbrance does not exceed a customary level (and in case of a sale, if the acquirer under the hereditary building is also

able and willing to fulfil the obligations under hereditary building rights), it is difficult and time-consuming to actually obtain these consents or to obtain them in the requested amount.

The realisation of any of the aforementioned risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

The Guarantor's cash flows and possible future dividend payments are dependent on the profitability of its subsidiaries.

The Guarantor is a holding company that does not conduct its operating business itself but does so through its subsidiaries. To cover its operating costs, the Guarantor relies on, among other things, distributions that it receives from its subsidiaries and other investment interests or, as the case may be, scheduled repayments of loans it has granted to its subsidiaries. The distributions by the subsidiaries depend, in turn, on the subsidiaries' operating results and their ability to make those distributions under applicable law. There can be no assurance that such funds will be sufficient in the future to satisfy all of Deutsche Annington's payment obligations. If the funds are insufficient, Deutsche Annington could need to obtain additional funds.

Deutsche Annington will most likely refrain from paying dividends if available cash is insufficient for the payment thereof. If it should decide to borrow money to facilitate paying dividends, this could have material adverse effects on Deutsche Annington's business, net assets and financial condition and results of operations.

Regulatory and Legal Risks

Deutsche Annington's ability to increase rents is limited by German law and there are current political efforts to further restrict rent increases.

The ability of landlords to increase rent under existing tenancy agreements is limited under German law. If the parties to a tenancy agreement have not agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is permissible only in specific cases – and the tenant refuses to amend the tenancy agreement, a rent increase may be effected unilaterally only within the limits set forth below:

- Subject to statutory and contractual requirements and if the rent has remained unchanged during the 15 months preceding the intended increase, the landlord may exercise a right of contractual adjustment of up to the locally prevailing comparative levels of rent (*ortsübliche Vergleichsmiete*). The locally prevailing rents are generally set forth in rent indices (*Mietspiegel*), which are usually published by the respective municipalities every second year. If the rent indices are produced according to accepted scientific principles and adopted by the municipality or by representatives of local lessors and lessees, the rent indices are recognised as so-called qualified rent indices (*Qualifizierte Mietspiegel*). Qualified rent indices, as opposed to simple rent indices, qualify by law as (rebuttably) presumptive evidence that the listed rent levels reflect the reference rent customary in the municipality. Generally, the rent may not be increased by more than 20% in three years (capping limit). Pursuant to the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*), which entered into force on 1 May 2013, the capping limit may be reduced to 15% by the German federal states for those municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened. So far, eight German state governments (*Landesregierungen*) (Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia and Schleswig-Holstein) have adopted such regulations to reduce the capping limit; at least two others, Baden-Württemberg and Rhineland-Palatinate, consider similar measures.
- In addition, for modernisation measures through which (i) sustainable energy savings (energy-related modernisation measures, *energetische Modernisierungen*) or (ii) sustainable reductions in water consumption are made, (iii) sustainable increases

in the utility value (*Gebrauchswert*) of the rented property or (iv) permanent increases in the housing conditions are made or for (v) modernisation measures that are conducted due to circumstances for which the landlord is not responsible and which do not qualify as maintenance measures under German law, the landlord may, subject to statutory or contractual requirements, allocate costs to tenants by way of an increase of the annual rent in the amount of 11% of the cost incurred (less the costs that would have been incurred for maintenance measures anyway), unless the tenant can prove that the rent increase constitutes undue hardship. Following a rent increase, tenants may have a special termination right.

- Additional difficulties may arise if the respective municipality does not compile or publish rent indices – something municipalities are not obligated to do. If municipalities publish rent indices, they are required to update the rent indices every two years. If municipalities publish qualified rent indices they must adjust these for market trends every two years and generate a new qualified rent index at least every four years. Some municipalities regularly use longer intervals to update rent indices, which makes it difficult for landlords to adjust the rent to actual prevailing market levels. If municipalities do not publish rent indices, landlords may commission independent surveyor reports for assessing the appropriate rent level and adjusting the rent accordingly. Alternatively, both parties to a tenancy agreement may voluntarily agree on rent increases; such possibility may, however, not yield the desired results and may give the impression that the tenant is obliged to agree to higher rents.

Moreover, there are current political efforts to further restrict rent increases. The German Federal Cabinet (*Bundeskabinett*) resolved on a draft bill on 1 October 2014 (draft for a bill to curb rental increases on tight housing markets and to strengthen the orderer principle with respect to the business of rental agents – tenancy law amendment act (*Entwurf eines Gesetzes zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*)) that would effectively limit rent increases and establish maximum rent levels (so-called *Mietpreisbremse*). The draft bill 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 modernised 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.

In addition, the draft bill contains provisions regarding the payment of a real estate agent. Currently, the tenant has to pay the agent's commission even if the landlord hires the real estate agent. Under the proposed law, a landlord is required to pay the commission if the landlord hires the agent. Tenants still would have to pay if they hire an agent to search for suitable real estate.

Other changes in the European or German legal framework may further negatively impact Deutsche Annington's ability to increase rents. Affordable housing is a political topic that attracts a high level of attention. Tightened rent restrictions will impair Deutsche Annington's ability to increase rents, which in turn could have material adverse effects on its business, financial condition and results of operations.

Under German law, tenants enjoy substantial protection against termination and tenant eviction. In addition, Deutsche Annington uses standardised tenancy agreements and standardised contract terms are closely scrutinised by German courts.

German law and German courts provide tenants with substantial protection against termination and tenant evictions. Extended leases or delayed evictions resulting from these protections can lead to substantial losses until the property is actually vacated.

In addition, Deutsche Annington uses standardised tenancy agreements. Under German law, standardised contract terms are required to comply with the statutory law on general terms and

conditions, which means that they are subject to rigid fairness control by the courts regarding their content and the way they are presented to the other contractual party by the person using them. As a general rule, standardised terms are invalid if they are not transparent, are not clearly worded, are unbalanced or discriminate against the other party. Due to the frequent changes in the legal framework, particularly as a result of court decisions relating to general terms and conditions, it is impossible to fully protect oneself against risks associated with the use of such standardised contractual terms. The various German Federal Court of Justice (*Bundesgerichtshof*) decisions regarding the invalidity of decorative repair clauses, specifically those concerning the type and schedule of the tenant's performance of decorative repairs, are examples of a change in the legal framework. The invalidity of such clauses causes the landlord to become responsible for maintenance measures and the increased costs incurred in connection therewith. Even if contracts are prepared with legal advice, it is difficult for Deutsche Annington to avoid problems of this nature from the outset or in the future, as the changes may continue to occur in the legal framework, particularly via case law. This makes it impossible for Deutsche Annington to avoid the ensuing legal disadvantages.

Any of the aforementioned risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington's business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernisation provisions, restrictions regarding modernisation measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale, may be detrimental to Deutsche Annington.

Deutsche Annington's business is subject to the general legal framework that applies to housing, such as German tenancy law, as well as special provisions in other laws, such as social legislation, construction laws and historic preservation laws. For example, pursuant to the Bavarian Act on Prohibition of Misuse of Housing Space (*Gesetz über das Verbot der Zweckentfremdung von Wohnraum*), the federal state of Bavaria has authorised municipalities in which the supply of affordable housing is perceived as being threatened to enact regulations that prohibit that (i) housing space remains vacant for a period exceeding three months, (ii) housing space is altered in a way that prevents its use for residential purposes, (iii) housing space is eliminated, and (iv) housing space is used predominantly for professional or commercial purposes. Some German federal states, such as Baden-Württemberg, Berlin, Hamburg and North Rhine Westphalia, or large cities like Munich have adopted regulations with the aforementioned or similar restrictions. For specific risks in connection with German tenancy law, see “—*Deutsche Annington's ability to increase rents is limited by German law and there are current political efforts to further restrict rent increases*”.

Any disadvantageous changes to German federal or state laws, or changes in the interpretation or application thereof, could thus have a negative effect on Deutsche Annington. In particular, an expansion of tenant protection laws in connection with conversions of multi-family apartments into condominiums could have negative effects on the sale of condominiums to investors. Changes to provisions governing the tenant's responsibility for ancillary costs (*Betriebskosten*) or modernisation investments could have an adverse effect on the profitability of Deutsche Annington's investments and results of operations.

More restrictive environmental laws could also result in additional expenses for Deutsche Annington. For example, by 31 December 2013, owners of properties with a centralised hot water production facility were obliged 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 currently applicable version of the Energy Savings Ordinance (*Energieeinsparverordnung*), which was recently amended with effect from 1 May 2014, 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. Furthermore, 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 1 January 1985 and that are used with liquid or gaseous fuel need to be exchanged before 2015, or roofs need to meet a minimum heat insulation (see “—Risk Factors Relating to the Guarantor—Risks Related to Deutsche Annington's business—Deutsche Annington is exposed to risks related to the structural condition of its properties and their maintenance and repair. The Group's loan and purchase agreements require Deutsche Annington to invest specified amounts in certain portfolios. Such requirements may lead to a sub-optimal funds allocation”).

For maintenance and modernisation measures to buildings, which are subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the maintenance or modernisation process, or may result in an inability to carry out particular maintenance or modernisation measures, or could generate significantly higher costs for the particular project. These factors could also have negative effects on the ability of the Group to sell or rent suitable properties or to use said properties as security for financing.

Any of these factors could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington could be subject to liability claims for several years after selling properties.

In connection with property sales, Deutsche Annington usually makes representations, warranties and negative declarations of knowledge to the purchasers with respect to certain characteristics of the relevant properties. The resulting obligations usually continue to exist after the sale for a period of several years. In particular, Deutsche Annington could be subject to claims for damages from purchasers, who could assert that Deutsche Annington failed to meet its obligations, or that its representations were untrue. Deutsche Annington could be required to make payments to the purchasers following legal disputes or litigation. If Deutsche Annington has provided warranties to third parties in connection with modernisation and maintenance measures and claims are asserted against Deutsche Annington because of defects, it is not always certain that Deutsche Annington will have recourse against the companies that performed the work.

As a seller of properties, Deutsche Annington is also liable to tenants for any breach of tenancy agreements by the buyer under certain circumstances, even where Deutsche Annington no longer has any control over the property. Moreover, Deutsche Annington continues to be exposed to claims for breach of contract even if the buyer resells the property and the subsequent buyer breaches any tenancy agreement. If, however, Deutsche Annington notifies the tenant of the change in ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy agreement at the earliest permitted termination date, Deutsche Annington is, in general, released from liability. As a rule, when selling properties, Deutsche Annington informs all tenants in writing of the change in landlord either alone or together with the acquirer. Such release from liability does not apply to security deposits (*Mietsicherheiten*) provided by the tenants. If the tenant is unable to receive its security deposit from the buyer of the property, the liability to repay such security deposit remains with the seller.

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

The control and prevention mechanisms of Deutsche Annington's compliance structure may not have been, or may not be, sufficient to adequately protect Deutsche Annington from all legal or financial risks. Cases of irregularities could lead to official investigations or third-party claims against Deutsche Annington, which, in turn, could have a material adverse effect on its business, net assets, financial condition, cash flow, results of operations and reputation.

To protect Deutsche Annington against legal risks and other potential harm, Deutsche Annington implemented a Group-wide code of conduct as a company agreement with the works council in 2010. This binding policy addresses conduct, corruption prevention, conflicts of interest, information and data protection, discrimination, environmental protection and protection of company property and applies to all employees and the members of the Management Board. Moreover, the Group has introduced a mandatory code of conduct for its major business partners. Legal and compliance risks are addressed by the Group's risk management.

In February 2014, the Management Board adopted a compliance directive the goal of which is to implement a best-practice compliance management system (the "CMS"). As part of the CMS all compliance competencies that were previously vested in various employees of Deutsche Annington are now assumed by Deutsche Annington's head general counsel, Dr. Thomas Görgemanns, as acting compliance officer. Furthermore, the CMS shall serve to harmonise and update Deutsche Annington's compliance rules. The rules of the code of conduct remain unaffected by the CMS.

There can be no assurance, however, that the aforementioned compliance arrangements will be sufficient to completely prevent all unauthorised practices, legal infringements or corruption within Deutsche Annington. Any failure in compliance could have material adverse effects on its net assets, financial condition, cash flow, results of operations and reputation.

Deutsche Annington is subject to the general tax environment in Germany. The Group's tax burden may change in relation to the future tax treatment of dividend payments, current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.

Deutsche Annington is subject to the general tax environment in Germany. The Group's tax burden depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws, for example, an increase of statutory tax rates, may have a retroactive effect and their application or interpretation by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific factual circumstances by tax authorities by way of non-application decrees. This may also increase the Group's tax burden. Deutsche Annington's tax-related risks include:

Tax Structure of the Group: As a holding company, the Guarantor's ability to distribute dividends depends to a large extent on dividend payments by its subsidiaries. Among other things, these intra-group distributions are subject to withholding tax (*Kapitalertragssteuer*) on multiple intra-group levels. No assurance can be given that the taxation of intra-group distributions may not negatively affect Deutsche Annington's ability to pay dividends in the future.

Tax Assessments: As some Group entities have historically been late in filing their tax declarations, no tax assessments have been received for some of the Group's companies in recent years. The unavailability of more recent tax assessments increases the uncertainty regarding the tax authorities' interpretations of applicable tax laws for these periods and increases the uncertainty that these interpretations may differ from the Group's interpretations. Any tax assessments that deviate from the Group's expectations could lead to an increase in the Group's tax burden and, additionally, could give rise to interest payable on the additional amount of taxes at a rate of 6% p.a. during a period beginning 15 months after the end of the calendar year in which the relevant tax emerged and ending upon issuance of the tax assessment notice. However, with a view to mitigate such interest risks, Group entities have calculated their tax burdens based on the annual accounts and have paid any taxes, which were expected to be outstanding, considering tax prepayments prior to the beginning of the interest period.

Tax Audits: Group entities are regularly subject to tax audits in Germany. The Group's most recent tax audit was concluded in 2013 and covered the fiscal years up to and including 2004. These tax audits and other investigations conducted by the competent tax authorities could result in the assessment of additional taxes. This may be the case, in particular, with respect to changes in the Group's shareholding structure, other reorganisation measures or impairment on properties with regard to which tax authorities could take the view that they ought to be disregarded for tax purposes. Further, expenses, particularly interest expenses, could be treated as non-deductible, or RETT could be assessed. In addition, fiscal unities (*steuerliche Organschaften*) could be deemed invalid, for instance if one or more profit and loss pooling agreements are considered void, as not having been properly executed or if other requirements for fiscal unities are not met. Any of these findings could lead to an increase in the Group's tax obligations and could result in the assessment of penalties. Deutsche Annington has established provisions for risks associated with audits based on its past experience. These provisions, however, may prove to be insufficient and when paid may negatively impact cash flow.

Judicial Tax Proceedings: Group entities are or may become party to judicial tax proceedings. The outcome of such tax proceedings may not be predictable and may be detrimental to the Group.

The materialisation of any of these risks could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Significant reorganisations that the Group has undergone in the past may result in an additional tax burden.

In the tax years not yet audited, the Group underwent significant reorganisations, involving, among other things, the transfer of legal or beneficial title to real estate. In certain transactions which could potentially be seen as a direct or indirect transfer of a property's legal or beneficial title, binding information was issued by the tax authorities. However, given the complexity and the scope of these transactions, they may nevertheless entail unforeseen adverse tax consequences that may have detrimental effects on the Group's business, net assets, financial condition, cash flow and results of operations.

The tax authorities might not accept all tax deductions for interest payments in the past due to uncertainties regarding German regulation of earning stripping rules. Further, the Group's tax burden may increase as a consequence of a future change in the Guarantor's shareholder and/or the Group's corporate structure.

Several tax rules in Germany restrict the tax deductibility of interest expenses for corporate income and trade tax purposes. Such rules have been amended significantly on several occasions in the recent past. As part of the German Company Tax Reform (*Unternehmenssteuerreform*), Germany abolished the regulation of shareholder debt financing in 2008 and introduced the so-called earning stripping rules (*Zinsschranke*) to limit the deductibility of interest expenses for German tax purposes. According to the earning stripping rules, the tax deductibility of interest expenses depends, among other things, on the difference between interest income and interest expenses, the general tax structure of the Group, the annual tax EBITDA and the tax EBITDA of previous years and on whether the equity ratios of the group (specified for these purposes) and of particular branches within this group do not differ significantly from each other. As a general rule, the tax deductibility of interest expenses is limited to 30% of the tax EBITDA for the relevant fiscal year, unless certain exceptions apply. For example: interest expense is fully deductible where (i) the interest expense exceeding a business' interest income is less than €3 million (*de minimis* rule); (ii) the business in question does not belong to a group, i.e., it does not have to be consolidated with other businesses (the "**Stand-Alone Clause**"); or (iii) the equity ratio test is met, i.e., where the equity ratio of the business in question is by no more than a maximum of 2 percentage points lower than the equity ratio of the consolidated group (the "**Escape Clause**"). However, the Stand-Alone Clause and the Escape Clause can be applied only if no detrimental shareholder financing within the meaning of Section 8a para. 2 and 3 German Corporate Income Tax Act (*Körperschaftsteuergesetz*) exists. To the extent that 30% of the tax EBITDA is not

used for a deduction of interest expenses, the remaining amount can be carried forward for up to five years.

Certain Deutsche Annington entities have relied on the Escape Clause in the past and have been able to achieve a full deduction of interest expenses, except for fiscal year 2009. As the interpretation of the earning stripping rules is not entirely clear and no fiscal year in which the earning stripping rules apply has yet been audited, it cannot be ruled out that the German tax authorities will deny the application of the Escape Clause by the Group's entities. If such risk were to materialise, the deductibility of interest expenses owed under existing and possibly future debt would be restricted to 30% of the tax EBITDA for the respective financial year, thus increasing the tax burden. This would have a significant negative effect on the Group's financial condition, cash flow and results of operations.

Furthermore, Deutsche Annington's ability to rely on the Escape Clause in the future may be adversely affected by changes in the shareholder structure of the Guarantor. This question is of particular relevance as Monterey Holdings I S.à r.l., Luxembourg ceased to be the controlling shareholder of the Group on 20 May 2014. Therefore, Group companies may not be able to make use of the Escape Clause. If this risk were to materialise, the tax deductibility of significant interest expenses owed under existing and future debt may be limited to 30% of the tax EBITDA for the respective fiscal year, which would result in a higher tax burden for the Guarantor and material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

A transfer of 95% or more of the shares in the Guarantor or in a subsidiary within a five-year period may trigger German RETT.

The Group is functionally divided into service or management companies on the one hand and property companies on the other. All significant property companies were previously established as limited partnerships and held the legal or beneficial title to most parts of the Group's real estate portfolio. RETT is potentially triggered if, within any period of five years, at least 95% of the shares of a corporation or at least 95% of the interests in a partnership, each holding real estate properties, or at least 95% of the shares in the Guarantor are directly or indirectly transferred from the current shareholders to new shareholders. In the event of such a transfer, the real estate owning companies would have to pay RETT in an amount of up to 6.5%, or such higher tax rate as may be applicable at the relevant time, of the properties' value as determined in accordance with applicable tax laws.

Various third parties held 5.1% of the ownership rights in each of Deutsche Annington's significant property holding subsidiaries (hereinafter referred to as "**Third-Party Shareholders**"). Due to a change in law in June 2013, which introduced an economic approach to determine the percentage of a property or a property holding entity acquired by a purchaser, it cannot be ruled out that this new economic approach will also lead to a wider interpretation of direct and indirect transfers of corporate shares or partnership interests by a court or the respective tax authorities in the future. However, there can be no assurance that courts or the respective tax authorities will deem the structure of participations of Third-Party Shareholders to be sufficient to prevent RETT from being triggered, particularly in the event that the current Third-Party Shareholders sold their stakes to other parties that are deemed to be controlled by the Guarantor.

In addition, Deutsche Annington has a multi-level structure. This structure added considerable complexity to the internal restructurings that Deutsche Annington has conducted in the past few years and will continue to increase the legal complexity of corporate restructurings that Deutsche Annington may intend to conduct in the future. There can be no assurance that none of these transactions has or will lead to negative tax consequences.

If the aforementioned risks materialise, this could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Taxable capital gains arising out of sale of real property may not be completely offset by tax roll-over relief.

Under the German Income Tax Act (*Einkommensteuergesetz*), the possibility of a tax-neutral transfer of built in gains (*stille Reserven*) to newly acquired or constructed real estate is available within a certain period of time, subject to certain conditions for a disposal of real estate (Section 6b German Income Tax Act (*Einkommensteuergesetz*)). The taxable capital gains realised upon sale of the real estate can either be deducted from the tax base of the new real estate in the same financial year or by forming a reserve (“**6b Reserve**”) and, for a later deduction in tax costs relating to acquisitions or production, using it to reduce the tax base of new real estate acquired or constructed in the near future. If the 6b Reserve is not utilised within four years (or, under certain conditions, within six years), then generally it has to be dissolved, thereby increasing the taxable income. In addition, in such case the taxable income is increased by 6% p.a. for each full financial year for which the 6b Reserve existed.

Deutsche Annington has restructured, newly acquired or disposed of a significant amount of its portfolio in the past few years and may continue to do so in the future. These transactions are generally taxable for income tax purposes. However, subject to certain requirements, this capital gain can be transferred according to Section 6b of the German Income Tax Act (*Einkommensteuergesetz*).

Based, *inter alia*, on binding information of the competent tax authorities, Deutsche Annington’s management believes that built in gains in sufficient amounts can be transferred in order to be able to offset capital gains that arose from these transactions in the past.

However, if these assumptions turn out to be wrong or if the competent tax authorities decide otherwise, Deutsche Annington may be unable to offset capital gains arising out of the property sales in the past or as the case may be, future divestitures against roll-over relief.

The materialisation of any of these risks could have material adverse effects on Deutsche Annington’s business, net assets, financial condition, cash flow and results of operations.

Following a setup of certain of its limited partnerships as trade tax payers, Deutsche Annington may not be able to net the trade tax losses and profits in its subsidiaries for trade tax purposes.

In 2010, the German Federal Tax Court (*Bundesfinanzhof*) issued a judgment on the trade tax treatment of limited partnerships, the same legal form that most of the Guarantor’s property-holding subsidiaries were organised in at that time. In contrast to the former approach of the German tax authorities, the German Federal Tax Court ruled that limited partnerships so organised are not only transparent for corporate income tax purposes, but also for trade tax purposes.

As a consequence of this ruling, only the general partners of the Deutsche Annington limited partnerships qualify as partnerships subject to trade tax and, therefore, the requirements for the extended trade tax privilege would need to be fulfilled by the respective Deutsche Annington general partner. However, none of these general partners currently fulfil the requirements for the extended trade tax privilege. The Group has applied the 2010 German Federal Tax Court ruling in relation to all trade tax returns filed for assessment periods which have not yet been tax audited and finally assessed.

Following this ruling, Deutsche Annington’s management decided that Deutsche Annington’s new subsidiaries have been or will be set up as partnerships subject to trade tax that could possibly benefit from the extended trade tax privilege, provided that all necessary conditions are fulfilled. As an adverse consequence for trade tax purposes, trade tax losses that may arise in one partnership cannot be offset by the profits of its partners or the profits of another subsidiary. As a further impact, the trade tax add-back rules, which were introduced as part of the German Company Tax Reform (*Unternehmenssteuerreform*) in 2008 and which provide for 25% of the interest expenses to be added back to the trade tax base, have to be separately applied at the level of each partnership subject to trade tax, which may result in a higher trade tax burden.

If any of such risks were to materialise, it could have material adverse effects on Deutsche Annington’s business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington is subject to certain tax risks in connection with the refinancing of the GRAND securitisation.

In December 2012, Deutsche Annington refinanced the collateralised real estate funding notes (the “**REF Notes**”) that were issued and sold by the Group to German Residential Asset Note Distributor P.L.C. (“**GRAND**”) in the course of a complex securitisation transaction in 2006. Since real estate was transferred, it cannot be ruled out that negative tax consequences have been triggered under certain laws. Therefore, the GRAND restructuring may result in significant adverse tax consequences for the Guarantor.

Deutsche Annington changed the terms of various classes of REF Notes and converted some of these notes into subordinated Class “S” REF Notes in consideration of tax advice. Nevertheless, it cannot be ruled out that negative tax consequences may be triggered by the changes made to the REF Notes.

Certain taxes may be levied on the Group in Germany in connection with the transfer of properties as part of the GRAND restructuring. A part of Deutsche Annington’s real property portfolio has been transferred to newly established partnerships (the transfer of properties is hereinafter referred to as the “**McKinley Split**” and the new entities are referred to as the “**McKinley New Subsidiaries**”).

Before entering into the GRAND restructuring, Deutsche Annington assessed and sought tax advice with respect to several general tax risks, including the risk that (i) potential trade tax losses in one of Deutsche Annington’s subsidiaries cannot be offset by the profits of another McKinley New Subsidiary or the profits of its shareholders, (ii) RETT may be triggered upon the sale and transfer of the assets to the McKinley New Subsidiaries, (iii) RETT may be triggered by future changes in the shareholder structure of Deutsche Annington, (iv) the McKinley Split or previous restructurings of the portfolio may result in a retroactive loss of the tax exemption used for the transfer of real estate in preparation for and in the course of the securitisation transaction in 2006, (v) the transfer of the real property to the McKinley New Subsidiaries may trigger VAT (*Umsatzsteuer*) or require an input tax adjustment (*Vorsteuerkorrektur*), and (vi) the swap of general partners and limited partners of Deutsche Annington’s property holding partnerships may result in taxable capital gains. Nevertheless, no assurance can be given that these tax risks will not result in material negative tax consequences.

Based on the audited fixed assets movement schedules (*Anlagespiegel*) of Deutsche Annington Vermögensgesellschaft mbH & Co. KG, Deutsche Annington Bestands GmbH & Co. KG and Deutsche Annington Bewirtschaftungs GmbH & Co. KG, most of the real estate has been owned by these companies since 1 January 2006 and thus may qualify for the beneficial treatment specified in Section 6b of the German Income Tax Act (*Einkommensteuergesetz*). However, no assurance can be given that roll-over relief has accrued at the level of Deutsche Annington Beteiligungsverwaltungs GmbH (“**DABG**”) and will be transferrable to the McKinley New Subsidiary in order to offset capital gains from the real property transfers in connection with the McKinley Split.

The McKinley Split structure aims at enabling the McKinley New Subsidiaries to make use of the Escape Clause by ensuring that sufficient equity exists for the McKinley New Subsidiaries to have an equity ratio that corresponds to the equity ratio of DABG for purposes of the thin capitalisation rules. Nevertheless, no assurance can be given that the McKinley New Subsidiaries will continue to be able to rely on the Escape Clause.

If any of Deutsche Annington’s tax-related assumptions related to the refinancing of the GRAND securitisation should prove to be wrong or if the competent tax authorities decide in contradiction to Deutsche Annington’s position, Deutsche Annington’s tax burden may increase significantly. This tax increase could have material adverse effects on Deutsche Annington’s business, net assets, financial condition, cash flow and results of operations.

Deutsche Annington is subject to possible future changes in the taxation of enterprises in Germany and in the European Union.

There are currently several initiatives being considered at both the German and the European Union level which could have an effect on the taxation of German enterprises. The initiatives relate, *inter alia*, to changes to the limitation of interest deductions and the establishment of a common consolidated corporate tax base. As the initiatives are still at an early stage of the consideration process, it is presently uncertain whether and to what extent the suggested changes will eventually be implemented and whether and to what extent they may have a negative effect on the Group's financial conditions and results of operations.

If these risks were to materialise, it could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

Risks Related to the Takeover Offer for Gagfah

The Takeover Offer of the Guarantor for all Shares of Gagfah S.A. (the "Target" and, together with its consolidated subsidiaries, "Gagfah") could be delayed or even fail.

On 1 December 2014, the Guarantor announced its intention to submit an offer for the acquisition of all shares of the Target (the "**Gagfah Shares**"). The Guarantor's offer to the shareholders of the Target (the "**Gagfah Shareholders**") to purchase their Gagfah Shares with a par value of €1.25 through a voluntary public takeover offer by means of a combined cash and exchange offer (the "**Takeover Offer**") was published on 19 December 2014. The Management Board resolved on 1 December 2014, with the consent of the Supervisory Board as of 30 November 2014, to enable the full exchange of existing Gagfah Shares for cash and new, ordinary registered shares of the Guarantor with no-par value, each with a proportional amount of the share capital of €1.00 with full dividend rights – to the extent legally permissible – from the fiscal year 2014 capital increases against mixed contribution in kind and contribution in cash. The shares of the Guarantor, which have to be transferred to the Gagfah Shareholders as a part of the Offer Consideration, will be created through capital increases (the "**DA Offer Shares**"). Shareholders may take legal actions against these resolutions or the entries of these capital increases. This may delay the timeline for the Takeover Offer or result in the failure to fulfil a closing condition.

Insofar as the Takeover Offer can be executed within the agreed upon timeframe, the DA Offer Shares are entitled to dividends for the fiscal year 2014. In the event that the execution is delayed, the Guarantor – depending on the length of the delay – may no longer be legally able to issue DA Offer Shares with dividend rights for the fiscal year 2014. In this event, the Guarantor would have to issue the DA Offer Shares with dividend rights as of 1 January 2015.

The Takeover Offer has certain conditions that must be fulfilled, including, for example, a minimum acceptance rate of 57% of the Gagfah Shares issued at the time of publication of the Offer Document (the "**Minimum Acceptance Rate**"), and if applicable, increased by the number of Gagfah Shares issued as a result of capital increases by the Target issued prior to expiration of the Acceptance Period (without taking into account a share capital increase due to the conversion of the convertible bond issued by Gagfah on 20 May 2014 in a total amount of €375.0 million (the "**Relevant Gagfah Shares**") as well as the registration of the implementation of the necessary capital increases. Should these conditions, individually or cumulatively, not be fulfilled, the Takeover Offer would fail. Moreover, the Guarantor must, in the event of a failure of the Takeover Offer, bear certain costs resulting from the preparation for the Takeover Offer.

The occurrence of any of these risks may have significant adverse effects on Deutsche Annington, the value of the Guarantor's shares or the Gagfah Shares.

The integration of Gagfah into Deutsche Annington may not be successful or may not go as planned and involve higher costs than expected.

If the Takeover Offer is successful, the integration of both groups would be carried out. The integration is expected to take place over a multi-year period and may require considerable management and financial resources. For a successful integration, it is also important that both existing staffs will be integrated, different company cultures will be connected, IT-Systems will be harmonised and common processes for the integrated group will be put into place. In addition, the integration may result in negative effects for contractual or law-related positions of one of the two groups.

Should any of these risks materialise, this may have material adverse effects on the net assets, financial condition and results of operations of the Group.

The expected synergies in connection with the integration of Gagfah may not be realised, or only realised to a small extent, or the achieved synergies may have higher costs than planned.

The Guarantor expects that the integration of Gagfah will result in diverse synergies and economies of scale. In particular, the Guarantor expects that such effects will result in the further development of the craftsmen organisation as well as the development of a combined management organisation, the development of combined central customer service and back office, the development of a purchasing cooperative, the expansion of the multimedia business of the Guarantor to the Target, an optimised local management that is based on the division of labour, the use of information technology and the reduction of interest expenses through refinancing and an upgrade of its rating. The Guarantor, however, cannot exclude that the expected synergies and economies of scale will not, or will only to a small extent, occur as originally planned. In addition, the costs required to achieve these synergies may be higher than anticipated.

In connection with these synergy potentials, there is a possibility of an eventually acquired goodwill. Any goodwill actually accounted for by the Guarantor is dependent on a variety of factors, such as the acceptance rate of the Takeover Offer and the actual amount of Gagfah's net assets. The eventually acquired goodwill is subject to regular impairment tests and may, if the synergy effects turn out to be lower than expected, result in significant impairments that would have to be recognised in the Guarantor's consolidated income statement. This and other factors may have material adverse effects on the net assets, financial condition and results of operations of Deutsche Annington and may negatively affect the economic results of the takeover.

The Guarantor cannot access important documents of Gagfah before the takeover of the Target, meaning that there may be unknown circumstances that are of material importance for the evaluation of Gagfah.

The Guarantor could not access important documents of Gagfah before the announcement of its decision to issue a Takeover Offer (due diligence), but must depend on publically available information and its knowledge of the industry. The Guarantor cannot exclude that important circumstances material for the evaluation of Gagfah that are not publically known, and therefore have not been reflected in the evaluation of Gagfah and the determination of the amount of the cash and share components of the Takeover Offer. The portfolio of Gagfah may also develop differently than originally assumed in the valuation by Deutsche Annington. Should important circumstances material for the evaluation of Gagfah become known, they could have material adverse effects on the assets, finances and income of Deutsche Annington and lead to a deterioration of the economic result of the takeover.

An acquisition of Gagfah Shares in connection with, or as result of, the Takeover Offer may trigger substantial RETT liabilities.

Because the Target is a holding company with investments in corporations and partnerships with properties in Germany, any acquisition of Gagfah Shares within the context of the Takeover Offer could generally trigger substantial RETT risks. In general, a transaction triggers a RETT liability, *inter*

alia, if a company holds domestic real estate and, as a result of such transaction, at least 95% of the shares in the respective company are held, legally or beneficially, directly or indirectly, by an acquirer, or by controlling and controlled entities, or by controlled entities, or if a corresponding claim to enter into such a transaction is agreed upon. In addition, in case a partnership holds domestic real estate, RETT is also triggered, if at least 95% of the interests in the partnership are legally or beneficially, directly or indirectly, transferred to new partners within any period of five years.

In the above-described cases, the RETT liability is generally calculated on the basis of the so-called demand value (*Bedarfwert*) multiplied by the applicable RETT rate. Such RETT rates range between 3.5% and 6.5% depending on the respective German State. The relevant demand value of a developed property amounts to 12.5 multiplied by the annual rent agreed upon at the time the taxation is triggered, reduced by a decrease in value due to age, pursuant to Section 146 Valuation Act (*Bewertungsgesetz* (“**BewG**”)). However, the relevant demand value must not fall short of the value of the real property if it were appraised as undeveloped land. The annual rent is generally the total amount that the lessor must pay for the use of the developed property for a period of twelve months whereby operating costs are not included. Pursuant to the annual report of Gagfah for the business year 2013, the annual rent for the entire portfolio of Gagfah amounted to approximately €830 million (it cannot be excluded, that the annual rent shown in such annual report deviates from the annual rent defined in Section 146 BewG).

Deutsche Annington expects that RETT is triggered, in aggregate, in a low to medium double-digit million Euro amount at the level of Gagfah in case 95% or more of the Gagfah Shares were transferred and the RETT structure of Gagfah is not optimised from a RETT perspective prior to the transfer of the Gagfah Shares within the context of the Takeover Offer.

In addition to the RETT risk described in the preceding paragraph, any acquisition of Gagfah Shares within the context of the Takeover Offer could trigger substantial additional RETT risks at the level of Gagfah. Deutsche Annington is currently not in a position to precisely assess such additional RETT risks, *inter alia*, since such assessment depends on publicly not available information and the consequences of recent case law remains unclear. Deutsche Annington assesses the likelihood that such risk materialises as residual. However it cannot be excluded that, in connection with, or as result of the Takeover Offer, a substantial RETT liability significantly exceeding the amounts already identified in the preceding paragraph may be triggered at the level of Gagfah.

Should any such RETT risks materialise, this could have material adverse effects on the assets, financial position, cash flow and income of the Group.

An acquisition of Gagfah Shares by the Guarantor could lead to a loss of all tax-loss and interest carryforwards of Gagfah.

As of 31 December 2013, the companies of Gagfah reported corporate tax loss carryforwards of €1,761.7 million (31 December 2012: €1,640.2 million), trade loss carryforwards of €831.0 million (31 December 2012: €716.5 million) and interest carryforwards of €294.6 million (31 December 2012: €239.0 million). In the annual report 2013, Gagfah reported a deferred tax asset on loss carryforwards of approximately €238 million. If, within five years, more than 50% of the subscribed capital, membership rights, ownership rights or voting rights of the Target will be transferred directly or indirectly to an acquirer (harmful acquisition of shares (*schädlicher Beteiligungserwerb*)) and subject to certain exceptions, these loss- and interest carryforwards rights are lost completely. In the case of a harmfully acquired stake between 25% and 50%, they are partially lost.

In the event that the Takeover Offer results in the Minimum Acceptance Rate of 57% of the Relevant Gagfah Shares being met for the tender offer by the Guarantor or the condition of the minimum transfer rate not being waived before its failure, the Guarantor expects the full – or through activation of certain exemptions an overriding – elimination of loss or interest carryforwards of Gagfah.

The acquisition of Gagfah Shares by the Guarantor could have an effect on the tax deductibility of interest expenses, which may result in a higher tax burden.

In the ordinary course of business, the companies of the Group and of Gagfah have entered into numerous financing transactions with third parties, including, for example, the financing of acquisitions of real estate portfolios. These debt financing arrangements require the groups to pay principal and interest. Since 2008, the tax deductibility of debt interest may have been limited by Section 4h German Income Tax Act (*Einkommensteuergesetz*) in conjunction with Section 8a German Corporate Tax Act (*Zinsschranke*) (“**Earning Stripping Rules**”). Because of the Earning Stripping Rules, the deductibility of net interest expense by a business is generally limited to 30% of taxable EBITDA (taxable income adjusted for earnings before interest, taxes, depreciation and amortisation), unless certain exceptions apply, such as the Escape Clause. Any non-deductible amount may only be carried forward to future periods and may be deductible in future years under certain circumstances.

The acquisition of Gagfah Shares by the Guarantor as well as the capital and financing measures by the Guarantor influence equity ratios. This could lead to an increase in non-deductible interest expenses in the companies of the Group. As a result, this could subsequently lead to a higher tax burden and thus have material adverse effects on the assets, cash flow, financial position and income of the Group.

The financing of the Takeover Offer as well as any necessary refinancing of financial liabilities of Gagfah in connection with the takeover may fail.

Before the publication of this Prospectus, the Guarantor took actions to provide the financial means to finance the Takeover Offer as well as any necessary refinancing of financial liabilities of Gagfah in connection with the takeover, consisting of, primarily, securitised mortgage-backed loans, further mortgage-backed property loans and convertible bonds (together, “**Gagfah Financial Instruments**”).

The Issuer concluded the Syndicated Bridge Facilities Agreement (“**DA Credit Agreement**”) on 1 December 2014. The DA Credit Agreement includes a facility A in an amount, which, together with the proceeds from the issue of the Notes, exceeds the cash component payable pursuant to the Takeover Offer, and a facility B for the refinancing of the liabilities of Gagfah. Facility A serves, in particular, for the payment of the cash contribution within the context of the Takeover Offer of approximately €2,048.7 million in cash as well as the payment of the costs for the preparation and implementation of the Takeover Offer (the “**Total Transaction Costs**”). Facility B serves, in particular, for the refinancing of any of the Gagfah Financial Instruments.

The Guarantor may make use of the means available through the DA Credit Agreement if certain limited conditions and certain documentation requirements are present and fulfilled (insofar as the creditor does not waive them), certain further conditions exist and certain guarantees at the time of the draw-down of the facility are true and accurate. It is possible that the conditions for the draw-down of the DA Credit Agreement will not be fulfilled in a timely manner. In addition, it is possible that in certain situations, material events of default in relation to the DA Credit Agreement occur and are continuing before payment and the DA Credit Agreement would then be cancelled. This would mean that the means from the DA Credit Agreement for financing the Takeover Offer and any necessary refinancing of the Gagfah Financial Instruments would no longer be available.

Should any of these risks materialise, this could lead to the failure of the Takeover Offer and could have material negative effects on Deutsche Annington as well as the price of the Guarantor’s shares and the Gagfah Shares.

The Gagfah Financial Instruments or other agreements of Gagfah could contain conditions that are triggered in connection with or as result of the Takeover Offer and, possibly, make a significant refinancing of the Gagfah Financial Instruments necessary or lead to a loss of benefits from the other agreements.

The Gagfah Financial Instruments total €4.73 billion as of 30 September 2014. The Gagfah Financial Instruments or other agreements of Gagfah may include change of control provisions that, in the event of a change of control related to the implementation of the Takeover Offer, provide for special prepayment obligations of the creditor from Gagfah or termination rights of the creditor.

Moreover, the Gagfah Financial Instruments or other agreements of Gagfah may include other termination rights that are triggered in connection with or as a result of the Takeover Offer (e.g., “cross default” provisions, which allow the creditor to accelerate the Gagfah Financial Instruments or to cancel the Gagfah Financial Instruments and other agreements of Gagfah if other liabilities of Gagfah are not paid when due, if they become due before their scheduled maturity or if the creditor is entitled to accelerate its claims).

The terms and conditions of Gagfah’s convertible bond include a change of control clause. If this clause is triggered, the bondholders may decide whether they want a premature redemption of the convertible bond at face value in cash (in addition to accrued interest) or a conversion into Gagfah Shares at a reduced conversion price. Further, other Gagfah Financial Instruments or other agreements of Gagfah may include change of control provisions or the bondholder may be entitled to request redemption for other reasons.

In the event that termination or redemption rights exist, it cannot be excluded that individual banks or other creditors are forced, or want, to terminate the existing Gagfah Financial Instruments following the closing of the Takeover Offer and based on this or other reasons will exercise their termination rights. Insofar as Gagfah Financial Instruments are accelerated or otherwise subject to repayment, the Guarantor would refinance Gagfah. For this purpose, the DA Credit Agreement provides additional financing for the refinancing of Gagfah’s liabilities by the Guarantor. In this case, the Guarantor might only be able to refinance its own operations under difficult conditions. In the event that Gagfah Financial Instruments are accelerated or otherwise subject to repayment, Gagfah must, if applicable, pay a prepayment premium. Insofar as other agreements of Gagfah are accelerated under existing termination rights, Gagfah may lose the benefits of these agreements.

Should any of these risks materialise, this may have material adverse effects on the assets, financial position and income of the Group.

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 Prospectus or any supplement thereto;
- (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.

The Notes are undated securities in which an investment constitutes a financial risk for an indefinite period.

The Issuer is under no obligation to redeem the Notes. The Holders have no right to call for redemption of the Notes. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period and may not recover their investment in the foreseeable future, if at all.

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 realising 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.

Exchange rate risks and exchange controls.

The Notes are denominated in Euro. Potential investors should bear in mind that an investment in the Notes involves currency risks. This presents certain risks relating to currency conversions if a Holder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than 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 to but excluding the First Call Date. 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.

The Holders are exposed to risks relating to the reset of interest rates linked to the 5-year swap rate.

From and including the First Call Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 6 of the Terms and Conditions, the Notes bear interest at a rate which will be determined on each Reset Date at the 5-year Swap Rate for the relevant Reset Period plus a margin. Potential investors should be aware that the performance of the 5-year Swap Rate and the interest income on the Notes cannot be anticipated. Due to varying interest income, potential investors are not able to determine a definite yield of the Notes at the time they purchase them, therefore their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after interest payment dates, Holders are exposed to the reinvestment risk if Market Interest Rates decline. That is, Holders may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Potential investors in the Notes should bear in mind that neither the current nor the historical level of the 5-year swap rate is an indication of the future development of such 5-year swap rate during the term of the Notes.

Furthermore, during each Reset Period, it cannot be ruled out that the price of the Notes may fall as a result of changes in the Market Interest Rate, as the Market Interest Rate fluctuates. During each of these periods, the Holders are exposed to the risks as described under “—*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 or the Guarantor to make interest and/or redemption payments.

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

In addition, even if the likelihood that the Issuer or the Guarantor will be in a position to fully perform all obligations under the Notes or the Subordinated Guarantee, respectively, 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 Guarantor 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 materialisation 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.

Interest payments under the Notes may be deferred at the option of the Issuer.

Holders should be aware that interest may not be due and payable (*fällig*) on the scheduled Interest Payment Date, and that the payment of the resulting Arrears of Interest is subject to certain further conditions. Failure to pay interest as a result of an interest deferral will not constitute a default of the Issuer or a breach of any other obligations under the Notes or for any other purposes. Holders will not receive any additional interest or compensation for the deferral of payment. In particular, the resulting Arrears of Interest will not bear interest.

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 beneficiaries under the Subordinated Guarantee have limited rights in German insolvency proceedings.

During insolvency proceedings over the assets of the Guarantor, claims against the Guarantor under the Subordinated Guarantee would be treated as deeply subordinated insolvency claims (*nachrangige Insolvenzforderungen*). According to Section 174 para. 3 German Insolvency Code (*Insolvenzordnung*), deeply subordinated insolvency claims must not be registered with the insolvency court unless the insolvency court handling the case has granted special permission allowing these deeply subordinated insolvency claims to be filed which is not the rule, but the exception. The beneficiaries of the Subordinated Guarantee would not participate in any creditors' committee (*Gläubigerausschuss*) and would have very limited rights within the creditors' assembly (*Gläubigerversammlung*). They may be invited to participate in the creditors' assembly, but would not be entitled to vote within such meetings (Section 77 para. 1 German Insolvency Code).

In case of insolvency plan proceedings (*Insolvenzplanverfahren*), the beneficiaries under the Subordinated Guarantee generally would have no voting right on the adoption of an insolvency plan presented by the Guarantor, the relevant insolvency administrator or custodian (Sections 237 and 246 German Insolvency Code). In addition, their claims would be waived after the adoption of the insolvency plan unless the insolvency plan makes an exception to this general rule (Section 225 para. 1 German Insolvency Code).

The Notes do not include express events of default or a cross default.

Holders should be aware that the Terms and Conditions do not contain any express event of default provisions. There will also not be any cross default under the Notes. Thus, there is only limited protection for Holders against a deterioration of the Issuer's or Guarantor's financial condition.

The Notes do not contain any financial covenants.

Neither the Guarantor nor any of its subsidiaries (including the Issuer) will be restricted from incurring additional unsecured debt or other liabilities, including senior debt under the Terms and Conditions. If the Guarantor incurs additional debt or liabilities, the Issuer's and/or the Guarantor's ability to pay their respective obligations under the Notes or the Subordinated Guarantee could be adversely affected. In addition, under the Notes, neither the Issuer nor the Guarantor will be restricted from paying dividends or issuing or repurchasing their other securities. Holders will not be protected under the Terms and Conditions in the event of a highly leveraged transaction, a reorganisation or a restructuring, merger or similar transaction that may adversely affect Holders.

There is no limitation on issuing further debt ranking senior to, or pari passu with, the Notes.

There is no restriction on the amount of debt which the Issuer may issue ranking senior or *pari passu* to the obligations under or in connection with the Notes. Such issuance of further debt would reduce the amount recoverable by the Holders upon insolvency or liquidation of the Issuer or may increase the likelihood that the Issuer is required or permitted to defer payments of interest under the Notes.

There is a risk that the Notes are qualified as equity of the Issuer for Dutch tax purposes.

Instruments such as the Notes that are considered as debt for Dutch legal purposes are as a general rule also considered debt for Dutch tax purposes. As a result thereof, payments of interest made on such instruments should (i) be deductible for Dutch corporate income tax purpose and (ii) not be subject to Dutch withholding tax. There is one exception to this general rule. If the Notes were to be considered to be granted under such conditions that the Notes in fact function as equity of the Issuer, the Notes would be considered equity for Dutch tax purposes. The relevant Dutch tax conditions for a loan to be considered to function as equity of a borrower have been developed in case law. These cumulative conditions are: (i) the loan is subordinated to the claims of all other creditors (ii) the loan has no fixed term or has a term in excess of 50 years, and (iii) the remuneration on the loan is dependent on the profit of the borrower. Since the Notes are subordinated to all creditors and have a perpetual term, the first two conditions are met. Given that the Notes have a fixed interest rate and that interest becomes due and payable irrespective of the financial performance of the Issuer, the remuneration of the Notes should not be considered to be dependent on the profit of the Issuer. Consequently, the third condition should not be met and the Notes should not be considered equity for Dutch tax purposes and accordingly interest payments on the Notes should in principle be deductible and payment of interest on the Notes should not be subject to Dutch dividend withholding tax.

However, the profit dependency condition was, and is being, developed in case law and the interpretation of this case law is subject to discussions. The Issuer has sought advice and is of the view that there is a remote risk that the interest remuneration on the Notes would be considered to be dependent on the profit of the Issuer and as such there is a risk that the Notes are qualified as equity of the Issuer for Dutch tax purposes and accordingly there is a risk that payments of interest under the Notes is (i) not deductible for Dutch corporate income tax purposes and (ii) subject to Dutch dividend withholding tax. To obtain certainty on the debt classification of the Notes for Dutch tax purposes, the Issuer may decide to request a ruling from the Dutch tax authorities. Any such ruling would not be obtained prior to the issuance of the Notes. Absent a final ruling, there is a risk that the Notes are qualified as equity of the Issuer for Dutch tax purposes.

The Notes are subordinated to senior and subordinated obligations of the Issuer.

The obligations of the Issuer under the Notes will be unsecured subordinated obligations of the Issuer which in an insolvency or liquidation of the Issuer rank *pari passu* among themselves and with certain other obligations of the Issuer, subordinated to all present and future unsubordinated and subordinated obligations of the Issuer and senior only to the Issuer's share capital and similar present or future instruments. According to the Terms and Conditions, in an insolvency or liquidation of the Issuer, no payments under the Notes will be made to the Holders unless the Issuer has discharged or secured in full (*i.e.*, not only with a quota) all claims that rank senior to the Notes.

In a liquidation, insolvency or any other proceeding for the avoidance of insolvency of the Issuer, the Holders may recover proportionately less than the holders of the notes of unsubordinated or subordinated obligations of the Issuer or may recover nothing at all. Potential investors should take into consideration that liabilities ranking senior to the Notes may also arise out of events that are not reflected on the Issuer's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Issuer, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to the Holders.

Potential investors should therefore take into consideration that in a liquidation or insolvency of the Issuer, they may lose the value of their entire investment in the Notes or part of it.

Claims under the Subordinated Guarantee are subordinated to senior and subordinated obligations of the Guarantor.

The Guarantor's obligations under the Subordinated Guarantee are unsecured deeply subordinated obligations of the Guarantor ranking subordinated to all unsubordinated obligations and to all subordinated obligations within the meaning of Section 39 para. 1 German Insolvency Code (*Insolvenzordnung*) (including any shareholder loans) and at least *pari passu* amongst themselves and with all present unsecured obligations of the Guarantor which rank subordinated to all unsubordinated obligations and to all subordinated obligations under Section 39 para. 1 German Insolvency Code, except for any subordinated obligations required to be preferred by mandatory provisions of law. In the event of the liquidation, dissolution or insolvency of the Guarantor or any proceeding for the avoidance of insolvency of the Guarantor, the obligations of the Guarantor under the Subordinated Guarantee are subordinated to the claims of all holders of unsubordinated obligations and subordinated obligations within the meaning of Section 39 para. 1 German Insolvency Code, so that in any such event, payments in respect of the Subordinated Guarantee will not be made until all claims against the Guarantor under obligations which rank senior to obligations of the Guarantor under the Subordinated Guarantee have been satisfied in full (*i.e.*, not only with a quota). The obligations of the Guarantor under the Subordinated Guarantee are senior only to the Junior Obligations of the Guarantor.

Potential investors should take into consideration that liabilities ranking senior to the Subordinated Guarantee may also arise out of events that are not reflected on the Guarantor's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Guarantor, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to Holders. Potential investors should therefore take into consideration that in a liquidation or insolvency of the Issuer, they may lose the value of their entire investment in the Notes or part of it.

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 (i) on the First Call Date or any Reset Date thereafter, or (ii) for reason of minimal outstanding amount, or (iii) if the Issuer is obligated to pay additional amounts in respect to the Notes due to withholding or deduction or on account of any current or future taxes or any other dues imposed, levied, collected, or withheld by or on behalf of The Netherlands, or if the Guarantor is obligated to pay additional amounts in respect of the Subordinated Guarantee due to withholding or deduction or on account of, any current or future taxes or any other duties imposed, levied, collected, or withheld by or on behalf of Germany, or for its account or from or for the account of an area municipality authorised to raise taxes or an agency in The Netherlands or in Germany, or (iv) if interest payable in respect of the Notes (including under the Subordinated Guarantee) is no longer fully income tax deductible, or (v) if the funds raised through the issuance of the Notes must not or must no longer be recorded as "equity" of the Guarantor, or (vi) upon occurrence of an Acquisition Event (as defined in § 6(3)(d) of the Terms and Conditions), or (vii) if any rating agency eligible under the Terms and Conditions determines to assign a lower category of "equity credit" to the Notes as a result of an amendment, clarification or change to the equity credit criteria of such rating agency effective after the Issue Date (or, if later, effective after the date when the equity credit is assigned to the Notes by such rating agency for the first time or, in the case of S&P, the date when the highest equity credit was assigned during the period from the Issue Date to the last date on which an Acquisition Event can occur), or (viii) upon the occurrence of a Change of Control (as defined in § 6(6) of 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.

There is no active public trading market for the Notes.

The Notes are admitted to trading on the unregulated open-market segment (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). 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 (which is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments) and to be listed on the Official List of the Luxembourg Stock Exchange.

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 Annington'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 Annington'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.

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 or the Guarantor and by the credit rating of the Guarantor and a number of other factors including market interest 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 unfavourable development of market prices of the Notes which materialise 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 industrialised 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.

Potential Investors assume the risk that the credit spread of the Issuer changes (credit spread risk).

A credit spread is the margin payable by the Issuer to the Holder as a premium for the assumed credit risk of the Issuer. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination.

The liquidity situation, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a positive or negative effect.

Potential investors are exposed to the risk that the credit spread of the Issuer widens, resulting in a decrease in the price of the Notes.

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

Ratings assigned to the Guarantor by rating agencies are an indicator of the Guarantor's ability to meet its obligations under the Subordinated Guarantee 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 Guarantor. 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.

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, Fitch 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 and Clearstream, Luxembourg, 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. These will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Investors will not be entitled to receive definitive notes. Euroclear and Clearstream, Luxembourg 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 Clearstream, Luxembourg and the Issuer will discharge its payment obligations under the Notes by making payments to, or to the order of, the Clearing System (as defined in § 1(4) of the Terms and Conditions) for distribution to their

account holders. A holder of a beneficial interest in the Global Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg 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 Prospectus.

The Terms and Conditions are based on the laws of Germany in effect as at the date of this Prospectus. 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 Prospectus.

A potential investor may not rely on the Issuer, the Guarantor, the Manager 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, the Guarantor, the Manager 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 and the terms of the Subordinated Guarantee, 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 or the terms of the Subordinated Guarantee may be amended or other measures relating to the Notes or the Subordinated Guarantee may be taken by majority resolution of the Holders. The voting process under the Terms and Conditions will be governed in accordance with the 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 in 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 favour 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 or the Guarantor 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 the terms of the Subordinated Guarantee or on other matters relating to the Notes or the Subordinated Guarantee by majority vote in accordance with the Terms and Conditions and the SchVG.

Since no Noteholders' 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 and the Subordinated Guarantee.

No initial Noteholders' Representative will be appointed under the Terms and Conditions. Any appointment of a Noteholders' Representative of the Notes post issuance of the Notes will, therefore, require a majority resolution of the Holders.

If a Noteholders' 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 or the Guarantor, if such right was passed to the Noteholders' Representative by majority vote. In such case, the Noteholders' Representative becomes exclusively responsible to claim and enforce the rights of all of the Holders.

The Holders have no voting rights.

The Notes are non-voting with respect to general 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.

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 documentary 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 Prospectus 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.

Payments under the Subordinated Guarantee may qualify as profit participating payments.

From a German tax perspective the Notes should not be considered to be profit participating as interest payments are not contingent on the financial performance of the Issuer. However, if the Notes are considered to be profit participating payments by the Guarantor under the Subordinated Guarantee, the Notes could be subject to German withholding tax in addition to the instances of withholding tax set out under the section "*Taxation—Federal Republic of Germany*".

Payments on the Notes may be subject to U.S. withholding tax under the Foreign Account Tax Compliance Act.

Under the U.S. Foreign Account Tax Compliance Act ("**FATCA**"), a 30% withholding tax is imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders. To avoid becoming subject to the 30% withholding tax on payments to them, non-U.S. financial institutions may be required to report information to the Internal Revenue Service regarding the Holders of Notes and, possibly, to withhold on a portion of payments on the Notes to certain Holders that fail to comply with the relevant information reporting requirements (or hold Notes directly or indirectly through certain non-compliant intermediaries). If this withholding were to apply, Holders will not receive any Additional Amount in respect of such withholding, and Holders will therefore receive less than the amount that they would otherwise have received on the Notes. It is unclear whether payments on the Notes could be subject to such withholding. However, if such withholding were to apply, it would not apply to payments made before 1 January 2017. Furthermore, the rules for the implementation of this withholding as it might apply to the Notes have not yet been written, so it is impossible to determine at this time what impact, if any, this withholding will have on Holders of the Notes.

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

TERMS AND CONDITIONS

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

- (1) *Currency; Denomination.* This issue of notes (the **Notes**) of Deutsche Annington Finance B.V., a private company with limited liability incorporated in The Netherlands (the **Issuer**), is being issued in the aggregate principal amount of EUR 1,000,000,000 (in words: one billion Euro) in denominations of EUR 100,000 (the **Specified Denomination**) on 17 December 2014 (the **Issue Date**).

- (2) *Form.* The Notes are being issued in bearer form.

- (3) *Temporary Global Note – Exchange.*

- (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 Specified Denominations represented by a permanent global note (the **Permanent Global Note**) and, together with the Temporary Global Note, the **Global Notes**) without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive certificates representing individual Notes and interest coupons will not be issued.

- (b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the **Exchange Date**) not later than 180 days after the Issue Date of the Notes. The Exchange Date shall not

EMISSIONSBEDINGUNGEN

§ 1

WÄHRUNG, STÜCKELUNG, FORM, BESTIMMTE DEFINITIONEN

- (1) *Währung, Stückelung.* Diese Emission von Schuldverschreibungen (die **Schuldverschreibungen**) der Deutsche Annington Finance B.V., einer in den Niederlanden errichteten Gesellschaft mit beschränkter Haftung (die **Emittentin**) wird am 17. Dezember 2014 (der **Begebungstag**) im Gesamtnennbetrag von EUR 1.000.000.000 (in Worten: eine Milliarde Euro) in einer Stückelung von EUR 100.000 (die **Festgelegte Stückelung**) begeben.

- (2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

- (3) *Vorläufige Globalurkunde – Austausch.*

- (a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die **Vorläufige Globalurkunde**) ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die **Dauerglobalurkunde**) und, zusammen mit der Vorläufigen Globalurkunde, die **Globalurkunden**) ohne Zinsscheine verbrieft sind, ausgetauscht. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

- (b) Die Vorläufige Globalurkunde wird an einem Tag (der **Austauschtag**) gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Begebungstag der Schuld-

be earlier than 40 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 not a U.S. person (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 of the Notes will be treated as a request to exchange the Temporary Global Note pursuant to this § 1(3)(b). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 1(6)).

verschreibungen liegt. Der Austauschtag wird nicht weniger als 40 Tage nach dem Begebungstag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Schuldverschreibungen keine U.S.-Personen 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 der Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem § 1(3)(b) auszutauschen. Schuldverschreibungen, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in § 1(6) definiert) geliefert werden.

- (4) *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**) and any successor in such capacity.
- (4) *Clearingsystem*. Jede Globalurkunde wird solange von einem oder im Namen eines Clearingsystems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. **Clearingsystem** bedeutet folgendes: Clearstream Banking, *société anonyme*, Luxemburg (**CBL**) und Euroclear Bank SA/NV, Brüssel (**Euroclear**) sowie jeder Funktionsnachfolger.
- (5) *Holder of Notes*. **Holder** means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.
- (5) *Gläubiger von Schuldverschreibungen*. **Gläubiger** bezeichnet jeden Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.
- (6) *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).
- (6) *Vereinigte Staaten*. Für die Zwecke dieser Emissionsbedingungen 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 Northern Mariana Islands).

§ 2
STATUS, SUBORDINATED GUARANTEE, PROHIBITION OF SET-OFF

- (1) *Status.* The obligations under the Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and in the event of the winding-up, dissolution or liquidation of the Issuer rank:
- (a) senior only to the Junior Obligations of the Issuer,
 - (b) *pari passu* among themselves and with any Parity Obligations of the Issuer, and
 - (c) junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.
- (2) *Insolvency or Liquidation of the Issuer.* In an insolvency or liquidation of the Issuer, no payments under the Notes shall be made to the Holders unless all claims that, pursuant to § 2(1), rank senior to the Notes (condition precedent) have been discharged or secured in full (i.e. not only with a quota).
- (3) *Subordinated Guarantee.* Deutsche Annington Immobilien SE (the **Guarantor**) has given an unconditional and irrevocable guarantee on a subordinated basis (the **Subordinated Guarantee**) for the due and punctual payment of any amounts payable under any Notes. The Subordinated Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with section 328 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the Subordinated Guarantee

§ 2
STATUS, NACHRANGIGE GARANTIE, AUFRECHNUNGSVERBOT

- (1) *Status.* Die Schuldverschreibungen begründen unmittelbare, unbedingte nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die im Fall der Abwicklung, Auflösung oder Liquidation der Emittentin:
- (a) nur Nachrangigen Verbindlichkeiten der Emittentin im Rang vorgehen,
 - (b) untereinander und mit jeder Gleichrangigen Verbindlichkeit der Emittentin im Rang gleich stehen, und
 - (c) allen anderen bestehenden und zukünftigen Verbindlichkeiten der Emittentin, ob nachrangig oder nicht nachrangig, im Rang nachgehen, soweit zwingende gesetzliche Vorschriften nichts anderes vorschreiben bzw. die Bedingungen des betreffenden Instruments ausdrücklich etwas anderes vorsehen
- (2) *Insolvenz oder Liquidation der Emittentin.* Im Falle einer Insolvenz oder Liquidation der Emittentin steht jedwede Zahlung unter den Schuldverschreibungen an die Gläubiger unter dem Vorbehalt, dass zuvor sämtliche Verpflichtungen auf gegenüber den Schuldverschreibungen gemäß § 2(1) vorrangige Verbindlichkeiten zur Gänze (d. h. nicht nur quotenmäßig) bezahlt oder sichergestellt wurden.
- (3) *Nachrangige Garantie.* Die Deutsche Annington Immobilien SE (die **Garantin**) hat eine unbedingte und unwiderrufliche Garantie auf nachrangiger Basis (die **Nachrangige Garantie**) für die ordnungsgemäße und pünktliche Zahlung aller auf die Schuldverschreibungen zahlbaren Beträge übernommen. Die Nachrangige Garantie stellt einen Vertrag zugunsten der Gläubiger als begünstigte Dritte im Sinne des § 328 Abs. 1 BGB dar, der jedem Gläubiger das Recht gibt, die Garantin unmittelbar aus der Nachrangigen Garantie auf Erfüllung in Anspruch zu

directly from the Guarantor and to enforce the Subordinated Guarantee directly against the Guarantor. Copies of the Subordinated Guarantee may be obtained free of charge at the specified office of the Principal Paying Agent.

(4) *Status of the Subordinated Guarantee.* The obligations of the Guarantor under the Subordinated Guarantee rank:

- (a) senior only to the Junior Obligations of the Guarantor,
- (b) *pari passu* with any other present and future Parity Obligations of the Guarantor, and
- (c) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.

(5) *Prohibition of Set-off.* No Holder may set-off any claims arising under the Notes or the Subordinated Guarantee against any claims that the Issuer or the Guarantor may have against it. The Issuer may not set-off any claims it may have against the Holders against any of its obligations under the Notes. The Guarantor may not set-off any claims it may have against the Holders against any of its obligations under the Subordinated Guarantee.

Junior Obligations of the Guarantor means (i) the ordinary shares and preferred shares (if any) of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Guarantor and (iv) any present or future security,

nehmen und Ansprüche aus der Nachrangigen Garantie unmittelbar gegen die Garantin durchzusetzen. Abschriften der Nachrangigen Garantie sind bei der bezeichneten Geschäftsstelle der Hauptzahlstelle kostenlos erhältlich.

(4) *Status der Nachrangigen Garantie.* Die Verbindlichkeiten der Garantin unter der Nachrangigen Garantie:

- (a) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,
- (b) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und
- (c) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.

(5) *Aufrechnungsverbot.* Die Gläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen bzw. aus der Nachrangigen Garantie gegen mögliche Forderungen der Emittentin bzw. der Garantin aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Gläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Gläubigern gegen Verpflichtungen aus der Nachrangigen Garantie aufzurechnen.

Nachrangige Verbindlichkeiten der Garantin bezeichnet (i) die Stammaktien und etwaige Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder etwaigen Vorzugs-

registered security or other instrument which is issued by any Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

Junior Obligations of the Issuer means (i) the ordinary shares and preferred shares (if any) of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security, registered security or other instrument of the Issuer under which the Issuer's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumptions of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

Parity Obligations of the Guarantor means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Subordinated Guarantee.

aktien der Garantin gleichrangig oder als gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

Nachrangige Verbindlichkeiten der Emittentin bezeichnet (i) die Stammanteile und etwaige Vorzugsanteile der Emittentin, (ii) jede gegenwärtigen oder zukünftigen Anteile einer anderen Gattung von Anteilen der Emittentin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Emittentin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Emittentin mit den Stammanteilen und etwaigen Vorzugsanteilen der Emittentin gleichrangig oder als gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Emittentin begeben und von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

Gleichrangige Verbindlichkeiten der Garantin bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Nachrangigen Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der

Parity Obligations of the Issuer means any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank *pari passu* with its obligations under the Notes.

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

Subsidiary of the Issuer means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50% of the capital or the voting rights.

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

betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Nachrangigen Garantie gleichrangig oder als gleichrangig vereinbart sind.

Gleichrangige Verbindlichkeiten der Emittentin bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Emittentin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Emittentin unter den Schuldverschreibungen ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Emittentin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen als gleichrangig vereinbart sind.

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.

Tochtergesellschaft der Emittentin bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Emittentin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

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

§ 3 INTEREST

(1) *Interest Accrual.* The Notes shall bear interest on their principal amount

(a) from (and including) 17 December 2014 (the **Interest Commencement Date**) to

§ 3 VERZINSUNG

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar

(a) vom 17. Dezember 2014 (der **Verzinsungsbeginn**) (einschließlich) bis

(but excluding) 17 December 2021 (the **First Call Date**) at the rate of 4.000% *per annum*, and

- (b) from (and including) the First Call Date to (but excluding) the date on which the Issuer redeems the Notes in whole pursuant to § 6 at the relevant Reset Rate of Interest for the Interest Period.

Interest shall be payable annually in arrears on 17 December in each year (each such date, an **Interest Payment Date**) and will be due and payable (*fällig*) in accordance with the conditions set out in § 5. The first payment of interest shall be made on 17 December 2015.

Reset Rate of Interest means the Reset Reference Rate for the relevant Reset Period in which the relevant Interest Period falls, plus the relevant Margin for the relevant Interest Period.

The **5-year Swap Rate** for the relevant Reset Period will be determined by the Calculation Agent on the Reset Rate Determination Date prior to the relevant Reset Date on which the relevant Reset Period commences (the **Reference Reset Date**) and will be the annual swap rate for euro swap transactions with a term of 5 years commencing on the Reference Reset Date, expressed as a percentage, which appears on the Reuters screen ISDAFIX2 Page under the heading “EURIBOR BASIS EUR” and above the caption “11:00 AM FRANKFURT” as of 11:00 a.m., Frankfurt time, on the Reset Rate Determination Date. If such rate does not appear on the Reuters screen ISDAFIX2 Page, the Reset Reference rate for that Reset Date will be the Reset Reference Bank Rate.

Interest Period means 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.

zum 17. Dezember 2021 (der **Erste Rückzahlungstermin**) (ausschließlich) mit jährlich 4,000 %, und

- (b) vom Ersten Rückzahlungstermin (einschließlich) bis zu dem Tag, an dem die Emittentin die Schuldverschreibungen gemäß § 6 vollständig zurückzahlt, (ausschließlich), mit dem jeweiligen Reset-Zinssatz für die jeweilige Zinsperiode.

Die Zinsen sind nachträglich am 17. Dezember eines jeden Jahres zahlbar (jeweils ein **Zinszahlungstag**) und werden nach Maßgabe der in § 5 dargelegten Bedingungen fällig. Die erste Zinszahlung erfolgt am 17. Dezember 2015.

Reset-Zinssatz bezeichnet den jeweiligen Reset-Referenzsatz für den jeweiligen Reset-Zeitraum, in den die jeweilige Zinsperiode fällt, zuzüglich der relevanten Marge für die jeweilige Zinsperiode.

Der **5-Jahres-Swapsatz** für den jeweiligen Reset-Zeitraum wird von der Berechnungsstelle am Reset-Referenzsatz-Bestimmungstag vor dem jeweiligen Reset-Termin zu dem der jeweilige Reset-Zeitraum beginnt (der **Referenz-Reset-Termin**) bestimmt und ist der jährliche Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 5 Jahren beginnend mit dem Referenz-Reset-Termin, ausgedrückt als Prozentsatz, der am Reset-Referenzsatz-Bestimmungstag um 11:00 Uhr, Frankfurter Zeit auf der Reuters-Bildschirmseite ISDAFIX2 unter der Überschrift „EURIBOR BASIS EUR“ und über der Bildüberschrift „11:00 AM FRANKFURT“ angezeigt wird. Falls ein solcher Zinssatz nicht auf der Reuters-Bildschirmseite ISDAFIX2 angezeigt wird, ist der Reset-Referenzsatz für den Reset-Termin der Reset-Referenzbankzinssatz.

Zinsperiode bezeichnet jeweils den Zeitraum vom Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) bzw. von jedem Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden Zinszahlungstag (ausschließlich).

Margin means:

- (a) in respect of each Interest Period from and including the First Call Date to but excluding 17 December 2026 (the **First Step-up Date**): 339 basis points *per annum* (the **Initial Margin**);
- (b) in respect of each Interest Period from and including the First Step-up Date to but excluding 17 December 2041 (the **Second Step-up Date**): 364 basis points *per annum* (being equal to the Initial Margin plus a step-up of 25 basis points); and
- (c) in respect of each Interest Period from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Notes in whole pursuant to § 6 439 basis points *per annum* (being equal to the Initial Margin plus a step-up of 100 basis points).

Reference Banks means five leading swap dealers in the interbank market.

Representative Amount means an amount that is representative for a single transaction in the swap market at the relevant time.

Reset Date means the First Call Date and each fifth anniversary of the First Call Date.

Reset Period means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

Reset Rate Determination Date means the second Business Day prior to the relevant Reset Date.

Reset Reference Rate means the relevant 5-year Swap Rate for the relevant Reset Period, as determined by the Calculation Agent.

Marge bedeutet:

- (a) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) bis zum 17. Dezember 2026 (der **Erste Step-up-Termin**): 339 Basispunkte *per annum* (die **Ursprüngliche Marge**);
- (b) für jede Zinsperiode ab dem Ersten Step-up-Termin (einschließlich) bis zum 17. Dezember 2041 (der **Zweite Step-up-Termin**): 364 Basispunkte *per annum* (dies entspricht der Ursprünglichen Marge zuzüglich eines Step-up von 25 Basispunkten); und
- (c) für jede Zinsperiode ab dem Zweiten Step-up-Termin (einschließlich) bis zu dem Tag, an dem die Emittentin die Schuldverschreibungen gemäß § 6 vollständig zurückzahlt (ausschließlich), 439 Basispunkte *per annum* (dies entspricht der Ursprünglichen Marge zuzüglich eines Step-up von 100 Basispunkten).

Referenzbanken bedeutet fünf im Interbankenmarkt führende Swap Dealer.

Repräsentative Höhe bedeutet die Höhe einer einzelnen Transaktion, die zur jeweiligen Zeit im Swap-Markt typisch ist.

Reset-Termin bezeichnet den Ersten Rückzahlungstermin und jeden fünften Jahrestag des Ersten Rückzahlungstermins.

Reset-Zeitraum bezeichnet jeden Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Reset-Termin (ausschließlich) und nachfolgend ab jedem Reset-Termin (einschließlich) bis zu dem jeweils nächstfolgenden Reset-Termin (ausschließlich).

Reset-Referenzsatz-Bestimmungstag ist der zweite Geschäftstag vor dem jeweiligen Reset-Termin.

Reset-Referenzsatz ist der jeweilige 5-Jahres-Swapsatz für den jeweiligen Reset-Zeitraum, wie er von der Berechnungsstelle festgestellt wird.

Reset Reference Bank Rate means the percentage rate determined on the basis of the midmarket annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., Frankfurt time on the Reset Rate Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term of 5 years commencing on that Reference Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to a designated maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

- (2) *Determination and Notification of Reset Rate of Interest.* The Calculation Agent will, on the Reset Rate Determination Date, determine the Reset Rate of Interest.

The Calculation Agent will cause each Reset Rate of Interest to be notified to the Issuer, the Guarantor and to the Holders and the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange, and to the Holders in accordance with § 13 as soon as possible after their determination, but in no event later

Der **Reset-Referenzbankenzinssatz** bezeichnet den Prozentsatz, der auf Basis der Mid-market Jahres-Swapsatz-Angebotssätze von den Referenzbanken um ungefähr 11:00 Uhr, Frankfurter Zeit, am Reset-Referenzsatz-Bestimmungstag festgestellt wird. Der Mid-market Jahres-Swapsatz ist das arithmetische Mittel des Geld- und Briefkurses für den Jahres-Festzinssatzstrom, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-zu-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 5 Jahren beginnend mit dem Referenz-Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swapmarkt abgeschlossen wurde, wobei der variable Teil, berechnet basierend auf einem Actual/360 Zinstagequotienten, eine Endfälligkeit von sechs Monaten hat. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils um einen Angebotssatz bitten. Falls zumindest drei Angebotssätze zur Verfügung gestellt werden, ist der Zinssatz für den Reset-Termin das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze, bereinigt um den höchsten Angebotssatz (oder, falls mehrere Angebotssätze gleich hoch sind, einer der höchsten) und den niedrigsten Angebotssatz (oder, falls mehrere Angebotssätze gleich niedrig sind, einen der niedrigsten).

- (2) *Feststellungen und Bekanntgabe von Reset-Zinssatz.* Die Berechnungsstelle wird den Reset-Zinssatz für die Schuldverschreibungen am Reset-Referenzsatz-Bestimmungstag bestimmen.

Die Berechnungsstelle wird veranlassen, dass der jeweilige Reset-Zinssatz der Emittentin, der Garantin sowie den Gläubigern und der Hauptzahlstelle sowie jeder Börse, an der die betreffenden Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, gemäß § 13 baldmöglichst, aber keinesfalls später als am vierten auf die Bestimmung jeweils folgenden Geschäftstages

than the fourth Business Day after its determination.

(3) <i>Interest following the Occurrence of a Change of Control.</i> If a Change of Control (as defined in § 6(6)) occurs and the Issuer does not redeem the Notes in whole in accordance with § 6(6), the interest rate applicable to the Notes will be subject to an additional 500 basis points <i>per annum</i> above the otherwise applicable rate of interest from the Change of Control Effective Date (as defined in § 6(6)).	(3) <i>Verzinsung nach Eintritt eines Kontrollwechsels.</i> Wenn ein Kontrollwechsel (wie in § 6(6) definiert) eintritt und die Emittentin die Schuldverschreibungen nicht insgesamt gemäß § 6(6) zurückzahlt, erhöht sich der für die Zinszahlung auf die Schuldverschreibungen ansonsten anwendbare Zinssatz ab dem Kontrollwechsel-Stichtag (wie in § 6(6) definiert) um zusätzliche 500 Basispunkte <i>per annum</i>.
(4) <i>Calculation of Interest for Periods of less than one Year.</i> If interest is to be calculated for a period of less than a full year, it shall be calculated on the basis of the Day Count Fraction (as defined below). The number of Interest Payment Dates per calendar year (each a Determination Date) is 1.	(4) <i>Berechnung der Zinsen für Zeiträume von weniger als einem Jahr.</i> Sofern Zinsen für einen Zeitraum von weniger als einem vollen Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachfolgend definiert). Die Anzahl der Zinszahlungstage je Kalenderjahr (jeweils ein Feststellungstermin) beträgt 1.
(5) <i>Day Count Fraction. Day Count Fraction</i> means, in respect of the calculation of an amount of interest on any Note for any period of time (the Calculation Period): (a) if the Calculation Period (from and including the first day of such period but excluding the last) is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period (from and including the first day of such period but excluding the last) divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or (b) if the Calculation Period (from and including the first day of such period but excluding the last) is longer than the Determination Period during which the Calculation Period ends, the sum of: (A) the number of days in such Calculation Period falling in the Determination Period in which the	(5) <i>Zinstagequotient. Zinstagequotient</i> bezeichnet in Bezug auf die Berechnung von Zinsbeträgen auf die Schuldverschreibungen für einen beliebigen Zeitraum (der Zinsberechnungszeitraum): (a) wenn der Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieses Zeitraums) kürzer ist als die Feststellungsperiode, in die das Ende des Zinsberechnungszeitraumes fällt oder ihr entspricht, die Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieses Zeitraums) geteilt durch das Produkt aus (1) der Anzahl der Tage in der Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr; oder (b) wenn der Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieses Zeitraums) länger ist als die Feststellungsperiode, in die das Ende des Zinsberechnungszeitraumes fällt, die Summe aus (A) der Anzahl der Tage in dem Zinsberechnungszeitraum, die in die

Calculation Period begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year and (B) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year.

Determination Period means the period from (and including) a Determination Date (or, in the case of the first Determination Date, from (and including) the Interest Commencement Date) to, (but excluding) the next Determination Date.

- (6) *Cessation of Interest Accrual.* The Notes will cease to bear interest from the beginning of the day on which their principal amount is due for repayment. If the Issuer fails to make any payment of principal under the Notes when due, the Notes will cease to bear interest from the beginning of the day on which such payment is actually made. In such case the applicable rate of interest will be determined pursuant to § 3(1).

§ 4 PAYMENTS

- (1) *Payments of Principal and Interest.* Payments of principal and interest in respect of Notes, as and when due in accordance with §§ 5 and 6, as applicable, shall be made to the Principal Paying Agent for forwarding to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

Payment of interest on Notes represented by the Temporary Global Note shall be made, in accordance with § 5(1), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System, upon due certification

Feststellungsperiode fallen, in welcher der Zinsberechnungszeitraum beginnt, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr und (B) der Anzahl der Tage in dem Zinsberechnungszeitraum, die in die nächste Feststellungsperiode fallen, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr.

Feststellungsperiode ist der Zeitraum ab einem Feststellungstermin (einschließlich desselben) (oder, im Fall des ersten Feststellungstermins, vom Verzinsungsbeginn (einschließlich)) bis zum nächsten Feststellungstermin (ausschließlich).

- (6) *Zinslaufende.* Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem ihr Kapitalbetrag zur Rückzahlung fällig wird. Sollte die Emittentin eine Zahlung von Kapital auf die Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages, an dem die Zahlung tatsächlich erfolgt. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß § 3(1) bestimmt.

§ 4 ZAHLUNGEN

- (1) *Zahlungen von Kapital und Zinsen.* Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit erfolgt nach Maßgabe des § 5 bzw. § 6 an die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.

Die Zahlung von Zinsen auf die Schuldverschreibungen, die durch die Vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe des § 5(1) an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems, und zwar

as provided in § 1(3)(b).

nach ordnungsgemäßer Bescheinigung gemäß § 1(3)(b).

- (2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.
- (2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher oder sonstiger gesetzlicher Regelungen und Vorschriften werden auf die Schuldverschreibungen fällige Zahlungen in Euro geleistet.
- (3) *Discharge.* The Issuer or, as the case may be, the Guarantor shall be discharged by payment to, or to the order of, the Clearing System.
- (3) *Erfüllung.* Die Emittentin bzw. die Garantin werden durch Leistung der Zahlung an das Clearingsystem oder dessen Order von ihrer Zahlungspflicht befreit.
- (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.
- (4) *Geschäftstag.* Fällt der Tag der Fälligkeit einer Zahlung in Bezug auf eine Schuldverschreibung auf einen 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.

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 (TARGET2) are operational to effect payments.

Geschäftstag bezeichnet 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 (TARGET2) betriebsbereit sind, um Zahlungen vorzunehmen.

- (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 principal amount and the Specified Denomination per Note, the Early Redemption Amount, Additional Amounts 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 Arrears of Interest or any Additional Amounts which may be payable under § 8.
- (5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Nennbetrag und die Festgelegte Stückelung je Schuldverschreibung, den Vorzeitigen Rückzahlungsbetrag, Zusätzliche Beträge und alle Aufschläge oder sonstigen auf die Schuldverschreibungen oder im Zusammenhang damit gegebenenfalls zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen schließen, soweit anwendbar, sämtliche gegebenenfalls Aufgeschobene Zinszahlungen oder gemäß § 8 zahlbaren Zusätzlichen Beträge ein.

- (6) *Deposit of Principal and Interest.* The Issuer or the Guarantor, as the case may be, may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after any specified payment 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.

§ 5

DUE DATE FOR INTEREST PAYMENTS, DEFERRAL OF INTEREST PAYMENTS, PAYMENT OF ARREARS OF INTEREST

- (1) *Due Date for Interest Payments; Optional Interest Deferral.*

- (a) Interest accrued during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving notice to the Holders not less than 10 Business Days prior the relevant Interest Payment Date in accordance with § 13, to defer the relevant payment of interest (in whole but not in part).

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay such interest on such Interest Payment Date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Interest not due and payable in accordance with this § 5(1)(a) will constitute arrears of interest (*Arrears of Interest*).

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

§ 5

FÄLLIGKEIT VON ZINSZAHLUNGEN, AUFSCHUB VON ZINSZAHLUNGEN, ZAHLUNG AUFGESCHOBENER ZINSZAHLUNGEN

- (1) *Fälligkeit von Zinszahlungen; wahlweiser Zinsaufschub.*

- (a) Zinsen, die während einer Zinsperiode aufgelaufen sind, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Gläubiger gemäß § 13 innerhalb einer Frist von nicht weniger als 10 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht teilweise) auszusetzen.

Wenn sich die Emittentin an einem Zinszahlungstag zur Nichtzahlung aufgelaufener Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Eine Nichtzahlung von Zinsen aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund der Schuldverschreibungen oder für sonstige Zwecke.

Nach Maßgabe dieses § 5(1)(a) nicht fällig gewordene Zinsen sind aufgeschobene Zinszahlungen (*Aufgeschobene Zinszahlungen*).

- (b) Arrears of Interest will not bear interest.
- (b) Aufgeschobene Zinszahlungen werden nicht verzinst.
- (2) *Optional Settlement of Arrears of Interest.* The Issuer or the Guarantor will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time by giving notice to the Holders not less than 10 Business Days before such voluntary payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.
- (2) *Freiwillige Zahlung von Aufgeschobenen Zinszahlungen.* Die Emittentin oder Garantin ist berechtigt, ausstehende Aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise nach Bekanntmachung an die Gläubiger unter Einhaltung einer Frist von nicht weniger als 10 Geschäftstagen vor einer freiwilligen Zinszahlung, wobei eine solche Bekanntmachung (i) den Betrag an Aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung festgelegten Termin enthalten muss.
- (3) *Mandatory Payment of Arrears of Interest.* The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earliest of the following calendar days (each a **Mandatory Settlement Date**):
- (3) *Pflicht zur Zahlung von Aufgeschobenen Zinszahlungen.* Die Emittentin ist verpflichtet, Aufgeschobene Zinszahlungen insgesamt und nicht nur teilweise am ersten der folgenden Kalendertage zu zahlen (jeweils ein **Pflichtnachzahlungstag**):
- (a) the calendar day falling 10 Business Days after the day on which a dividend, other distribution or other payment was validly resolved on, declared, paid, or made in respect of Junior Obligations of the Issuer (other than any dividend, other distribution or other payment made by the Issuer exclusively to the Guarantor), Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such dividend, other distribution or payment was required in respect of employee share schemes);
- (a) am Kalendertag, der 10 Geschäftstage nach dem Tag liegt, an dem eine Dividende oder sonstige Ausschüttung oder sonstige Zahlung in Bezug auf Nachrangige Verbindlichkeiten der Emittentin (mit Ausnahme von Dividenden, anderen Ausschüttungen oder anderen Zahlungen, die von der Emittentin ausschließlich an die Garantin geleistet werden), Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin erklärt, beschlossen, gezahlt oder geleistet wurde (außer in dem Fall, dass die Dividende oder sonstige Ausschüttung oder Zahlung unter einem Mitarbeiterbeteiligungsprogramm erforderlich war);
- (b) the calendar day falling 10 Business Days after the day on which the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of the Guarantor has redeemed, repurchased or otherwise acquired Junior Obligations of the Issuer, Junior Obligations of the Guarantor, Parity Obligations of the Issuer or Parity Obligations of the Guarantor (except where such redemption or repurchase
- (b) am Kalendertag, der 10 Geschäftstage nach dem Tag liegt, an dem die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Nachrangige Verbindlichkeiten der Emittentin, Nachrangige Verbindlichkeiten der Garantin, Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der

was mandatory under the terms of the instrument or required in respect of employee share schemes);

- (c) the calendar day on which the Notes are redeemed;
- (d) the next Interest Payment Date on which the Issuer pays interest on the Notes scheduled to be paid on such Interest Payment Date; or
- (e) the calendar day after an order is made for the winding-up, dissolution or liquidation of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or Guarantor, as the case may be);

provided that

- (x) in the cases (a) and (b) above, no Mandatory Settlement Date occurs if the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of the Guarantor is obliged under the terms and conditions of such parity or junior obligations to make such payment, such redemption, such repurchase or such other acquisition; and
- (y) in the case (b) above no Mandatory Settlement Date occurs if the Issuer, the Guarantor, any Subsidiary of the Issuer or any Subsidiary of the Guarantor repurchases or otherwise acquires any Parity Obligations of the Issuer or Parity Obligations of the Guarantor in whole or in part in a public tender offer or public exchange offer at a purchase price per

Garantin zurückgekauft, zurückgezahlt oder anderweitig erworben hat (außer in dem Fall, dass die Rückzahlung oder der Rückkauf nach den Bedingungen des Instruments verpflichtend war oder unter einem Mitarbeiterbeteiligungs-programm erforderlich war);

- (c) am Kalendertag, an dem die Schuldverschreibungen zurückgezahlt wurden;
- (d) am nächsten Zinszahlungstag, an dem Emittentin Zinsen auf die Schuldverschreibungen zahlt; oder
- (e) am Kalendertag nach dem ein Beschluss zur Auflösung, Abwicklung oder Liquidation der Emittentin oder der Garantin ergangen ist (aber nur, wenn dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht und die Emittentin bzw. die Garantin noch zahlungsfähig sind und die übernehmende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin bzw. der Garantin übernimmt);

mit der Maßgabe, dass

- (x) in den vorgenannten Fällen (a) und (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin, einer Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin nach Maßgabe der Emissionsbedingungen der betreffenden gleichrangigen oder nachrangigen Verbindlichkeit zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist; und
- (y) im vorgenannten Fall (b) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin, die Garantin, eine Tochtergesellschaft der Emittentin oder eine Tochtergesellschaft der Garantin Gleichrangige Verbindlichkeiten der Emittentin oder Gleichrangige Verbindlichkeiten der Garantin nach einem öffentlichen Rückkaufangebot

Parity Obligation below its par value.

oder öffentlichen Umtauschangebot zu einem unter dem Nennwert je Gleichrangiger Verbindlichkeit liegenden Kaufpreis zurückkauft oder anderweitig erwirbt.

§ 6

REDEMPTION, PURCHASES AND CANCELLATION

- (1) *No Scheduled Redemption.* The Notes have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this § 6.
- (2) *Redemption at the Option of the Issuer.* The Issuer may, upon giving not less than 30 nor more than 60 days' notice pursuant to § 13 call the Notes for redemption (in whole but not in part) for the first time with effect as of the First Call Date and subsequently with effect as of each Reset Date thereafter. In the case such call notice is given, the Issuer shall redeem the Notes at an amount per Note equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and any Arrears of Interest payable pursuant to § 5(3) on the specified redemption date.
- (3) *Early redemption following a Rating Event, an Accounting Event, a Tax Deductibility Event or an Acquisition Event.* The Issuer may, subject to § 6(5) and upon giving not less than 30 nor more than 60 days' notice pursuant to § 13, call the Notes for early redemption (in whole but not in part) at any time if a Rating Event, an Accounting Event, a Tax Deductibility Event or an Acquisition Event has occurred. In the case such call notice is given, the Issuer shall redeem the Notes at an amount per Note equal to 101% of the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and any Arrears of Interest payable pursuant to § 5(3) on the specified redemption date.

§ 6

RÜCKZAHLUNG, ANKAUF UND ENTWERTUNG

- (1) *Keine Endfälligkeit.* Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden nicht zurückgezahlt, außer in Übereinstimmung mit den Bestimmungen dieses § 6.
- (2) *Rückzahlung nach Wahl der Emittentin.* Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) erstmals mit Wirkung zum Ersten Rückzahlungstermin, und danach mit Wirkung zu jedem nachfolgenden Reset-Termin zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zu einem Betrag je Schuldverschreibung in Höhe der Festgelegten Stückelung zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibung aufgelaufenen, aber noch nicht bezahlten Zinsen sowie sämtlicher gemäß § 5(3) fälligen Aufgeschobenen Zinszahlungen zurückzuzahlen.
- (3) *Vorzeitige Rückzahlung nach Eintritt eines Ratingereignisses, eines Rechnungslegungsereignisses, eines Steuerereignisses oder eines Übernahmeereignisses.* Die Emittentin ist vorbehaltlich § 6(5) berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit vorzeitig zu kündigen, falls ein Ratingereignis, ein Rechnungslegungsereignis, ein Steuerereignis oder ein Übernahmeereignis eingetreten ist. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zu einem Betrag je

Schuldverschreibung in Höhe von 101 % der Festgelegten Stückelung zuzüglich der bis zum Tag der Rückzahlung (ausschließlich) in Bezug auf die Schuldverschreibung aufgelaufenen, aber noch nicht bezahlten Zinsen sowie sämtlicher gemäß § 5(3) fälligen Aufgeschobenen Zinszahlungen zurückzuzahlen.

- (a) A **Rating Event** has occurred if the Issuer or the Guarantor has received, and has provided the Principal Paying Agent with a copy of, written confirmation from any Rating Agency from whom the Guarantor is assigned Solicited Ratings either directly or via a publication by such Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Rating Agency effective after the Issue Date of the Notes (or, if later, effective after the date when the equity credit is assigned to the Notes by such Rating Agency for the first time or, in the case of S&P, the date when the highest equity credit was assigned during the period from the Issue Date to the last date on which an Acquisition Event can occur), which amendment, clarification or change results in a lower equity credit for the Notes than the then respective equity credit assigned on the Issue Date, or if equity credit is not assigned to the Notes by the relevant Rating Agency on the Issue Date, at the date when the equity credit is assigned by such Rating Agency for the first time, or, in the case of S&P, the date on which the highest equity credit was assigned during the period from the Issue Date to the last date on which an Acquisition Event can occur.

- (a) Ein **Ratingereignis** ist eingetreten, wenn die Emittentin oder die Garantin von einer Ratingagentur, von der die Garantin Beauftragte Ratings erhält, schriftlich benachrichtigt wurde (entweder direkt oder im Wege einer Veröffentlichung durch die betreffende Ratingagentur) und der Hauptzahlstelle davon eine Kopie zur Verfügung gestellt hat, dass eine Abänderung, Klarstellung oder Änderung der Kriterien für die Eigenkapitalanrechnung (*equity credit criteria*) dieser Ratingagentur eingetreten ist, die nach dem Begebungstag der Schuldverschreibungen in Kraft getreten ist (oder, falls dies später erfolgt ist, nach dem Tag, an dem die betreffende Ratingagentur den Schuldverschreibungen erstmals eine Eigenkapitalanrechnung (*equity credit*) zugewiesen hat oder, im Falle von S&P, dem Tag, an dem die höchste Eigenkapitalanrechnung im Zeitraum zwischen dem Ausgabetag und dem letzten Tag, an dem ein Übernahmeereignis noch eintreten kann, zugewiesen wurde) und dazu führt, dass den Schuldverschreibungen eine niedrigere Eigenkapitalanrechnung (*equity credit*) zugewiesen wird als diejenige, die ihnen am Begebungstag zugewiesen wurde (oder, falls den Schuldverschreibungen von der betreffenden Ratingagentur am Begebungstag keine Eigenkapitalanrechnung (*equity credit*) zugewiesen wurde, an dem Tag, an dem die betreffende Ratingagentur den Schuldverschreibungen erstmals eine Eigenkapitalanrechnung (*equity credit*) zugewiesen hat oder, im Falle von S&P, an dem Tag, an dem die höchste Eigenkapitalanrechnung im Zeitraum zwischen dem Ausgabetag und dem

letzten Tag, an dem ein Übernahmeereignis noch eintreten kann, zugewiesen wurde).

- (b) An **Accounting Event** has occurred if an accountancy firm of international standing, acting upon instructions of the Issuer or Guarantor, has delivered a letter or report to the Issuer, the Guarantor and the Principal Paying Agent, stating that as a result of a change in accounting principles (or the application thereof) since the Issue Date, the Notes may not or may no longer be recorded as “equity” in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor.
- (b) Ein **Rechnungslegungsereignis** ist eingetreten, wenn eine international anerkannte Wirtschaftsprüfungsgesellschaft, die im Auftrag der Emittentin oder der Garantin handelt, hat der Emittentin, der Garantin und der Hauptzahlstelle einen Brief oder ein Gutachten übermittelt, wonach aufgrund einer Änderung der Rechnungslegungsgrundsätze (oder deren Auslegung) seit dem Begebungstag die Schuldverschreibungen nicht oder nicht mehr als „Eigenkapital“ in den konsolidierten Jahres- oder Halbjahresabschlüssen der Garantin gemäß IFRS bzw. anderen Rechnungslegungsstandards, die die Garantin für die Erstellung ihrer konsolidierten Jahresabschlüsse anstelle der IFRS anwenden kann, ausgewiesen werden dürfen.
- (c) A **Tax Deductibility Event** has occurred if an opinion of a recognized law firm or accounting firm of international standing has been delivered to the Issuer, the Guarantor and the Principal Paying Agent, stating that by reason of a change in German or Dutch law or regulation, or any change in the official application or interpretation of such law, becoming effective on or after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer or the Guarantor in respect of the Notes being no longer deductible for corporate income tax purposes in whole or in part, and such risk cannot be avoided by the use of reasonable measures available to the Issuer.
- (c) Ein **Steuerereignis** ist eingetreten, wenn die Emittentin, die Garantin und die Hauptzahlstelle ein Gutachten einer international anerkannten Rechtsanwaltskanzlei oder einer internationalen Wirtschaftsprüfungsgesellschaft erhalten haben, aus dem hervorgeht, dass an oder nach dem Begebungstag als Folge einer Änderung von deutschem oder niederländischen Recht oder dessen offizieller Auslegung oder Anwendung die steuerliche Behandlung von Zinszahlungen, die von der Emittentin oder der Garantin in Bezug auf die Schuldverschreibungen zahlbar sind, dergestalt geändert wurde, dass sie nicht mehr für die Zwecke der Körperschaftssteuer ganz oder teilweise abzugsfähig sind, und dieses Risiko nicht durch das Ergreifen der Emittentin zumutbarer Maßnahmen vermeiden kann.
- (d) An **Acquisition Event** has occurred if the Guarantor:
- (d) Ein **Übernahmeereignis** ist eingetreten, wenn die Garantin:

(i) has not completed and closed the acquisition of Gagfah S.A., or

(ii) has publicly stated that it no longer intends to pursue such acquisition,

and the Issuer has given notice to the Holders in accordance with § 13 on or prior to 30 June 2015 of such Acquisition Event.

(i) die Übernahme der Gagfah S.A. nicht vollzogen und abgeschlossen hat, oder

(ii) öffentlich bekannt gegeben hat, dass sie nicht länger beabsichtigt, diese Übernahme weiter zu verfolgen,

und die Emittentin die Gläubiger gemäß § 13 am oder vor dem 30. Juni 2015 über den Eintritt des Übernahmeereignisses informiert hat.

(4) *Early redemption following a Gross-up Event or a Repurchase Event.* The Issuer may, subject to § 6(5) and upon giving not less than 30 nor more than 60 days' notice pursuant to § 13, call the Notes for early redemption (in whole but not in part) at any time if a Gross-up Event or a Repurchase Event has occurred. In the case such call notice is given, the Issuer shall redeem the Notes at an amount equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Arrears of Interest payable pursuant to § 5(3) on the specified redemption date.

(4) *Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses oder eines Rückkauf-Ereignisses.* Die Emittentin ist vorbehaltlich § 6(5) berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit vorzeitig zu kündigen, wenn ein Gross-up Ereignis oder ein Rückkauf-Ereignis eingetreten ist. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zu einem Betrag in Höhe der festgelegten Stückelung zuzüglich der bis zum Tag der Rückzahlung (ausschließlich) in Bezug auf die Schuldverschreibung aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 5(3) fälligen Aufgeschobenen Zinszahlungen zurückzuzahlen.

A **Gross-up Event** has occurred if (i) an opinion of a recognized law firm or accounting firm of international standing has been delivered to the Issuer or Guarantor and the Principal Paying Agent, stating that, by reason of any change in the law or regulation, or the official application or interpretation of the Relevant Taxing Jurisdiction (as defined in § 8) in respect of the Issuer or, as the case may be, the Guarantor affecting taxation or the obligation to pay duties of any kind, becoming effective on or after the Issue Date, the Issuer or, as the case may be, the Guarantor is required to pay Additional Amounts (as defined in § 8) on the next succeeding Interest Payment Date, and (ii) this obligation cannot be avoided by the

Ein **Gross-up Ereignis** ist eingetreten, wenn (i) die Emittentin oder die Garantin und die Hauptzahlstelle ein Gutachten einer international anerkannten Rechtsanwaltskanzlei oder einer international anerkannten Wirtschaftsprüfungsgesellschaft erhalten haben, aus dem hervorgeht, dass die Emittentin bzw. die Garantin, an oder nach dem Begebungstag als Folge einer Änderung der Gesetze und Vorschriften oder der offiziellen Auslegung oder Anwendung der Maßgeblichen Steuerjurisdiktion (wie in § 8 definiert) im Hinblick auf die Emittentin bzw. die Garantin, die Steuern oder die Verpflichtung zur Zahlung von Abgaben jeglicher Art betreffen, am nächstfolgenden Zinszahlungstag zur Zahlung von

use of measures available to the Issuer or, as the case may be, the Guarantor, which are, in the judgement of the Issuer or, as the case may be, the Guarantor, in each case taking into account the interests of Holders, reasonable.

However, no such notice of early redemption due to the occurrence of a Gross-up Event may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

A **Repurchase Event** has occurred if 80% or more of the originally issued aggregate principal amount of the Notes (including further issues pursuant to § 11) have been redeemed or purchased and cancelled by the Issuer, the Guarantor or any direct or indirect Subsidiary of the Guarantor pursuant to the provisions of this § 6.

- (5) Any notice of redemption pursuant to §§ 6(3) or 6(4) shall set forth the underlying facts of the Issuer's right to early redemption and specify the date fixed for redemption. Prior to the publication of any notice of redemption pursuant to §§ 6(3) or 6(4), the Issuer shall deliver to the Principal Paying Agent an Officers' Certificate, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

- (6) *Early Redemption following a Change of Control.*

- (a) If a Change of Control (as defined in § 6(6)(c)) occurs, the Issuer will fix the Change of Control Effective Date (as defined in § 6(6)(c)) and give notice in

Zusätzlichen Beträgen (wie in § 8 definiert) verpflichtet sein wird, und (ii) diese Verpflichtung nicht durch das Ergreifen der Emittentin bzw. der Garantin zur Verfügung stehender Maßnahmen, die nach Auffassung der Emittentin bzw. der Garantin zumutbar sind (wobei jeweils die Interessen der Gläubiger zu berücksichtigen sind) vermieden werden kann.

Eine Kündigung wegen des Eintritts eines Gross-up Ereignisses darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin bzw. die Garantin verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die 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.

Ein **Rückkauf-Ereignis** ist eingetreten, wenn 80 % oder mehr des Gesamtnennbetrags der ursprünglich (ggf. unter Berücksichtigung einer Erhöhung gemäß § 11) begebenen Schuldverschreibungen nach diesem § 6 von der Emittentin, der Garantin oder einer direkten oder indirekten Tochtergesellschaft der Garantin zurückgezahlt oder angekauft und eingezogen wurden.

- (5) Jede Bekanntmachung einer Kündigung gemäß §§ 6(3) oder 6(4) muss diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt, und den für die Rückzahlung festgelegten Tag angeben. Vor Bekanntmachung einer Kündigung gemäß §§ 6(3) oder 6(4) hat die Emittentin der Hauptzahlstelle eine Vorstandsbescheinigung vorzulegen, die feststellt, dass die Emittentin zur Kündigung berechtigt ist, und darlegt, dass die Voraussetzungen des Kündigungsrechts der Emittentin erfüllt sind.

- (6) *Vorzeitige Rückzahlung nach Eintritt eines Kontrollwechsels.*

- (a) Wenn ein Kontrollwechsel (wie in § 6(6)(c) definiert) eintritt, hat die Emittentin unverzüglich den Kontrollwechsel-Stichtag (wie in

accordance with § 13 of the Change of Control and the Change of Control Effective Date without undue delay (the **Change of Control Notice**).

- (b) If a Change of Control occurs, the Issuer may call the Notes for redemption (in whole but not in part) with effect as of the Change of Control Effective Date upon giving notice in accordance with the following paragraph. In the case such call notice is given, the Issuer shall redeem each Note at an amount equal to the Specified Denomination plus any interest accrued on the Note to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Arrears of Interest payable pursuant to § 5(3) on the Change of Control Effective Date.

The Issuer shall give not less than 45 days' notice to the Holders after publication of the Change of Control Notice in accordance with § 13 of an early redemption pursuant to this § 6(6).

- (c) In this § 6(6):

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 Guarantor) that:

- (i) In the event of a public tender offer for shares of the Guarantor a situation arises in which
- (1) shares already directly or indirectly under the control of the bidder and/or Persons acting in concert with the bidder and shares which have already been tendered in the tender offer, carry in aggregate more than 50% of the voting rights in the

§ 6(6)(c) definiert) zu bestimmen und das Kontrollwechselereignis und den Kontrollwechsel-Stichtag gemäß § 13 anzuzeigen (die **Kontrollwechsel-Mitteilung**).

- (b) Wenn ein Kontrollwechsel eintritt, ist die Emittentin berechtigt, die Schuldverschreibungen (insgesamt, jedoch nicht teilweise) durch Erklärung gemäß dem nachstehenden Absatz mit Wirkung zu dem darin für die Rückzahlung festgelegten Tag zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin jede Schuldverschreibung am Kontrollwechsel-Stichtag zu einem Betrag in Höhe der festgelegten Stückelung zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibung aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 5(3) fälligen Aufgeschobenen Zinszahlungen zurückzuzahlen.

Die Emittentin muss ihr Recht zur Rückzahlung gemäß diesem § 6(6) durch eine Bekanntmachung an die Gläubiger gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 45 Tagen nach Bekanntmachung der Kontrollwechsel-Mitteilung ausüben.

- (c) In diesem § 6(6) gilt:

Ein **Kontrollwechsel** gilt jedes Mal in einem der folgenden Fälle als eingetreten (unabhängig davon, ob der Vorstand oder der Aufsichtsrat der Garantin zugestimmt hat) wenn:

- (i) im Fall eines öffentlichen Übernahmeangebots für Aktien der Garantin die Situation eintritt, dass
- (1) Aktien, die sich bereits unmittelbar oder mittelbar unter der Kontrolle des Bieters und/oder gemeinsam mit ihm handelnder Personen befinden, und bereits im Rahmen des Übernahmeangebots eingereichte Aktien insgesamt mehr als 50 %

Guarantor and

- (2) the offer is or has become unconditional (other than for conditions relating to regulatory, in particular merger control, approvals and other conditions the satisfaction of which may remain pending following the end of the acceptance period pursuant to section 16(1) of the German Takeover Act (*Gesetz zur Regelung von öffentlichen Angeboten zum Erwerb von Wertpapieren und von Unternehmensübernahmen* – WpÜG)), provided that if (y) following a public tender offer for shares of the Guarantor any Person or Persons control(s) 30% or more of the voting shares in the Guarantor, but did not acquire Control and (z) subsequently such Person or Persons acquire(s) Control, a Change of Control shall be deemed to have occurred at the time such Person or Persons acquire(s) Control; or

- (ii) the Guarantor sells or otherwise transfers all or substantially all of its assets to any Person (except for any Controlled Subsidiary).

Change of Control Effective Date means the date fixed by the Issuer in the Change of Control Notice, which

- (i) must be a Business Day;
- (ii) must fall not less than 45 days and not more than 60 days after publication of the Change of Control Notice; and
- (iii) must, if at the relevant time any Qualifying Debt Securities are

der Stimmrechte der Garantin auf sich vereinen und

- (2) das Angebot nicht oder nicht mehr von Bedingungen abhängig ist (mit Ausnahme von Bedingungen hinsichtlich aufsichtsrechtlicher, insbesondere fusionskontrollrechtlicher, Genehmigungen und anderer Bedingungen, deren Erfüllung nach Ende der Annahmefrist gemäß § 16 Abs. 1 des Gesetzes zur Regelung von öffentlichen Angeboten zum Erwerb von Wertpapieren und von Unternehmensübernahmen (WpÜG) noch offen bleiben kann). In diesem Zusammenhang gilt jedoch, dass wenn (y) nach einem öffentlichen Übernahmeangebot für Aktien der Garantin eine oder mehrere Personen mindestens 30 % der stimmberechtigten Aktien der Garantin kontrollieren, aber nicht die Kontrolle erworben haben und (z) diese Person bzw. diese Personen die Kontrolle zu einem späteren Zeitpunkt erwirbt bzw. erwerben, der Kontrollwechsel zu dem Zeitpunkt dieses Kontrollerwerbs eintritt; oder

- (ii) die Garantin ihr gesamtes oder im Wesentlichen ihr gesamtes Vermögen an eine Person (die keine Abhängige Tochtergesellschaft ist) verkauft oder in sonstiger Weise überträgt.

Kontrollwechsel-Stichtag bezeichnet den von der Emittentin in der Kontrollwechsel-Mitteilung festgelegten Tag, der

- (i) ein Geschäftstag sein muss;
- (ii) nicht weniger als 45 Tage und nicht mehr als 60 Tage nach Bekanntmachung der Kontrollwechsel-Mitteilung liegen darf; und
- (iii) falls zum betreffenden Zeitpunkt Qualifizierte Fremdkapital-

outstanding, be at least one day after the date on which a put notice of the holders of the Qualifying Debt Securities due to the Change of Control (or a similar concept) becomes effective.

Control means any direct or indirect legal or beneficial ownership or any legal or beneficial entitlement (as defined in section 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) of, in the aggregate, more than 50% of the voting shares of the Guarantor which does not constitute, at the same time, a Portfolio Restructuring.

Controlled Subsidiary means any entity controlled (*abhängiges Unternehmen*) by the Guarantor within the meaning of section 17 of the German Stock Corporation Act (*Aktiengesetz*).

Portfolio Restructuring means any sale, assignment, conveyance, transfer, lease or other disposition of voting rights in the Guarantor within the Terra Firma Group.

Qualifying Debt Securities means any current or future indebtedness that:

- (i) is in the form of, or represented by, a certificate of indebtedness or notes or other securities which are or are capable of being quoted, listed, dealt in or traded on a stock exchange or other recognised securities market, including *Schuldscheine* (whether or not initially distributed by way of private placement);
- (ii) is either issued directly by the Guarantor or indirectly by any other entity and benefitting from a guarantee of the Guarantor;
- (iii) is not subordinated; and

wertpapiere ausstehen, mindestens einen Tag nach dem Tag liegen muss, an dem eine Kündigung der Gläubiger der Qualifizierten Fremdkapitalwertpapiere aufgrund des Kontrollwechsel-Ereignisses (oder eines ähnlichen Konzepts) wirksam wird.

Kontrolle bezeichnet das unmittelbare oder mittelbare rechtliche oder wirtschaftliche Eigentum oder eine rechtliche oder wirtschaftliche Berechtigung (im Sinne von § 22 des Wertpapierhandelsgesetzes (WpHG)) an insgesamt mehr als 50 % der stimmberechtigten Aktien der Garantin, das bzw. die nicht gleichzeitig eine Portfolio-Restrukturierung darstellt.

Abhängige Tochtergesellschaft bezeichnet ein von der Garantin im Sinne von § 17 des Aktiengesetzes (AktG) abhängiges Unternehmen.

Portfolio-Restrukturierung bezeichnet einen Verkauf, eine Abtretung, Überlassung, Übertragung, ein Verleihen oder eine anderweitige Verfügung über Stimmrechte an der Garantin innerhalb der Terra Firma Group.

Qualifizierte Fremdkapitalwertpapiere bezeichnet jede gegenwärtige oder zukünftige Verbindlichkeit, die

- (i) durch Schuldscheine oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können, verbrieft, verkörpert oder dokumentiert ist, einschließlich Schuldscheine;
- (ii) entweder direkt von der Garantin begeben ist oder indirekt von einer anderen Gesellschaft unter der Garantie der Garantin;
- (iii) nicht nachrangig ist; und

(iv) benefits from a Solicited Rating.

Solicited Rating means a rating assigned by a Rating Agency with whom the Guarantor has a contractual relationship under which the Qualifying Debt Securities are assigned a rating.

Terra Firma Group means Terra Firma Investments (DA) Limited (TFIDA); Terra Firma Investments (DA) II Limited (TFIDA II); any associate of TFIDA or TFIDA II; any fund managed and/or advised by TFIDA or TFIDA II and/or an associate thereof; and/or any successor of TFIDA and/or TFIDA II as general partner and/or manager of any of all of the Terra Firma Deutschland Annington Funds.

(7) For the purposes of this § 6:

IFRS means the International Financial Reporting Standards as adopted by the European Union and as published by the International Accounting Standards Board, as in effect from time to time;

Officers' Certificate means a certificate signed by two members of the management board (*Vorstand*) of the Guarantor; and

Rating Agency means any of the following rating agencies: Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**), Moody's Investor Services Limited (**Moody's**) or Fitch Ratings Ltd. (**Fitch**) or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Guarantor.

(8) *Purchases*. The Issuer and the Guarantor may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer or the Guarantor may, at the option of the Issuer and the Guarantor, be held, resold or surrendered to

(iv) ein Beauftragtes Rating aufweist.

Beauftragtes Rating bezeichnet ein Rating, das von einer Ratingagentur erteilt wird, mit der die Garantin in einem Vertragsverhältnis steht, in dessen Rahmen die Ratingagentur ein Rating für die Qualifizierten Fremdkapitalwertpapiere erteilt.

Terra Firma Group bezeichnet Terra Firma Investments (DA) Limited (TFIDA), Terra Firma Investments (DA) II Limited (TFIDA II), mit TFIDA oder TFIDA II verbundene Unternehmen, von TFIDA oder TFIDA II und/oder mit ihnen verbundenen Unternehmen verwaltete und/oder beratene Fonds, und/oder Nachfolger von TFIDA und/oder TFIDA II als Komplementär und/oder Verwaltungsgesellschaft einzelner oder aller Terra Firma Deutschland Annington Fonds.

(7) Für die Zwecke dieses § 6:

bezeichnet **IFRS** die nach der EU anwendbaren International Financial Reporting Standards des International Accounting Standards Board in jeweils geltender Fassung;

bezeichnet **Vorstandsbescheinigung** eine von zwei Mitgliedern des Vorstands der Garantin unterzeichnete Bescheinigung; und

bezeichnet **Ratingagentur** jede der folgenden Ratingagenturen: Standard and Poor's Rating Services, eine Abteilung von The McGraw-Hill Companies, Inc. (**S&P**), Moody's Investor Services Limited (**Moody's**) oder Fitch Ratings Ltd. (**Fitch**) oder eine ihrer jeweiligen Nachfolgegesellschaften oder jede andere von der Garantin von Zeit zu Zeit bestimmte Ratingagentur vergleichbaren internationalen Ansehens.

(8) *Ankauf*. Die Emittentin und die Garantin sind berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin bzw. der Garantin erworbenen Schuldverschreibungen können nach Wahl

the Paying Agent for cancellation.

- (9) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 7

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

- (1) *Appointment, Specified Office.* The initial Principal Paying Agent and the initial Calculation Agent and their initial specified offices shall be:

Principal Paying Agent:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt/Main
Federal Republic of Germany

Calculation Agent:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt/Main
Federal Republic of Germany

The Principal 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 Principal Paying Agent or the Calculation Agent and to appoint another Principal Paying Agent or one or more additional paying agents or another Calculation Agent. The Issuer shall at all times maintain a Principal Paying Agent and a Calculation Agent. Any variation, termination, appointment or other 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

der Emittentin und der Garantin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung eingereicht werden.

- (9) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 7

HAUPTZAHLSTELLE UND BERECHNUNGSSTELLE

- (1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Hauptzahlstelle und die anfänglich bestellte Berechnungsstelle und deren anfänglich bezeichneten Geschäftsstellen lauten wie folgt:

Hauptzahlstelle:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt/Main
Bundesrepublik Deutschland

Berechnungsstelle:

Deutsche Bank Aktiengesellschaft
Große Gallusstraße 10-14
60272 Frankfurt/Main
Bundesrepublik Deutschland

Die Hauptzahlstelle 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 Hauptzahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und eine andere Hauptzahlstellen oder eine oder mehrere zusätzliche Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt eine Hauptzahlstelle und eine Berechnungsstelle unterhalten. Eine Änderung, Beendigung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die

notice thereof shall have been given to the Holders in accordance with § 13.

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

§ 8

TAXATION

All amounts payable in respect of the Notes shall be made, and the Subordinated Guarantee shall provide that all amounts payable in respect of such Subordinated Guarantee 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 any jurisdiction in which the Issuer or the Guarantor, as applicable, is organised, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or through or from which payment on the Notes or the Subordinated Guarantee, as applicable, is made or any political subdivision or any authority thereof or therein having power to tax (each, a **Relevant Taxing Jurisdiction**), unless such withholding or deduction is required by law. If such withholding with respect to amounts payable in respect of the Notes is required by law, the Issuer will pay, and the Subordinated Guarantee shall provide that, if such withholding with respect to amounts payable in respect of such Subordinated Guarantee is required by law, the Guarantor 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

Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

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

§ 8

BESTEUERUNG

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 eines Landes, in dem die Emittentin bzw. die Garantin gegründet wurde, geschäftstätig, steuerlich ansässig oder grundsätzlich mit ihren Nettoeinkünften steuerpflichtig ist oder über das oder aus dem Zahlungen auf die Schuldverschreibungen bzw. die Nachrangige Garantie geleistet werden, oder einer steuererhebungsberechtigten Gebietskörperschaft oder Steuerbehörde dieses Landes (jeweils eine **Maßgebliche Steuerjurisdiktion**) im Wege des Abzugs oder Einbehalts an der Quelle auferlegt oder erhoben werden, und die Nachrangige Garantie muss entsprechende Bestimmungen für alle in Bezug auf diese Nachrangige Garantie zu zahlenden Beträge enthalten, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. Ist ein Einbehalt in Bezug auf zu zahlenden 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 von den Gläubigern erhalten worden wären – und die Nachrangige Garantie muss eine entsprechende Verpflichtung der Garantin

which:

- (a) 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 deduction or withholding by the Issuer or the Guarantor, as applicable, from payments of principal or interest made by it, or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Relevant Taxing Jurisdiction and not merely by reason of the fact that payments in respect of the Notes or the Subordinated Guarantee, as applicable, are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Taxing Jurisdiction, or
- (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the Kingdom of the Netherlands 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
- (d) would not have been imposed or withheld 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

vorsehen, falls ein solcher Einbehalt bei in Bezug auf diese Garantie zu zahlenden Beträge gesetzlich vorgeschrieben ist; eine Verpflichtung zur Zahlung solcher zusätzlichen Beträge besteht jedoch nicht für solche Steuern oder Abgaben:

- (a) die von einer als Depotbank oder Inkassobeauftragter im Namen eines Gläubigers handelnden Person zu entrichten sind oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin bzw. die Garantin von den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt, oder
- (b) die aufgrund einer bestehenden oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Maßgeblichen Steuerjurisdiktion zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen bzw. die Nachrangige Garantie aus Quellen in der Maßgeblichen Steuerjurisdiktion stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind, oder
- (c) die aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) zwischenstaatlicher Abkommen oder Vereinbarungen über deren Besteuerung, an denen die Bundesrepublik Deutschland oder das Königreich Niederlande 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, abzuziehen oder einzubehalten sind, oder
- (d) die nicht erhoben oder einbehalten worden wären, wenn es der Gläubiger oder der wirtschaftliche Eigentümer der Schuldverschreibungen (für die vorliegenden Zwecke einschließlich Finanzinstitute, über die der Gläubiger

through which payment on the Notes is made), following a written request by or on behalf of the Issuer or the Guarantor 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 a Relevant Taxing Jurisdiction, that is a precondition to exemption from, or reduction in the rate of deduction or withholding of, taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation, or

- (e) are required to be withheld or deducted 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, or

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, der Garantin 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 einer Maßgeblichen Steuerjurisdiktion vorgeschrieben Bescheinigungs-, Identifizierungs-, Informations-, oder sonstigen Nachweispflicht nachzukommen, die Voraussetzung für eine Befreiung von in der Maßgeblichen Steuerjurisdiktion erhobenen Steuern oder eine Reduzierung der Höhe des Abzugs oder Einbehalts solcher Steuern ist (u. a. eine Bescheinigung, dass der Gläubiger bzw. der wirtschaftliche Eigentümer nicht in der Maßgeblichen Steuerjurisdiktion ansässig ist), jedoch jeweils nur, soweit der Gläubiger bzw. der wirtschaftliche Eigentümer rechtlich berechtigt ist, die Bescheinigung, Information oder Dokumentation vorzulegen, oder

- (e) deren Einbehalt oder Abzug gemäß Sections 1471 bis 1474 des U.S. Internal Revenue Code von 1986 in der jeweils geltenden Fassung (der **Code**), gegenwärtigen oder künftigen gemäß dem Code erlassenen Regelungen oder seiner offiziellen Auslegung, einer gemäß Section 1471(b) des Code geschlossenen Vereinbarung oder gemäß steuerrechtlichen oder aufsichtsrechtlichen Gesetzen, Regelungen oder Verfahrensweisen, die gemäß im Zusammenhang mit der Umsetzung dieser Vorschriften des Code geschlossenen zwischenstaatlichen Vereinbarungen eingeführt wurden,

erforderlich ist, oder

(f) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 13, whichever occurs later, or

(f) die wegen einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird, oder

(g) any combinations of items (a) through (f),

(g) jegliche Kombination der Absätze (a) bis (f).

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 Relevant Taxing Jurisdiction 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.

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 Maßgeblichen Steuerjurisdiktion 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.

For the avoidance of doubt, the withholding tax (*Kapitalertragsteuer*) currently levied in the Federal Republic of Germany at the level of the custodian bank and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon 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 Amounts would be payable by the Issuer.

Zur Klarstellung wird festgehalten, dass die gegenwärtig in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer und der darauf anfallende Solidaritätszuschlag keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zusätzliche Beträge zu zahlen wären.

§ 9 PRESENTATION PERIOD

The presentation period provided in section 801 paragraph 1, sentence 1 German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

§ 9 VORLEGUNGSFRIST

Die in § 801 Abs. 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 10
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 the Guarantor or any Affiliate of the Guarantor as principal debtor in respect of all obligations arising from or in connection with these Notes (the **Substitute Debtor**) provided that:

- (a) the Substitute Debtor, in a manner legally effective, assumes all obligations of the Issuer in respect of the Notes;
- (b) none of the early redemption events specified in §§ 6(3) or 6(4) occurs as a consequence of the substitution of the Issuer by the Substitute Debtor;
- (c) the Guarantor (provided that the Guarantor is not the Substitute Debtor) declares that its Subordinated Guarantee shall with respect to the Notes also apply to the Substitute Debtor (each such declaration a **Substitution Guarantee**);
- (d) the obligations under the Subordinated Guarantee will not be limited in any way solely as a consequence of the Issuer being substituted by the Substitute Debtor;
- (e) the Substitute Debtor, the Issuer and the Guarantor (*provided that* the Guarantor is not the Substitute Debtor) have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the issue by the Guarantor (*provided that* the Guarantor is not the Substitute Debtor) of a Substitution Guarantee, that the Substitute Debtor has obtained all

§ 10
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 die Garantin oder ein mit der Garantin Verbundenes Unternehmen an ihrer Stelle als Hauptschuldnerin (die **Nachfolgeschuldnerin**) für alle Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin im Zusammenhang mit den Schuldverschreibungen rechtswirksam übernimmt;
- (b) kein in §§ 6(3) oder 6(4) genannter vorzeitiger Kündigungsgrund in Folge der Ersetzung der Emittentin durch die Nachfolgeschuldnerin eintritt;
- (c) die Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) erklärt, dass ihre Nachrangige Garantie im Zusammenhang mit den Schuldverschreibungen auch auf die Nachfolgeschuldnerin Anwendung findet (jede solche Erklärung eine **Ersetzungsgarantie**);
- (d) die Verpflichtungen aus der Nachrangigen Garantie in keiner Weise lediglich deshalb beschränkt sind, weil die Emittentin durch die Nachfolgeschuldnerin ersetzt wurde;
- (e) die Nachfolgeschuldnerin, die Emittentin und die Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) alle für die Ersetzung und für die Übernahme einer Ersetzungsgarantie durch die Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) notwendigen Genehmigungen und Zustimmungen von staatlichen Stellen und Aufsichtsbehörden erhalten haben,

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 and the obligations assumed by the Guarantor (*provided that* the Guarantor is not the Substitute Debtor) under its Substitution Guarantee are, in each case, valid and binding in accordance with their respective terms and enforceable by each Holder;

- (f) the Substitute Debtor can transfer to the Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer or the Guarantor (*provided that* the Guarantor is not the Substitute Debtor) has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;
- (g) 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; and
- (h) the Issuer shall have delivered to an agent appointed for that purpose one Opinion of Counsel for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a) to (g) above have been satisfied.

die Nachfolgeschuldnerin alle für die Erfüllung ihrer Verpflichtungen aus den Schuldverschreibungen notwendigen Genehmigungen und Zustimmungen von staatlichen Stellen und Aufsichtsbehörden erhalten hat und weiterhin sämtliche dieser Genehmigungen und Zustimmungen in vollem Umfang gültig und wirksam sind und zudem die Verpflichtungen der Nachfolgeschuldnerin aus den Schuldverschreibungen und die von der Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) aus ihrer Ersetzungsgarantie übernommenen Verpflichtungen jeweils gemäß ihren Bestimmungen wirksam und rechtsverbindlich und durch jeden Gläubiger durchsetzbar sind;

- (f) die Nachfolgeschuldnerin alle für die Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen erforderlichen Beträge in der erforderlichen Währung an die Zahlstelle überweisen kann, ohne zum Abzug oder Einbehalt von Steuern oder sonstigen Abgaben gleich welcher Art verpflichtet zu sein, die in dem Land erhoben werden, in dem die Nachfolgeschuldnerin, die Emittentin oder die Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) ihren Sitz hat oder steuerlich ansässig ist;
- (g) 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; und
- (h) 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 Absätzen (a) bis (g) erfüllt wurden.

For purposes of this § 10:

Affiliate means any affiliated company (*verbundenes Unternehmen*) within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz*).

Opinion of Counsel means a written opinion from legal counsel. The counsel may be an employee of, or counsel to, the Guarantor.

- (2) *Notice*. Any substitution of the Issuer pursuant to this § 10 and the date of effectiveness of such substitution shall be published in accordance with § 13.
- (3) *Change of References*. Upon effectiveness of the substitution any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the Relevant Taxing Jurisdiction with respect to the Issuer shall from then on be deemed to refer to the Relevant Taxing Jurisdiction with respect to the Substitute Debtor.
- (4) *Release from Obligations*. Upon effective substitution of the Issuer as set forth in this § 10, the Issuer shall be released from any obligation arising from or in connection with the Notes.
- (5) *Further Substitution*. At any time after a substitution pursuant to § 10(1) above, the Substitute Debtor may, without the consent of the Holders, effect a further substitution *provided that* all the provisions specified in §§ 10(1) to 10(4) above shall apply, *mutatis mutandis*, and, without limitation, references in these Terms and Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute Debtor; *provided that* in no event shall any substitution under this § 10 have the effect of releasing the Guarantor from any of its obligations under its Subordinated Guarantee.

Für die Zwecke dieses § 10 bezeichnet:

Verbundenes Unternehmen ein verbundenes Unternehmen im Sinne von § 15 Aktiengesetz (AktG).

Rechtsgutachten ein schriftliches Gutachten eines Rechtsberaters. Der Rechtsberater kann Mitarbeiter oder externer Rechtsberater der Garantin sein.

- (2) *Bekanntmachung*. Jede Ersetzung der Emittentin gemäß diesem § 10 sowie das Datum, an dem die Ersetzung wirksam wird, ist gemäß § 13 bekannt zu geben.
- (3) *Änderung von Bezugnahmen*. Mit Wirksamwerden der Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf die Maßgebliche Steuerjurisdiktion im Hinblick auf die Emittentin gilt ab diesem Zeitpunkt als Bezugnahme auf die Maßgebliche Steuerjurisdiktion im Hinblick auf die Nachfolgeschuldnerin.
- (4) *Schuldbefreiung*. Nach wirksamer Ersetzung der Emittentin gemäß diesem § 10 ist die Emittentin von allen Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen befreit.
- (5) *Weitere Ersetzungen*. Die Nachfolgeschuldnerin ist jederzeit nach einer Ersetzung gemäß vorstehendem § 10(1) berechtigt, ohne die Zustimmung der Gläubiger eine weitere Ersetzung vorzunehmen, wobei alle Bestimmungen der vorstehenden §§ 10(1) bis 10(4) sinngemäß Anwendung finden und, ohne hierauf beschränkt zu sein, Bezugnahmen in diesen Emissionsbedingungen auf die Emittentin, sofern der Zusammenhang dies verlangt, als Bezugnahmen bzw. auch als Bezugnahmen auf jede weitere Nachfolgeschuldnerin gelten. Eine Ersetzung gemäß diesem § 10 hat jedoch in keinem Fall zur Folge, dass die Garantin von ihren Verpflichtungen aus ihrer Nachrangigen Garantie befreit wird.

- (6) *Transfer of Domicile.* A transfer of domicile of the Issuer to another country or territory is only permissible if the requirements set forth in § 10(1) and (2) above are complied with accordingly. § 10(3) second half-sentence of sentence 1 shall apply *mutatis mutandis*.

§ 11 FURTHER ISSUES

Further Issues. 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 Issue Date, interest commencement date and/or issue price) so as to form a single series with the Notes.

§ 12 AMENDMENTS TO THE TERMS AND CONDITIONS BY RESOLUTIONS OF HOLDERS, NOTEHOLDERS' REPRESENTATIVE

- (1) *Amendment of the Terms and Conditions.* The Issuer may agree with the Holders on amendments to the Terms and Conditions or on other matters by 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 § 12(2) below. A duly passed majority resolution shall be binding equally upon all Holders. Resolutions of the Holders which result in the Notes no longer being recorded as “equity” in the audited annual or the semi-annual consolidated financial statements of

- (6) *Sitzverlegung.* Eine Verlegung des Sitzes der Emittentin in ein anderes Land oder Gebiet ist nur zulässig, wenn die vorstehend in §§ 10(1) und (2) genannten Anforderungen entsprechend erfüllt sind. § 10(3) zweiter Halbsatz des ersten Satzes findet entsprechende Anwendung.

§ 11 BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN

Begebung weiterer Schuldverschreibungen. Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit in jeder Hinsicht gleicher Ausstattung (gegebenenfalls mit Ausnahme des jeweiligen Begebungstags, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

§ 12 ÄNDERUNGEN DER EMISSIONSBEDINGUNGEN DURCH BESCHLÜSSE DER GLÄUBIGER, GEMEINSAMER VERTRETER

- (1) *Änderung der Emissionsbedingungen.* Die Emittentin kann mit den Gläubigern Änderungen der Emissionsbedingungen oder sonstige Maßnahmen durch Mehrheitsbeschluss 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 Emissionsbedingungen, einschließlich der in § 5 Abs. 3 SchVG vorgesehenen Maßnahmen durch Beschlüsse mit den in dem nachstehenden § 12(2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Gläubiger gleichermaßen verbindlich. Beschlüsse, die dazu führen, dass die Schuldverschreibungen nicht mehr als Eigenkapital in den geprüften Jahres- und Halbjahresabschlüssen der Garantin, die im Einklang mit IFRS (wie in § 6(7) definiert)

the Guarantor pursuant to IFRS (as defined in § 6(7)) or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor are invalid.

- (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, or relating to material other matters may only be passed by a majority of at least 75% of the voting rights participating in the vote (a **Qualified Majority**).

- (3) *Passing of resolutions.* The Holders can pass resolutions in a meeting (*Gläubigerversammlung*) in accordance with section 5 *et seq.* of the SchVG or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 and section 5 *et seq.* of the SchVG.

- (4) *Meeting.* If resolutions of the Holders shall be made by means of a meeting the convening notice (*Einberufung*) 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 convening notice. Attendance at the 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 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 § 14(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 until and including the stated end of the meeting.

oder jedem anderen Buchhaltungsstandard, der IFRS bei der Erstellung der geprüften Jahres- und Halbjahresabschlüsse der Garantin ersetzt, erstellt wurden, zu bilanzieren wären, sind unwirksam.

- (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 Emissionsbedingungen, insbesondere in den Fällen des § 5 Abs. 3 Nr. 1 bis 9 SchVG, geändert wird, oder sonstige wesentliche Maßnahmen beschlossen werden bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine **Qualifizierte Mehrheit**).

- (3) Beschlussfassung. Die Gläubiger können Beschlüsse in einer Gläubigerversammlung gemäß §§ 5 ff. SchVG oder im Wege einer Abstimmung ohne Versammlung gemäß § 18 und § 5 ff. SchVG fassen.

- (4) *Gläubigerversammlung.* Falls Beschlüsse der Gläubiger in einer Gläubigerversammlung gefasst werden, enthält die Bekanntmachung der Einberufung nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Bekanntmachung der Einberufung bekannt gemacht. Die Teilnahme an der Gläubigerversammlung und die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der 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 § 14(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) *Vote without a Meeting.* If resolutions of the Holders shall be made by means of a vote without a meeting the request for voting (*Aufforderung zur Stimmabgabe*) 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 § 14(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 until and including the day the voting period ends.
- (5) *Abstimmung ohne Versammlung.* Falls Beschlüsse der Gläubiger im Wege einer Abstimmung ohne Versammlung gefasst werden, enthält die Aufforderung zur Stimmabgabe nähere Angaben zu den Beschlüssen und zu 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 vorherigen 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 § 14(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 letzten Tag des Abstimmungszeitraums (einschließlich) nicht übertragbar sind, nachweisen.
- (6) *Second Meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 12(4) or the vote without a meeting pursuant to § 12(5), in case of a meeting the chairman (*Vorsitzender*) may convene a second meeting in accordance with section 15 paragraph 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer (*Abstimmungsleiter*) may convene a second meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second 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 meeting. As part of the registration, Holders must demonstrate their eligibility to participate in
- (6) *Zweite Versammlung.* Wird für die Gläubigerversammlung gemäß § 12(4) oder die Abstimmung ohne Versammlung gemäß § 12(5) die mangelnde Beschlussfähigkeit festgestellt, kann – im Fall der Gläubigerversammlung – der Vorsitzende eine zweite Versammlung im Sinne von § 15 Abs. 3 Satz 2 SchVG und – im Fall der Abstimmung ohne Versammlung – der Abstimmungsleiter eine zweite Versammlung im Sinne von § 15 Abs. 3 Satz 3 SchVG einberufen. Die Teilnahme an der zweiten Versammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Versammlung zugehen. Mit der Anmeldung müssen die Gläubiger

the vote by means of a special confirmation of the Custodian in accordance with § 14(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 until and including the stated end of the meeting.

ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 14(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 Versammlung (einschließlich) nicht übertragbar sind, nachweisen.

(7) *Noteholders' Representative.* The Holders may by majority resolution provide for the appointment or dismissal of a noteholders' representative (the **Noteholders' Representative**), the duties and responsibilities and the powers of such Noteholders' Representative, the transfer of the rights of the Holders to the Noteholders' Representative and a limitation of liability of the Noteholders' Representative. Appointment of a Noteholders' Representative may only be passed by a Qualified Majority if such Noteholders' Representative is to be authorised to consent, in accordance with § 12(2) hereof, to a material change in the substance of the Terms and Conditions or other material matters.

(7) *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 Emissionsbedingungen oder sonstigen wesentlichen Maßnahmen gemäß § 12(2) zuzustimmen.

(8) *Publication.* Any notices concerning this § 12 shall be made exclusively pursuant to the provisions of the SchVG.

(8) *Veröffentlichung.* Bekanntmachungen betreffend diesen § 12 erfolgen ausschließlich gemäß den Bestimmungen des SchVG.

(9) *Amendments to the Subordinated Guarantee.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Subordinated Guarantee.

(9) *Änderung der Nachrangigen Garantie.* Die oben aufgeführten auf die Schuldverschreibungen anwendbaren Bestimmungen gelten entsprechend für die Bestimmungen der Nachrangigen Garantie.

§ 13 NOTICES

§ 13 MITTEILUNGEN

(1) *Publication.* All notices concerning the Notes, except as stipulated in § 12(8), will be made by means of electronic publication on the internet website of the stock exchange on which the Notes are listed. Any notice will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen, außer wie in § 12(8) vorgesehen, sind auf der Internetseite der derjenigen Wertpapierbörse, an der die Schuldverschreibungen zugelassen sind, elektronisch zu veröffentlichen. Jede derartige Mitteilung gilt mit dem dritten Tag nach dem Tag der Veröffentlichung (oder bei mehrfacher Veröffentlichungen mit dem

such publication).

- (2) *Notification to Clearing System.* So long as the Notes are listed on any stock exchange, § 13(1) shall apply. In addition to publication as set forth in § 13(1) above, if the rules of the respective stock exchange so permit, or so long as the Notes are not listed on any stock exchange, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders.
- (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 registered mail to the Paying Agent.

§ 14

APPLICABLE LAW, PLACE OF JURISDICTION, ENFORCEMENT AND PROCESS AGENT

- (1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by the laws of the Federal Republic of Germany, without giving effect to the principles of conflict of laws.
- (2) *Submission to Jurisdiction.* Subject to any mandatory jurisdiction for specific proceedings under the SchVG, the place of non-exclusive jurisdiction for any action or other legal proceedings in connection with the Notes shall be Frankfurt am Main.
- (3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer or any Guarantor, or to which such Holder and the Issuer or any Guarantor 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

dritten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

- (2) *Mitteilungen an das Clearingsystem.* Solange Schuldverschreibungen an einer Wertpapierbörse notiert sind, findet § 13(1) Anwendung. Zusätzlich zu Mitteilungen nach § 13(1) und soweit die Regeln der jeweiligen Wertpapierbörse dies zulassen oder solange wie die Schuldverschreibungen an keiner Wertpapierbörse zugelassen sind, kann die Emittentin eine Veröffentlichung durch eine Mitteilung an das Clearingsystem zur Weiterleitung an die Gläubiger vornehmen.
- (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 übergibt oder durch eingeschriebenen Brief übermittelt.

§ 14

ANWENDBARES RECHT, GERICHTSSTAND, GERICHTLICHE GELTENDMACHUNG UND ZUSTELLUNGSBEVOLLMÄCHTIGTER

- (1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich nach dem Recht der Bundesrepublik Deutschland, unter Ausschluss des internationalen Privatrechts.
- (2) *Gerichtsstand.* Vorbehaltlich eines zwingend vorgeschriebenen Gerichtsstands für bestimmte Verfahren nach dem SchVG ist Frankfurt am Main nicht ausschließlicher Gerichtsstand für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehende Klagen oder sonstige Verfahren.
- (3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder eine Garantin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin oder eine Garantin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage geltend zu machen:

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 Note in global form certified as being a true copy by a duly authorised 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 recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes 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.

(i) er bringt eine Bescheinigung der Depotbank bei, 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) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, 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 des Clearingsystems. 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.

(4) *Process Agent*. The Issuer has appointed the Guarantor as its agent for service of process (*Zustellungsbevollmächtigter*) in relation to any proceedings before the German courts in connection with the Notes.

(4) *Zustellungsbevollmächtigter*. Die Emittentin hat die Garantin als Zustellungsbevollmächtigte für Verfahren vor deutschen Gerichten im Zusammenhang mit den Schuldverschreibungen bestellt.

§ 15 LANGUAGE

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

The following paragraphs in italics do not form part of the Terms and Conditions.

The Issuer intends (without thereby assuming a legal or contractual obligation) that it will redeem or repurchase the Notes only to the extent they are replaced with instruments with equivalent S&P equity credit. Such replacement would be provided during the 360-day period prior to the date of such redemption or repurchase. The net proceeds received by the Issuer, the Guarantor or subsidiary of the Guarantor from the sale to third party purchasers of securities which are assigned an S&P equity credit that is at least equal to the highest respective equity credit assigned to the Notes by S&P during the period from the Issue Date to the last date on which an Acquisition Event can occur will count as replacement.

The following exceptions apply as to the Issuer's replacement intention. The Notes are not required to be replaced:

- (i) if the rating assigned by S&P to the Issuer or the Guarantor is at least BBB and the Issuer or the Guarantor (as applicable) is comfortable that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) in the case of repurchase of less than (x) 10% of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (y) 25% of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years is*

§ 15 SPRACHE

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

Die folgenden Absätze in Kursivschrift sind nicht Bestandteil der Emissionsbedingungen.

Die Emittentin beabsichtigt (ohne dadurch eine Rechtspflicht zu übernehmen), die Schuldverschreibungen nur zurückzuzahlen oder zurückzukaufen, soweit sie durch Instrumente mit gleichwertiger S&P Eigenkapitalanrechnung ersetzt werden. Ein solcher Ersatz würde innerhalb von 360 Tagen vor dem Tag der Rückzahlung oder des Rückkaufs geschaffen werden. Als Ersatz gelten die Nettoerlöse, die die Emittentin, die Garantin oder eine Tochtergesellschaft der Garantin aus dem Verkauf an Dritte von Wertpapieren erhält, die eine S&P Eigenkapitalanrechnung haben, die mindestens so hoch ist wie die jeweils höchste Eigenkapitalanrechnung die S&P den Schuldverschreibungen im Zeitraum zwischen dem Ausgabetag und dem letzten Tag, an dem ein Übernahmeereignis noch eintreten kann, zugewiesen hat.

Es gelten jedoch folgende Ausnahmen in Bezug auf die Absicht der Emittentin. Es muss nicht für Ersatz gesorgt werden:

- (i) wenn das der Emittentin oder der Garantin durch S&P erteilte Rating mindestens BBB beträgt und die Emittentin oder die Garantin (je nach Fall) sich sicher ist, dass ein solches Rating infolge der Rückzahlung oder des Rückkaufs nicht unter diesen Wert fallen würde oder*
- (ii) im Fall eines Rückkaufs von Schuldverschreibungen in Höhe von weniger als (x) 10 % des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 12 aufeinander folgenden Monaten oder (y) 25 % des ursprünglich*

repurchased, or

ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 10 aufeinander folgenden Jahren oder

(iii) if the Notes are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at S&P), an Accounting Event, a Tax Deductibility Event, a Gross-Up Event or an Acquisition Event; or

(iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P Methodologie verursacht wurde), einem Rechnungslegungsereignis, einem Steuerereignis; einem Gross-Up Ereignis oder einem Übernahmeereignis; oder

(iv) if the Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P at the time of such redemption or repurchase); or

(iv) wenn die Schuldverschreibungen keine Eigenkapitalanrechnung (oder eine solche von S&P zum Zeitpunkt der Rückzahlung oder des Rückkaufs dann verwendete gleichartige Klassifikation) aufweisen; oder

(v) if such redemption or repurchase occurs on or after the Second Step-up Date.

(v) wenn die Rückzahlung oder der Rückkauf am oder nach dem Zweiten Step-up-Termin erfolgt.

SUBORDINATED GUARANTEE

SUBORDINATED GUARANTEE
OF
DEUTSCHE ANNINGTON IMMOBILIEN SE,
DUSSELDORF,
FEDERAL REPUBLIC OF GERMANY
(THE GUARANTOR)
FOR THE BENEFIT OF THE HOLDERS OF THE
EUR 1,000,000,000 GUARANTEED, UNDATED
UNSECURED SUBORDINATED NOTES
SUBJECT TO INTEREST RESET WITH A FIRST
CALL DATE 2021

(ISIN: XS1117300837)
(THE NOTES)
ISSUED BY
DEUTSCHE ANNINGTON FINANCE B.V.,
AMSTERDAM,
THE NETHERLANDS
(THE ISSUER)

§ 1 SUBORDINATED GUARANTEE

- (1) The Guarantor hereby unconditionally and irrevocably guarantees by way of an independent payment obligation (selbstständiges Zahlungsversprechen) to each holder of the Notes (the **Holders**) the due and punctual payment of any amounts payable under the relevant Notes on a subordinated basis (the **Subordinated Guarantee**). This Subordinated Guarantee shall be separate and independent from the obligations of the Issuer and shall exist irrespective of the validity and enforceability of the obligations of the Issuer.
- (2) The intent and purpose of this Subordinated Guarantee is to ensure that the Holders under all circumstances, whether factual or legal, and regardless of the validity and enforceability of the obligations of the Issuer or of any other grounds on the basis of which

NACHRANGIGE GARANTIE
DER
DEUTSCHE ANNINGTON IMMOBILIEN SE,
DÜSSELDORF,
BUNDESREPUBLIK DEUTSCHLAND
(DIE GARANTIN)
ZUGUNSTEN DER GLÄUBIGER DER
EUR 1.000.000.000 GARANTIERTEN,
UNBEFRISTETEN NICHT BESICHERTEN
NACHRANGIGEN
SCHULDVERSCHREIBUNGEN MIT
ZINSSATZANPASSUNG, ERSTMALIG
KÜNDBAR IN 2021

(ISIN: XS1117300837)
(DIE SCHULDVERSCHREIBUNGEN)
EMITTIERT DURCH
DEUTSCHE ANNINGTON FINANCE B.V.,
AMSTERDAM
NIEDERLANDE
(DIE EMITTENTIN)

§ 1 NACHRANGIGE GARANTIE

- (1) Die Garantin garantiert hiermit unbedingt und unwiderruflich im Wege eines selbstständigen Zahlungsversprechens gegenüber jedem Gläubiger der Schuldverschreibungen (die **Gläubiger**) die ordnungsgemäße und pünktliche Zahlung aller auf die Schuldverschreibungen zahlbaren Beträge auf nachrangiger Basis (die **Nachrangige Garantie**). Diese Nachrangige Garantie besteht selbständig und unabhängig von den Verbindlichkeiten der Emittentin und gilt unabhängig von der Wirksamkeit und Durchsetzbarkeit der Verbindlichkeiten der Emittentin.
- (2) Sinn und Zweck dieser Nachrangigen Garantie ist es, sicherzustellen, dass die Gläubiger unter allen Umständen tatsächlicher oder rechtlicher Art und unabhängig von der Wirksamkeit und Durchsetzbarkeit der Verbindlichkeiten der

the Issuer may fail to effect payment, shall receive any amounts payable to the Holders pursuant to the Conditions on the due dates as provided for in the Conditions.

Emittentin oder sonstiger Gründe, auf deren Basis die Emittentin Zahlungen möglicherweise nicht leistet, alle Zahlungen, die gemäß den Emissionsbedingungen an die Gläubiger zu leisten sind, bei Fälligkeit nach Maßgabe der Emissionsbedingungen erhalten.

(3) The Guarantor hereby explicitly waives any personal defences of the Issuer (*Einreden des Hauptschuldners*) as well as any defences arising out of the Issuer's right of revocation (*Anfechtbarkeit*) or set-off (*Aufrechenbarkeit*) with respect to the Notes.

(3) Die Garantin verzichtet hiermit ausdrücklich auf alle der Emittentin zustehenden persönlichen Einreden des Hauptschuldners sowie auf alle der Emittentin zustehenden Einreden der Anfechtbarkeit oder Aufrechenbarkeit im Hinblick auf die Schuldverschreibungen.

(4) The Guarantor's payment obligations under this Subordinated Guarantee become automatically due and payable if and when the Issuer does not make a payment with respect to the Notes when such payment is due and payable pursuant to the Conditions.

(4) Die Zahlungsverpflichtungen der Garantin aus dieser Nachrangigen Garantie werden automatisch fällig und zahlbar, sofern und sobald die Emittentin eine Zahlung auf die Schuldverschreibungen nicht bei Fälligkeit gemäß den Emissionsbedingungen leistet.

(5) This Subordinated Guarantee is discharged upon the full and irrevocable satisfaction of all claims guaranteed pursuant to this § 1 (the **Guaranteed Obligations**). However, if any of the Guaranteed Obligations was only temporarily satisfied or may be set aside by an insolvency administrator (*Anfechtungsrecht*) or may otherwise be avoided, the Subordinated Guarantee shall continue in full force and effect.

(5) Diese Nachrangige Garantie ist mit der vollständigen und unwiderruflichen Befriedigung aller gemäß diesem § 1 garantierten Ansprüche (die **Garantierten Verpflichtungen**) abschließend erfüllt. Sollten Garantierte Verpflichtungen jedoch nur vorläufig erfüllt oder Gegenstand eines Anfechtungsrechts eines Insolvenzverwalters oder anderweitig anfechtbar sein, so bleibt die Nachrangige Garantie weiterhin in Kraft.

(6) The Guarantor shall ensure that, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, the Issuer or, as applicable, the Substitute Debtor (as defined in § 10(1) of the Conditions) is at all times an Affiliate of the Guarantor.

(6) Solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt wurden, wird die Garantin sicherstellen, dass die Emittentin bzw. die Nachfolgeschuldnerin (wie in § 10(1) der Emissionsbedingungen definiert) stets ein Verbundenes Unternehmen der Garantin ist.

(7) For this purpose:

(7) Für diesen Zweck gilt:

Affiliate means any affiliated company (verbundenes Unternehmen) within the meaning of section 15 of the German Stock Corporation Act (Aktiengesetz).

Verbundenes Unternehmen bezeichnet ein verbundenes Unternehmen im Sinne von § 15 Aktiengesetz (AktG).

Conditions means the terms and conditions of the Notes, as annexed to the Global Note.

Principal Paying Agent means, subject to any variation, termination, appointment or change in accordance with § 7 of the Conditions, Deutsche Bank Aktiengesellschaft.

§ 2 STATUS

- (1) The obligations of the Guarantor under this Subordinated Guarantee shall rank:
 - (a) senior only to the Junior Obligations of the Guarantor,
 - (b) *pari passu* with any other present and future Parity Obligations of the Guarantor, and
 - (c) junior to the Guarantor's unsubordinated obligations, contractually and statutorily subordinated obligations except as expressly provided for otherwise by the terms of the relevant obligation, and subordinated obligations required to be preferred by law.
- (2) In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against the Guarantor, the claims of the Holders under the Subordinated Guarantee will be satisfied after (but only after) the obligations of the Guarantor that rank senior to the Notes. In any such event, Holders will not receive any amounts payable in respect of the Subordinated Guarantee until the claims of all obligations of the Guarantor that rank senior to the Notes have first been satisfied in full.

Emissionsbedingungen bezeichnet die der Globalurkunde beigefügten Emissionsbedingungen der Schuldverschreibungen.

Hauptzahlstelle bezeichnet vorbehaltlich einer Änderung, Abberufung, Bestellung oder eines Wechsels nach § 7 der Emissionsbedingungen die Deutsche Bank Aktiengesellschaft.

§ 2 STATUS

- (1) Die Verbindlichkeiten der Garantin aus dieser Nachrangigen Garantie:
 - (a) gehen nur Nachrangigen Verbindlichkeiten der Garantin im Rang vor,
 - (b) stehen gleich im Rang untereinander und mit jeder Gleichrangigen Verbindlichkeit der Garantin, und
 - (c) gehen allen anderen nicht nachrangigen Verbindlichkeiten der Garantin, gesetzlich nachrangigen und vertraglich nachrangigen Verbindlichkeiten, außer wenn in den Bedingungen der betreffenden Verbindlichkeit etwas anderes geregelt sein sollte, und nachrangigen Verbindlichkeiten, die durch Gesetz vorrangig sein müssen, im Rang nach.
- (2) Im Fall der Liquidation, der Auflösung oder der Insolvenz der Garantin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Garantin werden die Ansprüche der Gläubiger aus der Nachrangigen Garantie erst nach den Ansprüchen der Inhaber aller anderen gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin bedient. In einem solchen Fall werden die Gläubiger keine Zahlungen auf die Nachrangige Garantie erhalten, bis alle Ansprüche aus den gegenüber den Schuldverschreibungen vorrangigen Verbindlichkeiten der Garantin vollständig bedient sind.

(3) No Holder may set off any claims arising under the Subordinated Guarantee against claims that the Guarantor may have against it. The Guarantor may not set off any claims it may have against any Holder against any of its obligations under the Subordinated Guarantee.

(4) For this purpose:

Junior Obligations of the Guarantor means (i) the ordinary shares and preferred shares (if any) of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor's obligations rank or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

Parity Obligations of the Guarantor means any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Subordinated Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank *pari passu* with its obligations under the Subordinated Guarantee.

(3) Die Gläubiger sind nicht berechtigt, Forderungen aus der Nachrangigen Garantie mit etwaigen gegen sie gerichteten Forderungen der Garantin aufzurechnen. Die Garantin ist nicht berechtigt, Forderungen gegenüber Gläubigern mit den Verpflichtungen aus der Nachrangigen Garantie aufzurechnen.

(4) Für diesen Zweck gilt:

Nachrangige Verbindlichkeiten der Garantin bezeichnet (i) die Stammaktien und etwaige Vorzugsaktien der Garantin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Garantin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von der Garantin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Garantin mit den Stammaktien oder etwaigen Vorzugsaktien der Garantin gleichrangig oder als gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft der Garantin begeben und von der Garantin dergestalt garantiert ist oder für das die Garantin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Garantin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i), (ii) und (iii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

Gleichrangige Verbindlichkeiten der Garantin bezeichnet jede bestehende und zukünftige Verbindlichkeit, die (i) von der Garantin begeben wurde und die gleichrangig im Verhältnis zu den Verbindlichkeiten der Garantin aus der Nachrangigen Garantie ist oder ausdrücklich als gleichrangig vereinbart ist oder die (ii) von einer Garantie oder Haftungsübernahme profitiert, bei der die Verbindlichkeiten der Garantin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Garantin aus der Nachrangigen Garantie gleichrangig oder als gleichrangig vereinbart

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

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

§ 3 TAXATION

All amounts payable in respect of this Subordinated Guarantee 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 any jurisdiction in which the Guarantor is organised, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or through or from which payment on the Subordinated Guarantee is made or any political subdivision or any authority thereof or therein having power to tax (each, a **Relevant Taxing Jurisdiction**), unless such withholding or deduction is required by law. If such withholding with respect to amounts payable in respect of this Subordinated Guarantee is required by law, the Guarantor 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:

sind.

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.

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

§ 3 BESTEUERUNG

Alle in Bezug auf diese Nachrangige Garantie 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 eines Landes, in dem die Garantin gegründet wurde, geschäftstätig, steuerlich ansässig oder grundsätzlich mit ihren Nettoeinkünften steuerpflichtig ist oder über das oder aus dem Zahlungen auf die Nachrangige Garantie geleistet werden, oder einer Gebietskörperschaft oder einer Steuerbehörde dieses Landes (jeweils eine **Maßgebliche Steuerjurisdiktion**) im Wege des Abzugs oder Einbehalts an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. Ist ein Einbehalt in Bezug auf diese Nachrangige Garantie zu zahlenden Beträge gesetzlich vorgeschrieben, so wird die Garantin 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 von den Gläubigern erhalten worden wären; eine Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht jedoch nicht für solche Steuern oder Abgaben:

- (a) 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 deduction or withholding by the Guarantor from payments of principal or interest made by it, or
 - (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Relevant Taxing Jurisdiction and not merely by reason of the fact that payments in respect of this Subordinated Guarantee are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Taxing Jurisdiction, or
 - (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany, or the Kingdom of The Netherlands 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
 - (d) would not have been imposed or withheld 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 Guarantor 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
- (a) die von einer als Depotbank oder Inkassobeauftragter im Namen eines Gläubigers handelnden Person zu entrichten sind oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Garantin von den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt, oder
 - (b) die aufgrund einer bestehenden oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Maßgeblichen Steuerjurisdiktion zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf diese Nachrangige Garantie aus Quellen in der Maßgeblichen Steuerjurisdiktion stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind, oder
 - (c) die aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) zwischenstaatlicher Abkommen oder Vereinbarungen über deren Besteuerung, an denen die Bundesrepublik Deutschland oder das Königreich Niederlande 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, abzuziehen oder einzubehalten sind, oder
 - (d) die nicht erhoben oder einbehalten 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, der

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 a Relevant Taxing Jurisdiction, that is a precondition to exemption from, or reduction in the rate of deduction or withholding of, taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation, or

Garantin 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 einer Maßgeblichen Steuerjurisdiktion vorgeschrieben Bescheinigungs-, Identifizierungs-, Informations-, oder sonstigen Nachweispflicht nachzukommen, die Voraussetzung für eine Befreiung von in der Maßgeblichen Steuerjurisdiktion erhobenen Steuern oder eine Reduzierung der Höhe des Abzugs oder Einhalts solcher Steuern ist (u. a. eine Bescheinigung, dass der Gläubiger bzw. der wirtschaftliche Eigentümer nicht in der Maßgeblichen Steuerjurisdiktion ansässig ist), jedoch jeweils nur, soweit der Gläubiger bzw. der wirtschaftliche Eigentümer rechtlich berechtigt ist, die Bescheinigung, Information oder Dokumentation vorzulegen, oder

(e) are required to be withheld or deducted 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, or

(e) deren Einbehalt oder Abzug gemäß sections 1471 bis 1474 des U.S. *Internal Revenue Code* von 1986 in der jeweils geltenden Fassung (der **Code**), gegenwärtigen oder künftigen gemäß dem Code erlassenen Regelungen oder seiner offiziellen Auslegung, einer gemäß section 1471(b) des Code geschlossenen Vereinbarung oder gemäß steuerrechtlichen oder aufsichtsrechtlichen Gesetzen, Regelungen oder Verfahrensweisen, die gemäß im Zusammenhang mit der Umsetzung dieser Vorschriften des Code geschlossenen zwischenstaatlichen Vereinbarungen eingeführt wurden, erforderlich ist, oder

(f) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 13 of the Conditions, whichever occurs later,

(f) die wegen einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer

or

diesbezüglichen Bekanntmachung gemäß § 13 der Emissionsbedingungen wirksam wird, oder

(g) any combinations of items (a) through (f),

(g) jegliche Kombination der Absätze (a) bis (f).

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 Relevant Taxing Jurisdiction 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.

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 Maßgeblichen Steuerjurisdiktion 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.

For the avoidance of doubt, the withholding tax (Kapitalertragsteuer) currently levied in the Federal Republic of Germany at the level of the custodian bank and the solidarity surcharge (Solidaritätszuschlag) imposed thereon pursuant to tax law as in effect as of the issue date of the Notes do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer

Zur Klarstellung wird festgehalten, dass die gegenwärtig in der Bundesrepublik Deutschland gemäß dem zum Tag der Begebung der Schuldverschreibungen geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer und der darauf anfallende Solidaritätszuschlag keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zusätzliche Beträge zu zahlen wären

§ 4

RESOLUTIONS OF HOLDERS – AMENDMENTS TO THE GUARANTEE

The Holders may consent to amendments of this Subordinated Guarantee in respect of the Notes by majority resolution passed in accordance with § 12 of the Conditions, provided that no obligation to make any payment or render any other performance shall be imposed on any Holder by majority resolution.

Majority resolutions shall be binding equally upon all Holders. Resolutions which do not

§ 4

BESCHLÜSSE DER GLÄUBIGER – ÄNDERUNGEN DER GARANTIE

Die Gläubiger können durch Mehrheitsbeschluss gemäß § 12 der Emissionsbedingungen Änderungen dieser Nachrangigen Garantie im Hinblick auf die Schuldverschreibungen zustimmen. Eine Verpflichtung zur Leistung kann für die Gläubiger durch Mehrheitsbeschluss nicht begründet werden.

Mehrheitsbeschlüsse sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheits-

provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

Resolutions of the Holders which result in the Notes no longer being recorded as “equity” in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS (as defined in § 6.7 of the Conditions) or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor are invalid.

§ 5

APPLICABLE LAW, PLACE OF JURISDICTION, LANGUAGE AND ENFORCEMENT

- (1) *Applicable Law.* This Subordinated Guarantee, as to form and content, and all rights and obligations of the Holders and the Guarantor, shall be governed by the laws of the Federal Republic of Germany, without giving effect to the principles of conflict of laws.
- (2) *Submission to Jurisdiction.* The place of non-exclusive jurisdiction for any action or other legal proceedings or in connection with this Subordinated Guarantee shall be Frankfurt am Main.
- (3) *Original Text of Subordinated Guarantee.* The original of this Subordinated Guarantee shall be delivered to, and kept by, Deutsche Bank Aktiengesellschaft in its capacity as Principal Paying Agent. The Principal Paying Agent does not act as agent, fiduciary or in any other similar capacity for the Holders.
- (4) *Holders Third Party Beneficiaries.* This Subordinated Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with section 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) giving rise to the right of each

beschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

Beschlüsse, die dazu führen, dass die Schuldverschreibungen nicht mehr als Eigenkapital in den geprüften Jahres- und Halbjahresabschlüssen der Garantin, die im Einklang mit IFRS (wie in §6(7) der Emissionsbedingungen definiert) oder jedem anderen Buchhaltungsstandard, der IFRS bei der Erstellung der geprüften Jahres- und Halbjahresabschlüsse der Garantin ersetzt, erstellt wurden, zu bilanzieren wären, sind unwirksam.

§ 5

ANWENDBARES RECHT, GERICHTSSTAND, SPRACHE UND GERICHTLICHE GELTENDMACHUNG

- (1) *Anwendbares Recht.* Form und Inhalt dieser Nachrangigen Garantie sowie die Rechte und Pflichten der Gläubiger und der Garantin bestimmen sich nach dem Recht der Bundesrepublik Deutschland, unter Ausschluss des internationalen Privatrechts.
- (2) *Gerichtsstand.* Frankfurt am Main ist nicht ausschließlicher Gerichtsstand für sämtliche im Zusammenhang mit dieser Nachrangigen Garantie entstehende Klagen oder sonstige Verfahren.
- (3) *Originaltext der Nachrangigen Garantie.* Das Original dieser Nachrangigen Garantie wird der Deutsche Bank Aktiengesellschaft in ihrer Eigenschaft als Hauptzahlstelle ausgehändigt und von dieser verwahrt. Die Hauptzahlstelle handelt nicht als Beauftragter, Treuhänder oder in einer ähnlichen Eigenschaft für die Gläubiger.
- (4) *Gläubiger als begünstigte Dritte.* Diese Nachrangige Garantie stellt einen Vertrag zugunsten der Gläubiger als begünstigte Dritte im Sinne des § 328 Abs. 1 BGB dar, der jedem Gläubiger das Recht gibt, die Garantin unmittelbar aus dieser Nachrangigen Garantie auf Erfüllung in

Holder to require performance of this Subordinated Guarantee directly from the Guarantor and to enforce this Subordinated Guarantee directly against the Guarantor.

Anspruch zu nehmen und Ansprüche aus dieser Nachrangigen Garantie unmittelbar gegen die Garantin durchzusetzen.

(5) *Language.* This Subordinated Guarantee is written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

(5) *Sprache.* Diese Nachrangige Garantie ist in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

(6) *Enforcement.* Any Holder may in any proceedings against the Guarantor, or to which such Holder and the Guarantor are parties, protect and enforce in his own name his rights arising under this Subordinated Guarantee on the basis of a copy of this Subordinated Guarantee certified by an authorised person of the Principal Paying Agent without presentation of the original Subordinated Guarantee.

(6) *Gerichtliche Geltendmachung.* Jeder Gläubiger ist berechtigt, in jedem Rechtsstreit gegen die Garantin oder in jedem Rechtsstreit, in dem der Gläubiger und die Garantin Partei sind, seine Rechte aus dieser Nachrangigen Garantie im eigenen Namen auf der Grundlage einer Kopie dieser Nachrangigen Garantie, deren Übereinstimmung mit dem Original von einer dazu von der Hauptzahlstelle ermächtigten Person bestätigt wurde, geltend zu machen, ohne dass eine Vorlage des Originals der Nachrangigen Garantie erforderlich wäre.

Dusseldorf, 17 December 2014

Düsseldorf, 17. Dezember 2014

Deutsche Annington Immobilien SE

Deutsche Annington Immobilien SE

By: _____
Name: _____
Position: _____

Durch: _____
Name: _____
Position: _____

By: _____
Name: _____
Position: _____

Durch: _____
Name: _____
Position: _____

We accept the terms of the above Guarantee without recourse, warranty or liability and without acting as agent, fiduciary or in any similar capacity for any Holder.

Frankfurt am Main, 17 December 2014

Deutsche Bank Aktiengesellschaft

By: _____
Name:
Position:

By: _____
Name:
Position:

Wir nehmen die Bedingungen der vorstehenden Nachrangigen Garantie ohne Obligo, Gewährleistung oder Haftung und ohne als Beauftragter, Treuhänder oder in einer ähnlichen Eigenschaft für einen Gläubiger zu handeln, an.

Frankfurt am Main, 17. Dezember 2014

Deutsche Bank Aktiengesellschaft

Durch: _____
Name:
Position:

Durch: _____
Name:
Position:

DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The SchVG provides that noteholders 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 SchVG can also be applied to amend the Subordinated Guarantee.

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 noteholders' representative for the Holders.

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 on the subjects below:

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

Resolutions of the Holders which result in the Notes no longer being recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS (as defined in § 6(7) of the Terms and Conditions) or any other accounting standards that may replace IFRS for the purposes of preparing the annual consolidated financial statements of the Guarantor are invalid.

Relevant Majorities of the SchVG

The Terms and Conditions apply 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 noteholders’ 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 noteholders’ 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*.

Noteholders' 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

The Issuer was incorporated on 21 June 2013 under the laws of The Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). Its first fiscal year ended on 31 December 2013. Each following fiscal year will be the calendar year.

The Issuer has its corporate seat in Amsterdam, The Netherlands and is registered in the Dutch Trade Register of the Chamber of Commerce under number 58224416. The address of the Issuer's registered office is Vondelstraat 73, 1054 GK Amsterdam, The Netherlands, telephone number: + 31 20 607 7515.

Deutsche Annington Finance B.V. is the Issuer's legal and commercial name.

Corporate Business

Pursuant to Article 3 of the articles of association of the Issuer, the objects of the Issuer are:

- to participate in, finance or hold any other interest in, or to conduct the management of, other legal entities, partnerships or enterprises;
- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidences of indebtedness, as well as to enter into agreements in connection with the aforementioned;
- to furnish guarantees, provide security, warrant performance or in any other way assume liability, whether jointly and severally or otherwise, for or in respect of obligations of group companies or other parties; and
- to do anything which, in the widest sense of the word, is connected with or may be conducive to the attainment of these objects.

Organisational Structure

The Issuer is a wholly-owned subsidiary of the Guarantor. The Issuer does not have any subsidiaries of its own. The Issuer is dependent upon the administrative and management services provided by the Guarantor.

Management, Corporate Governance

The current members of the Issuer's managing board are as follows:

- Lars Schnidrig, employee of Deutsche Annington; and
- Richard Ivo Larry van Dijk, director of the Issuer.

The current members of the managing board of the Issuer can be contacted at the registered office of the Issuer during normal business hours. The Issuer has no supervisory board.

Lars Schnidrig is also head of Finance and Treasury. There are no actual or potential conflicts of interest between the duties of the members of the managing board of the Issuer and their respective private interests or other duties.

No specific rules apply to the Issuer under the Dutch Corporate Governance Code, because the Dutch Corporate Governance Code only applies to companies whose shares are listed.

Share Capital

The issued capital of Deutsche Annington Finance B.V. amounts to €18,000.00, divided into 18,000 registered shares of common stock with a par value of €1.00 each, which are all held by the

Guarantor. The capital is fully issued and paid-up. The Issuer does not have authorised but unissued capital.

Investments

The Issuer has made no material investments since the date of its incorporation and, as of the date of this Prospectus, its management has made no firm commitments on future material investments.

Business Overview

Pursuant to its corporate purpose, the Issuer acts as a financing subsidiary of the Guarantor, the principal activity of which is the provision of loans to members of the Group financed with funds acquired from the capital markets, bank loans and loans from other companies of the Group.

Because of its purely internal purpose, the Issuer does not have any markets in which it competes and, therefore, the Issuer cannot make a statement regarding its competitive position in any markets.

Legal and Arbitration Proceedings

There are currently no, and the Issuer has not been involved in any, governmental, legal or arbitration proceedings during the last twelve months, against or affecting the Issuer, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the financial position or profitability or results of operations of the Issuer.

Material Contracts

For a description of material contracts entered into by the Issuer see “*Description of the Guarantor and the Group—Material Agreements*”.

Other than the contracts listed in the aforementioned section, the Issuer has not entered in any material contract, which could result in any Group company (including the Issuer) being under an obligation or entitlement that is material to the ability of the Issuer or the Guarantor to meet its obligation to security holders in respect of the debt securities being issued.

Recent Developments

Since 30 June 2014, there have been no recent events particular to the Issuer which are to a material extent relevant for the evaluation of the solvency of the Issuer.

Trend Information and Significant Changes

Since 31 December 2013, there has been no material adverse change in the prospects of the Issuer. Furthermore, since 30 June 2014, there has been no significant change in the financial or trading position of the Issuer.

Auditors

The auditor of the Issuer’s annual financial statements for the 2013 financial year is PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands (“**PwC**”). PwC are independent auditors of which the responsible partner is a member of The Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

Selected Financial Information for the Issuer

*The following selected financial information for the Issuer is based on the annual financial statements of the Issuer as of 31 December 2013 and the half-year financial statements of the Issuer as of 30 June 2014 (the “**Financial Reports**”), which are incorporated by reference in this Prospectus,*

and should be read together with it. The Financial Reports were prepared in accordance with Dutch GAAP.

Income Statement Data

	For the period from 1 January 2014 until 30 June 2014	For the period from 19 June 2013 until 31 December 2013
	(unaudited) (in € thousand)	(audited) (in € thousand)
Income	62,234	34,324
Interest and similar expenses	(64,262)	(43,720)
Total expenses	(265)	(148)
Result before taxation.....	(2,293)	(9,544)
Taxation.....	583	2,552
Result after taxation	(1,710)	(6,992)

Balance Sheet Data

	As of 30 June 2014	As of 31 December 2013
	(unaudited) (in € thousand)	(audited) (in € thousand)
Fixed assets.....	3,222,461	2,527,138
Current assets.....	60,275	26,165
Prepaid expenses.....	354	—
Total assets	3,283,090	2,553,303
Equity.....	(12,506)	(4,974)
Provisions	807	230
Long-term liabilities	3,236,539	2,532,513
Current liabilities	58,250	25,534
Total equity and liabilities.....	3,283,090	2,553,303

DESCRIPTION OF THE GUARANTOR AND THE GROUP

General Information on the Guarantor and the Group

Formation, Incorporation, Commercial Name, Fiscal Year and Registered Office

The Guarantor was formed as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law by memorandum of association dated 17 June 1998. Its legal name was “Deutsche Annington Immobilien GmbH” with its registered office in Frankfurt/Main, Germany, registered under the docket number HRB 45366 with the commercial register at the local court (*Amtsgericht*) of Frankfurt/Main, Germany. The Guarantor moved its headquarters to Mainz by decision of its shareholders dated 22 February 2001, and was registered with the commercial register at the local court (*Amtsgericht*) of Mainz, Germany under the docket number HRB 7562.

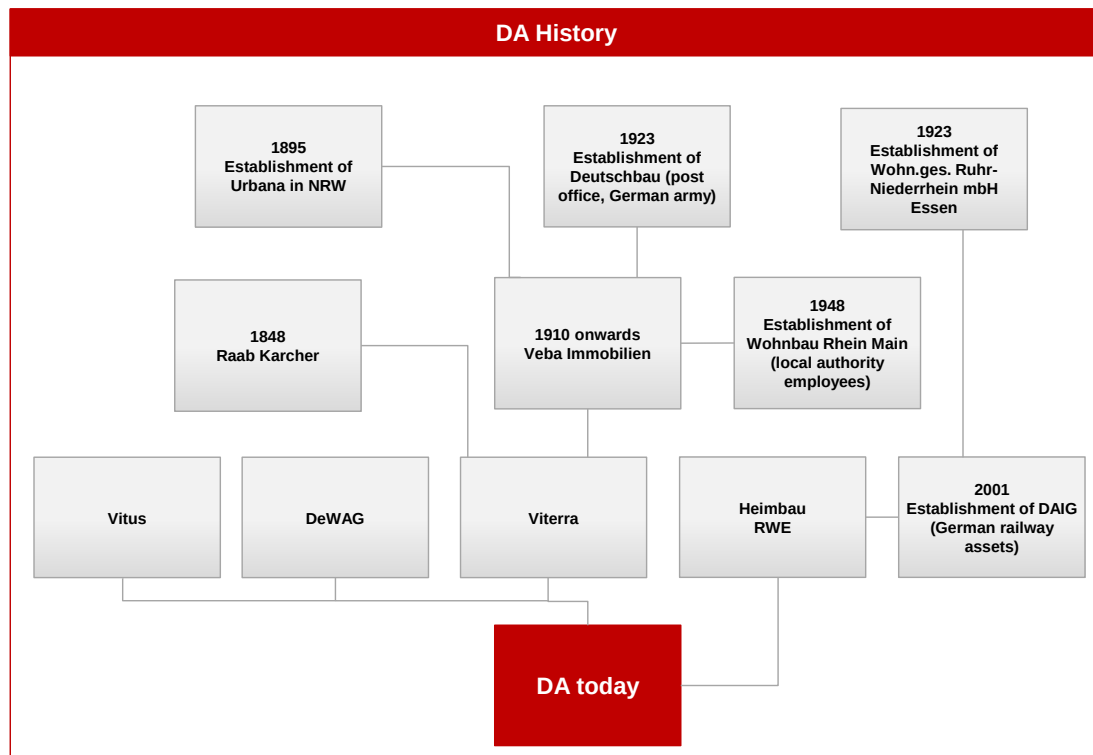
On 31 July 2001, the shareholders’ meeting decided to relocate the Guarantor’s registered office to Dusseldorf, Germany. On 6 September 2001, the Guarantor was registered with the commercial register at the local court of Dusseldorf, Germany under the docket number HRB 41246. On 17 January 2012, the shareholders’ meeting approved a resolution to change the Guarantor’s legal form to a stock corporation (*Aktiengesellschaft*) organised under German law and its legal name to “Deutsche Annington Immobilien AG”. The change in legal form and name was registered with the commercial register at the local court (*Amtsgericht*) of Dusseldorf on 1 March 2012 under the docket number HRB 67443. On 11 June 2012, the shareholders’ meeting approved a resolution to change the Guarantor’s legal form to a European company (*Societas Europaea*) governed by German and European law and its legal name to “Deutsche Annington Immobilien SE”. All these changes were effected in accordance with the applicable provisions of the German Reorganisation and Transformation Act (*Umwandlungsgesetz*). The change in legal form and name was registered with the commercial register at the local court (*Amtsgericht*) of Dusseldorf on 21 June 2012 under the docket number HRB 68115.

The Guarantor is the Group’s holding company; the Group primarily operates under the commercial name “Deutsche Annington”. The Guarantor’s fiscal year is the calendar year.

The Guarantor’s registered office is at Münsterstraße 248, 40470 Dusseldorf, Germany (tel. +49 (0) 234-314-0).

History and Development

The Guarantor



Deutsche Annington can trace its roots to the end of the nineteenth century. Deutsche Annington Immobilien GmbH, however, was officially founded in 1998, but remained dormant until the end of 2000. The Guarantor then acquired between 94.1% and 94.9% of the shares in ten regional German Railroad housing companies, which represented 65,000 housing units of the BEV (“**EWGs**”).

Later on, the Guarantor indirectly acquired a majority shareholding in BIG-Heimbau AG, Kronshagen/Kiel, with some 10,000 residential units in 2003. Another 4,500 residential units were acquired from RWE Systems Immobilien GmbH & Co. KG, Essen, at the end of 2004.

In 2005, the Guarantor acquired Viterra AG, the largest German housing company at the time with approximately 138,000 housing units. Viterra AG itself, can trace its residential property portfolio back to the establishment of Urbana in 1895, Veba Immobilien in 1910 and Deutschbau in 1923. This acquisition established the Guarantor, with its at that time approximately 220,000 residential units, as the leading company in the German residential real estate industry in terms of number of units and as a major player on the European level.

During 2006, the Guarantor focused on implementing and optimising the acquired structures, and thus completed its integration of Viterra AG by the end of the year.

The following years were dedicated to enhancing the Guarantor’s overall efficiency and maintaining its growth, particularly by way of acquiring a majority shareholding of 94.5% in Prima Wohnbauten Privatisierungs-Management GmbH, constituting 4,500 residential units in 2009, and by acquiring several small housing portfolios, which resulted in a total of 16,500 newly acquired housing units. Additionally, sales helped concentrate the property portfolio in metropolitan areas. In 2011, the percentage of the Guarantor’s housing units located in cities with a population of over 100,000 reached approximately 69%. This concentration of units supported a reliable and stable increase in the Guarantor’s profits by further simplifying services and maintenance.

In April 2014, Deutsche Annington completed the acquisition of the real estate business managed by DeWAG, and also entered into a contribution and investment agreement with a view to

integrating parts of the real estate business of the Vitus Group, which closed on 1 October 2014. Together, the two transactions involved a combined portfolio of about 41,500 as of 31 December 2013 for an aggregate acquisition price of approximately €2.4 billion. 9,600 residential units of the residential units acquired in the Vitus Group Takeover were subsequently sold to a subsidiary of LEG Immobilien AG on 9 October 2014. The transaction closed on 23 October 2014.

Eisenbahnwohnungsgesellschaften (EWGs)

At the end of the 19th century, the influx of people from rural areas and an increasing birth rate resulted in both the rapid growth of the urban population and the scarcity of residential housing. In response, the German Railroad company eventually founded 18 housing companies and cooperatives (EWGs) that built affordable accommodation for the blue- and white-collar workers and civil servants of the German Railroad. These companies were included in the BEV and their housing capacity amounted to approximately 115,000 housing units. At the end of 2000, the German Parliament approved the privatisation of the EWGs and the federal government sold the companies to various bidders. The ten companies holding the majority of housing units, approximately 65,000 apartments, were purchased by the Deutsche Annington Immobilien GmbH. 5.1% of the shares of the companies remained with the BEV.

Viterra AG

Viterra AG, which accounts for the majority of housing units in the Guarantor's portfolio, was the result of a merger between Veba Immobilien AG and Raab Karcher AG in 1998. The Viterra Portfolio comprised about 138,000 owned or managed residential units geographically dispersed throughout Germany, a portfolio of approximately 40 residential and commercial development projects, and a portfolio of approximately 70 commercial and logistics assets.

Its origins, however, lie in the Rheinisch-Westfälische Wohnstätten AG, another housing company founded in 1933 for blue- and white-collar workers. Viterra AG therefore builds upon a historical background similar to that of the EWGs.

Viterra AG was acquired by Deutsche Annington in 2005.

DeWAG

The DeWAG portfolio consists of approximately 11,500 residential and commercial units located predominantly in the metropolitan areas of Munich, Frankfurt, Dusseldorf, Cologne and Hamburg. On 26 February 2014, Deutsche Annington entered into a share purchase agreement with the shareholders of DeWAG, pursuant to which Deutsche Annington acquired 94% of the shares in DeWAG. The total investment for the acquisition of DeWAG amounted to around €1.0 billion. The DeWAG acquisition closed on 1 April 2014.

Retained Vitus Group

On 28 February 2014, Deutsche Annington and the shareholders of the Vitus Group entered into a contribution and investment agreement that was amended and restated on 17 April 2014 (see “—*Material Agreements—Agreements Entered into in Connection with Recent Acquisitions—Vitus Group Takeover*”). The closing of the Vitus Group Takeover took place on 1 October 2014. After the sale of around 9,600 residential units acquired in the Vitus Group Takeover located in North Rhine Westphalia, the Retained Vitus Portfolio consists of approximately 20,400 residential units located mainly in the cities of Bremen and Kiel.

Duration of the Guarantor and Corporate Purpose

The Guarantor was established for an unlimited period of time.

Pursuant to Section 2 of the Guarantor's articles of association (*Satzung* (the “**Articles of Association**”)), the Guarantor's corporate purpose is the conduct of real estate business and any related business of any kind, in particular the acquisition, the administration and the sale of developed and undeveloped properties and rights equivalent to title rights in real estate in Germany and abroad. The Guarantor may also acquire, hold or dispose of shares in German and foreign companies and

partnerships that conduct such activities. To this end, Deutsche Annington may, in particular, be active in the fields of acquiring, erecting, conducting, supervising, operating and managing buildings in all legal forms and usage types and assume all tasks arising in the fields of operating residential and commercial buildings, of urban development and infrastructure, in particular acquiring, developing improving, redeveloping, encumbering, selling real estate and granting hereditary building rights (*Erbbaurechte*). The Guarantor may further be active in the fields of developing and marketing any technical, commercial and other know-how and providing services of any kind in connection with such activities.

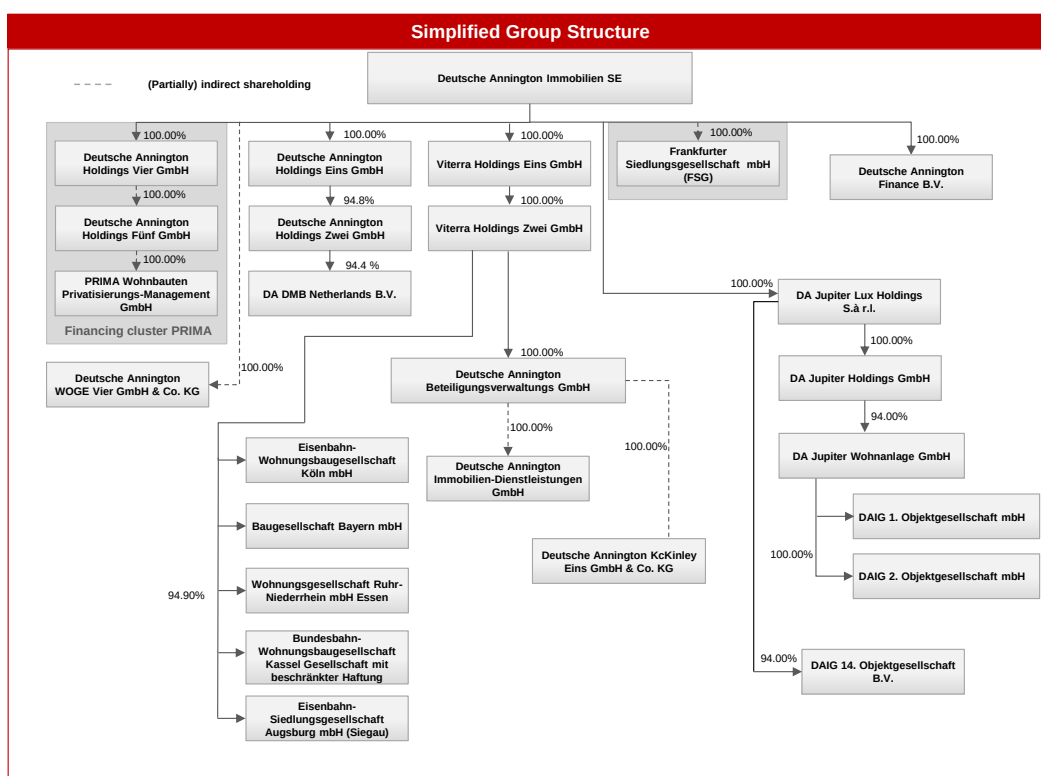
The Guarantor may dispose of any of its shareholdings and may in whole or in part carve out or transfer its business or any of its assets to affiliated entities. The Guarantor is entitled to centralise under its direction/control companies in which it holds an interest and/or restrict its activities to the management of such interest(s).

The Guarantor may also engage in any other business if this is suitable to achieve the corporate purpose of the Guarantor. The Guarantor may restrict its activities to the partial performance of the corporate purpose or may act through companies in which the Guarantor holds an interest. The Guarantor may establish branches in Germany and abroad.

Group Structure

The Guarantor is the holding company of the Group. The Guarantor's business is primarily conducted by the relevant operating subsidiaries. The Group's consolidated financial statements include all material subsidiaries whose financial and business policy can be controlled by the Guarantor, either directly or indirectly, and the equity interests of Deutsche Annington whose financial and business policy can be influenced by the Group to a significant extent. The group of consolidated companies included 112 subsidiaries as of 30 September 2014.

The following diagram sets forth a current summary (in simplified form) of the Guarantor's significant subsidiaries taking into account the relevant successive interests (*durchgerechneter Beteiligungsanteil*). The shareholdings presented also include shareholdings of affiliated companies pursuant to Sections 15 et seq. German Stock Corporation Act (*Aktiengesetz*). The Group's limited partnerships are held through third-party acquisition structures. Due to the applied calculation method, these are not represented in the chart below. The shareholdings presented below are rounded to two decimal points. The areas shaded in grey denote either the financing clusters, to which the respective companies belong or group the service companies.



Significant Subsidiaries

The following table provides an overview of the Guarantor's significant subsidiaries. The shareholdings reflect the Guarantor's direct and indirect economic interest in the respective entity. This means that shares held by the respective company itself are not taken into account when computing the percentage of participation. The shareholdings below are rounded to two decimal points. As of 31 December 2013, no amount was outstanding under the issued shares for each of the below listed subsidiaries. The principal area of business for each of these subsidiaries is set-out in the corresponding footnotes.

Name and registered office	Guarantor share (directly and indirectly) in capital of subsidiary (in %) (unaudited ^{*)})	Issued capital as of 30 September 2014	Capital reserves as of 30 September 2014	Profit/loss for the fiscal year (31 December 2013) (in € million) (unaudited ^{*)})	Payables to the Guarantor as of 30 September 2014	Receivables from the Guarantor as of 30 September 2014
Deutsche Annington Immobilien-Dienstleistungen GmbH, Dusseldorf ⁽¹⁾	94.9	0.3	7.5	(2.4)	0.0	14.0
Frankfurter Siedlungsgesellschaft mbH (FSG), Dusseldorf ⁽¹⁾	100.0	14.8	0.0	14.1	0.0	378.5
Deutsche Annington Woge Vier GmbH & Co. KG, Bochum ⁽¹⁾	100.0	180.6	0.0	(0.1)	0.0	9.9
Deutsche Annington Holdings Eins GmbH, Dusseldorf ⁽³⁾	100.0	<0.1	165.9	(2.8)	0.1	0.0
Deutsche Annington Holdings Zwei GmbH, Dusseldorf ⁽¹⁾	94.8	<0.1	138.8	(2.7)	1.4	0.0
DA DMB Netherlands B.V., Eindhoven/NL ⁽¹⁾	94.4	<0.1	7.9	(1.8)	12.6	0.0
Viterra Holdings Eins GmbH, Dusseldorf ⁽³⁾	100.0	<0.1	1,369.8	(1.1)	26.2	0.0
Viterra Holding Zwei GmbH, Dusseldorf ⁽³⁾	100.0	0.1	1,370.6 ⁽⁵⁾	(2.7)	8.4	0.0
Deutsche Annington Beteiligungsverwaltungs GmbH, Dusseldorf ⁽¹⁾	100.0	34.5	1,237.4	5.7	78.5	0.0
Deutsche Annington Holdings Vier GmbH, Dusseldorf ⁽³⁾	100.0	<0.1	36.8	7.0	5.7	0.0
Deutsche Annington Holdings Fünf GmbH, Dusseldorf ⁽³⁾	100.0	<0.1	36.9	7.2	1.9	0.0

Name and registered office	Guarantor share (directly and indirectly) in capital of subsidiary (in %) (unaudited ^{*)})	Issued capital as of 30 September 2014	Capital reserves as of 30 September 2014	Profit/loss for the fiscal year (31 December 2013) (in € million) (unaudited ^{*)})	Payables to the Guarantor as of 30 September 2014	Receivables from the Guarantor as of 30 September 2014
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen, Essen ⁽¹⁾	94.9	5.9	3.6	(2.6)	14.3	0.0
Eisenbahn-Wohnungsbaugesellschaft Köln mbH, Cologne ⁽¹⁾	94.9	10.9	8.6 ⁽⁶⁾	(4.0)	5.4	0.0
Bundesbahn-Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung, Kassel ⁽¹⁾	94.9	2.9	2.6	(2.6)	38.3	0.2
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau), Augsburg ⁽¹⁾	94.9	2.9	9.5	(9.5)	1.8	0.0
Baugesellschaft Bayern mbH, Munich ⁽¹⁾	94.9	6.3	0.9 ⁽⁷⁾	6.0	5.2	0.0
Deutsche Annington Finance B.V., Amsterdam/NL ⁽²⁾	100.0	<0.1	2.0	(7.3)	38.2	0.0
PRIMA Wohnbauten Privatisierungs - Management GmbH, Berlin ⁽¹⁾	100.0	0.1	13.0	7.3	0.0	7.9
Deutsche Annington McKinley Eins GmbH & Co. KG, Bochum ⁽¹⁾	100.0	47.2	0.0	(6.2)	0.0	7.2
DA Jupiter Lux Holdings S.à r.l., Luxemburg ⁽³⁾	94.0	4.1	538.6	(8.2)	0.0	0.0
DA Jupiter Holdings GmbH, Dusseldorf ⁽³⁾	100.0	<0.1	174.8	(15.7)	0.0	6.1
DA Jupiter Wohnanlage GmbH, Dusseldorf ⁽¹⁾	94.0	9.5	0.0	14.1	0.0	108.6
DAIG 1. Objektgesellschaft mbH, Dusseldorf ⁽¹⁾	100.0	0.8	11.8	6.6	70.8	0.0
DAIG 2. Objektgesellschaft mbH, Dusseldorf ⁽¹⁾	100.0	<0	0.0	2.9	18.2	0.0
DAIG 14. Objektgesellschaft B.V., Amsterdam ⁽¹⁾	100.0	<0.1	11.4	(2.4)	0.0	3.0

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Principal area of business: real estate.

(2) Principal area of business: service.

(3) Principal area of business: holding.

(4) Revenue reserves €83.8; profit carried forward €333.1.

(5) Revenue reserves €6.5; losses carried forward (€498.2).

(6) Profit carried forward €118.2.

(7) Profit carried forward €108.9.

Statutory Auditor

KPMG AG Wirtschaftsprüfungsgesellschaft, Alfredstraße 277, 45133 Essen, Germany, was appointed as the statutory auditor of the Guarantor, before and after its changes in legal form and name, for the fiscal years 2013, 2012 and 2011. KPMG audited the consolidated financial statements for the Guarantor prepared in accordance with IFRS for fiscal years 2013, 2012 and 2011, as well as the Guarantor's stand-alone annual financial statements prepared in accordance with German GAAP for 2013 and issued in each case an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*). KPMG is a member of the Chamber of Public Accountants (*Wirtschaftsprüfungskammer*), Rauchstraße 26, 10787 Berlin, Germany.

Notifications

In accordance with Section 3 of the Articles of Association, the Guarantor's notifications are published in the German Federal Gazette (*Bundesanzeiger*).

Selected Consolidated Financial Information for the Group

The financial information contained in the following tables is extracted or derived from the audited consolidated financial statements of the Guarantor as of and for the fiscal years ended 31 December 2013, 2012 and 2011 and the unaudited condensed consolidated interim financial statements of the Guarantor as of and for the nine-month period ended 30 September 2014. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Additional information included in

this Prospectus has been taken from the audited stand-alone financial statements of the Guarantor for the fiscal year ended 31 December 2013, which were prepared in accordance with the German Commercial Code (German GAAP).

KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, Germany (“KPMG”), has audited and issued an unqualified auditor’s report with respect to the consolidated financial statements for the fiscal years ended 31 December 2013, 2012 and 2011, and the stand-alone financial statements for the fiscal year ended 31 December 2013. In addition, KPMG has issued a review report in connection with its review with respect to the unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014. The aforementioned IFRS and German GAAP financial statements of the Guarantor and the auditor’s reports are incorporated in this Prospectus by reference. The unaudited condensed consolidated interim financial statements of the Group as of and for the nine-month period ended 30 September 2014 were prepared in accordance with Section 37x para. 3 in conjunction with Section 37w para. 2 nos. 1 and 2, paras. 3 and 4 of the German Securities Trading Act (Wertpapierhandelsgesetz) and in accordance with IFRS.

Beginning 1 January 2012, expenses for ancillary costs (an expense item that shows costs of utilities and other property-related expenses incurred by the Group) and deductible income from ancillary costs (an income item that includes the portion of the expenses for ancillary costs charged to tenants (Erlöse aus Betriebskosten)) are recognised in the period when the respective expenses for ancillary costs are invoiced by external service providers and other third parties. Prior to 2012, ancillary costs (Erlöse aus Betriebskosten) and the portion of such expenses that could be passed on to tenants were recognised only upon invoicing of the relevant costs to tenants. Comparative figures for 2011 contained in the consolidated financial statements for 2012 have been restated to reflect this change.

Beginning in fiscal year 2013, the Group adjusted its reporting of modernisation and maintenance to include total sales of its own craftsmen organisation and, accordingly, intercompany profits of the craftsmen organisation (that are eliminated in the consolidated financial statements) are included in total modernisation and maintenance. Prior to 2013, only personnel expenses of the insourced craftsmen organisation were included in total modernisation and maintenance figures, while services provided by insourced craftsmen were internally charged at market prices. In addition, beginning in fiscal year 2013, the Group presents capitalised internal expenses in a separate line item. Prior to 2013, these expenses were deducted from the original expenses. Comparative figures for 2012 contained in the consolidated financial statements for 2013 have been restated to reflect these changes.

Where financial data in the following tables is labelled “audited”, this means that it has been extracted from the audited financial statements mentioned above. The label “unaudited” is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from the Group’s unaudited condensed consolidated interim financial statements or the Group’s accounting or controlling records, or is based on calculations of these figures. All of the financial data presented in the text and tables below are shown in millions of euro (in € million), except as otherwise stated. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this Prospectus, a dash (“–”) signifies that the relevant figure is not available, while a zero (“0”) signifies that the relevant figure is available but has been rounded to zero.

The following selected financial information should be read together with the section “— Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the consolidated financial statements including the related notes contained in this Prospectus and additional financial information contained elsewhere in this Prospectus.

Consolidated Income Statement Data

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013 ⁽¹⁾	2013	2012 ⁽²⁾	2011 ⁽³⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Income from property letting	823.5	785.2	1,048.3	1,046.5	1,058.5
Other income from property management	13.2	14.3	19.3	18.4	19.8
Income from property management	836.7	799.5	1,067.6	1,064.9	1,078.3
Income from sale of properties.....	213.0	226.1	353.5	304.9	253.3
Carrying amount of properties sold.....	(180.6)	(207.1)	(325.8)	(270.4)	(188.4)
Revaluation of assets held for sale	16.5	17.2	24.3	17.1	2.7
Profit on disposal of properties	48.9	36.2	52.0	51.6	67.6
Net income from fair value adjustments of investment properties.....	26.9	540.1	553.7	205.6	246.7
Capitalised internal expenses	59.8	21.5	42.0	9.9	— ⁽⁴⁾
Changes in value of trading properties.....	—	—	—	—	204.5
Cost of materials	(382.7)	(368.1)	(502.8)	(523.3)	(548.6)
Personnel expenses.....	(130.2)	(112.4)	(172.1)	(116.2)	(90.8)
Depreciation and amortisation	(5.1)	(4.6)	(6.8)	(6.1)	(6.2)
Other operating income	34.7	33.1	45.8	43.5	44.4
Other operating expenses	(110.7)	(67.0)	(104.2)	(83.2)	(70.6)
Financial income	4.2	16.8	14.0	12.3	14.7
Financial expenses	(206.7)	(221.1)	(299.6)	(443.2)	(362.1)
Profit before tax.....	175.8	674.0	689.6	215.8	577.9
Income tax.....	(53.8)	(199.7)	(205.4)	(43.6)	(154.3)
Profit for the period	122.0	474.3	484.2	172.2	423.6
Attributable to:					
Guarantor's shareholders.....	117.3	469.2	480.2	171.4	423.0
Non-controlling interests.....	4.7	5.1	4.0	0.8	0.6

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

- (1) Figures extracted from the Guarantor's unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014, figures for the nine-month period ended 30 September 2013 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal modernisation expenses in a separate line item for the first time, resulting in an increase in costs of materials of €11.0 million, in personnel expenses of €6.7 million and in other operating expenses of €3.8 million.
- (2) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for 2012 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of materials of €3.8 million, in personnel expenses of €4.1 million and in other operating expenses of €2.0 million.
- (3) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Figures for 2011 have been restated in accordance with the accounting principles in effect in 2012, which resulted in a decrease in income from property letting and income from property management and a corresponding decrease in cost of materials in the amount of €4.3 million compared to the figures reported in the 2011 consolidated financial statements. In addition, the application of the 2012 accounting principles led to an increase in profit on disposal of properties and a corresponding decrease in net income from fair value adjustments of investment properties in the amount of €2.7 million for fiscal year 2011.
- (4) Had the Group applied the accounting principles in effect 2013 in fiscal year 2011, the consolidated income statement would have shown capitalised internal expenses of €3.4 million and an increase in personnel expenses of €2.3 million and in other operating expenses of €1.1 million.

Consolidated Balance Sheet Data

	As of 30 September	As of 31 December		
	2014	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)	(audited) (in € million)		
Intangible assets	2.8	3.8	5.2	7.7
Property, plant and equipment	22.7	20.7	16.2	7.1
Investment properties	11,337.4	10,266.4	9,843.6	9,893.8
Financial assets	63.9	42.5	44.6	44.3
Other assets	16.2	16.1	28.3	18.8
Income tax receivables	0.1	0.1	0.1	0.2
Deferred tax assets	3.0	3.0	8.8	0.0
Total non-current assets	11,446.1	10,352.6	9,946.8	9,971.9
Inventories	1.4	2.5	0.9	12.8
Trade receivables	53.0	103.5	20.3	49.5
Other financial assets	1,101.8	2.1	2.1	2.2
Other assets	36.5	26.3	26.5	26.3
Income tax receivables	14.6	12.1	12.8	15.9
Cash and cash equivalents	196.9	547.8	470.1	278.5
Assets held for sale	41.4	45.9	128.8	25.9
Total current assets	1,445.6	740.2	661.5	411.1
Total assets	12,891.7	11,092.8	10,608.3	10,383.0
Subscribed capital	240.2	224.2	0.1	0.1
Capital reserves	1,716.1	1,430.1	1,052.3	718.2
Retained earnings	2,098.3	2,178.5	1,661.1	1,539.3
Other reserves	(56.2)	(27.3)	(47.1)	(41.3)
Total equity attributable to the Guarantor's shareholders	3,998.4	3,805.5	2,666.4	2,216.3
Non-controlling interests	17.2	12.5	11.0	13.5
Total equity	4,015.6	3,818.0	2,677.4	2,229.8
Provisions	392.2	342.6	358.2	296.9
Trade payables	0.2	0.3	0.3	0.3
Other financial liabilities	6,986.2	5,553.0	5,766.7	6,146.1
Income tax liabilities	0.0	0.0	86.3	105.6
Other liabilities	10.5	9.8	4.8	5.1
Deferred tax liabilities	1,007.6	925.0	724.2	691.9
Total non-current liabilities	8,396.7	6,830.7	6,940.5	7,245.9
Provisions	144.5	148.6	185.5	196.9
Trade payables	44.2	47.6	46.0	37.6
Other financial liabilities	253.7	212.1	683.8	619.2
Income tax liabilities	0.0	0.0	26.5	26.0
Other liabilities	37.0	35.8	48.6	27.6
Total current liabilities	479.4	444.1	990.4	907.3
Total liabilities	8,876.1	7,274.8	7,930.9	8,153.2
Total equity and liabilities	12,891.7	11,092.8	10,608.3	10,383.0

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Figures for 2011 have been restated in accordance with the accounting principles in effect in 2012, which resulted in a decrease in inventories, total current assets and total assets and a corresponding decrease in total current liabilities, total liabilities and total equity and liabilities in the amount of €313.9 million, comprised of a €345.6 million decrease in other liabilities partially offset by a €31.7 million increase in provisions, compared to the figures reported in the 2011 consolidated financial statements. In addition, the application of the 2012 accounting principles led to a decrease in retained earnings and a corresponding increase in other reserves in the amount of €0.4 million for fiscal year 2011.

Consolidated Cash Flow Statement Data

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Cash flow from operating activities	305.9	130.5	259.6	385.5	585.0
Cash flow from investing activities.....	(1,379.2)	159.7	171.3	194.5	87.8
Cash flow from financing activities	722.4	(479.4)	(353.2)	(388.4)	(705.0)
Net changes in cash and cash equivalents	(350.9)	(189.2)	77.7	191.6	(32.2)
Cash and cash equivalents at the beginning of the period	547.8	470.1	470.1	278.5	310.7
Cash and cash equivalents at the end of the period	196.9	280.9	547.8	470.1	278.5

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Figures for fiscal year 2011 have been restated in accordance with the accounting principles in effect in fiscal year 2012, which resulted in an increase in cash flow from operating activities and a corresponding decrease in cash flow from financing activities in the amount of €4.4 million compared to the figures reported in the 2011 consolidated financial statements.

Additional Key Figures

Deutsche Annington believes that the key performance indicators described in this section constitute the most important indicators for measuring the operating and financial performance of the Group's business.

Deutsche Annington expects the performance measures Adjusted EBITDA, NAV, the LTV-Ratio, FFO I, AFFO and FFO II (as defined below) to be of use for potential investors (together "**Performance Measures**"). Deutsche Annington believes that the Performance Measures are useful in evaluating the Group's operating performance, the net value of the Group's property portfolio, the level of Deutsche Annington's indebtedness and of cash flow generated by the Group's business, because a number of companies, in particular companies in the real estate business, also publish these figures as key performance indicators. However, the Performance Measures are not recognised as measures under IFRS or German GAAP and should not be considered as substitutes for figures on net assets, results before taxes, net earnings, cash flow from operating activities or other income statement, cash flow or balance sheet data, as determined in accordance with IFRS, or as measures of profitability or liquidity. The Performance Measures do not necessarily indicate whether cash flow will be sufficient or available for the Group's cash requirements, nor whether any such measure is indicative of the Group's historical operating results. The Performance Measures are not meant to be indicative of future results. Because not all companies calculate these Performance Measures in the same way, the Group's presentation of the Performance Measures is not necessarily comparable with similarly-titled measures used by other companies.

The following presents a summary of certain additional key figures for the periods presented.

	As of and for the nine-month period ended 30 September		As of and for the year ended 31 December		
	2014	2013	2013	2012 ⁽¹⁾	2011
	(unaudited ^{*)} and in € million, unless otherwise specified)		(unaudited ^{*)} and in € million, unless otherwise specified)		
Rental income	572.7 ^{**) (***)}	546.1 ^{**) (***)}	728.0 ^{**) (***)}	729.0 ^{**) (***)}	730.7 ^{**) (***)}
Adjusted EBITDA ⁽²⁾	400.2	363.1	470.4	474.0	477.2
FFO I ⁽³⁾	205.0	163.4	223.5	169.9	150.6
FFO II ⁽³⁾	240.7	190.8	251.2	206.6	179.2
AFFO ⁽³⁾	188.4	147.7	203.5	146.2	135.1
FFO I (excluding maintenance) ⁽³⁾	311.4	268.5	360.0	297.2	280.0
NAV ⁽⁴⁾	5,094.8	4,766.5	4,782.2	3,448.9	2,968.0

	As of and for the nine-month period ended 30 September		As of and for the year ended 31 December		
	2014	2013	2013	2012 ⁽¹⁾	2011
	(unaudited ^{*)} and in € million, unless otherwise specified)		(unaudited ^{*)} and in € million, unless otherwise specified)		
LTV-Ratio (in % and at end of period) ⁽⁵⁾	52.8	50.9	50.2	58.6	64.8
Modernisation and maintenance (in €/sqm per year) ⁽⁶⁾	21.1	12.8	20.0	18.4	16.0
Number of employees at end of period	3,436 ^{**)}	2,815 ^{**)}	2,935 ^{***)}	2,407 ^{***)}	1,279 ^{***)}
Number of units sold (recorded sales)	2,651	3,415	6,720	4,819	3,169
<i>thereof Privatised</i>	1,778	2,001	2,576	2,784	2,503
<i>thereof Non-Core</i>	873	1,414	4,144	2,035	666
Vacancy rate (in %) ⁽⁷⁾	3.6	3.9	3.5	3.9	4.1
Monthly in-place rent (in €/sqm) ⁽⁸⁾	5.59	5.37	5.40	5.28	5.17
Number of residential units at end of period	183,983	178,565	175,258	181,954	186,530

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

**) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

***) Audited.

- (1) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for fiscal year 2012 have been restated in accordance with the accounting principles in effect in fiscal year 2013.
- (2) Adjusted earnings before interest, taxes, depreciation, amortisation, write-ups and write-downs "Adjusted EBITDA" is the result before interest, taxes, depreciation, amortisation, write-ups and write-downs (including income from other investments) adjusted for the non-recurring items such as acquisition costs, for net income from fair value adjustments of investment property and for period adjustments from assets held for sale and trading properties (effect). The non-recurring result comprises effects considered by the Guarantor to be unusual or infrequent effects which have an impact on the result, such as project costs for the further development of business. The following table shows the calculation of the Adjusted EBITDA for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ^(a)
	(unaudited ^{*)} (in € million)		(audited, unless otherwise specified) (in € million)		
Profit for the period	122.0	474.3	484.2	172.2	423.6
Interest expense/income	203.4	205.0	288.3	433.9	350.1
Income taxes	53.8	199.7	205.4	43.6	154.3
Depreciation	5.1	4.6	6.8	6.1	6.2
Income from fair value adjustment of investment properties	(26.9)	(540.1)	(553.7)	(205.6)	(246.7)
Changes in value of trading properties	—	—	—	—	(204.5)
= EBITDA IFRS^{**)}	357.4	343.5	431.0	450.2	483.0
Non-recurring items (unaudited)	40.5	18.5	48.4	21.2	17.9 ^{**)}
Thereof					
<i>Business model optimisation/development of new fields of business</i> ^{**) (b)}	1.2	3.8	4.8	7.5	10.8
<i>Acquisition costs</i> ^{**) (c)}	29.2	0.1	2.3	0.0	0.0
<i>Refinancing and equity measures</i> ^{**) (d)}	0.3	13.9	20.4	10.5	3.5
<i>Severance payments/pre-retirement, part-time work arrangements</i> ^{**) (e)}	9.8	0.7	20.9	3.2	3.6
Total period adjustments from assets held for sale^(e)	2.3	1.1	(9.0)	2.6	(23.7)^{**)}
Adjusted EBITDA (unaudited)^{**)}	400.2	363.1	470.4	474.0	477.2

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

**) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(a) Figures for fiscal year 2011 have been restated following a reallocation of neutral effects.

(b) Includes separation of property management from asset management, establishment of the customer care centre and down-sizing of regional staff, centralisation and standardisation of the property management process and restructuring of sales forces, start-up costs incurred in connection with the establishment of the caretaker and craftsmen organisations.

(c) Includes costs incurred in connection with the acquisition of DeWAG and the Vitus Group Takeover (as defined under "—Management's Discussion and Analysis of Financial Condition and Results of Operations").

- (d) Includes preparations of the initial public offering of the Guarantor's shares ("IPO"), costs related to the restructuring of the collateralised real estate funding notes that were issued and sold by the Group to GRAND, and other cost of refinancing and equity to the extent not taken against liabilities or equity.
- (e) Adjustments are aimed at eliminating the effect of certain reporting principles resulting in the recognition of profit on disposal of properties in periods prior to the recognition of income from the sale of such properties as well as eliminating the effect of the reclassification of trading properties into investment properties at the end of fiscal year 2011. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Profit on Disposal of Properties*".
- (3) Funds from operations ("FFO") is an indicator of available cash flow from operating activities. In addition to Adjusted EBITDA, recurring cash net interest expense from non-derivative financial instruments and income taxes are included in FFO. While the indicator is not determined on the basis of any specific international accounting standard, it can be seen as a complement to other indicator earnings figures determined in accordance with IFRS. Deutsche Annington differentiates between: "FFO I" (not including Adjusted EBITDA Sales (as defined below)), in which Adjusted EBITDA for the respective periods is adjusted for operating income from sales activities (Adjusted EBITDA Sales (as defined below)), net interest expenses excluding special items (e.g., transaction costs, prepayment penalties, commitment interest) and current income taxes; "FFO I (before maintenance)", in which maintenance is deducted from FFO I; "AFFO" (investment-adjusted FFO I), FFO I is adjusted for capitalised maintenance; "FFO II", in which Adjusted EBITDA Sales is added to FFO I for the respective periods.

The following table shows the calculation of FFO I, AFFO, FFO I (excluding maintenance) and FFO II:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012 ^(a)	2011
	(unaudited ^{*)}) (in € million)		(unaudited ^{*)}) (in € million)		
Adjusted EBITDA ^(b)	400.2	363.1	470.4	474.0	477.2
Adjusted EBITDA Sales.....	(35.7)	(27.4)	(27.7)	(36.7)	(28.6)
Adjusted EBITDA Rental.....	364.5	335.7	442.7	437.3	448.6
Interest Expense FFO ^(c)	(153.5)	(166.3)	(210.7)	(265.3)	(293.1)
Current income taxes ^(d)	(6.0)	(6.0)	(8.5) ^{**)}	(2.1) ^{**)}	(4.9) ^{**)}
FFO I	205.0	163.4	223.5	169.9	150.6
Capitalised maintenance ^(e)	(16.6)	(15.7)	(20.0)	(23.7)	(15.5)
AFFO	188.4	147.7	203.5	146.2	135.1
Adding back capitalised maintenance ^(e)	16.6	15.7	20.0	23.7	15.5
Adding back expenses for maintenance.....	106.4	105.1	136.5 ^{**)}	127.3 ^{**)}	129.4
FFO I (excluding maintenance)	311.4	268.5	360.0	297.2	280.0
Maintenance expenses.....	(106.4)	(105.1)	(136.5)	(127.3)	(129.4)
Adjusted EBITDA Sales.....	35.7	27.4	27.7	36.7	28.6
FFO II (FFO I incl. adjusted profit from property sales)	240.7	190.8	251.2	206.6	179.2

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

**) Audited.

- (a) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for fiscal year 2012 have been restated in accordance with the accounting principles in effect in fiscal year 2013.
- (b) Adjusted earnings before interest, taxes, depreciation, amortisation, write-ups and write-downs. For a calculation of Adjusted EBITDA, please refer to footnote (2) above.
- (c) Refers to the balance of interest paid and interest received excluding non-recurring results.
- (d) Refers to current income taxes as recorded in the Group's profit and loss statement (excluding aperiodical items). Deutsche Annington does not take the tax relevant cash flow items into account to determine funds from operation as these fluctuate significantly from period to period and are impacted by non-recurring effects.
- (e) Refers to investments that are designed to preserve the value of the respective property without intercompany profits.
- (4) NAV is used as an indicator of the Group's long-term equity and is calculated based on the net asset value excluding the fair value of derivative financial instruments (net) and deferred taxes. The NAV includes fair value adjustments for trading properties that are not recognised at Fair Value as part of the NAV in the IFRS accounts.

The following table shows the calculation of the NAV as of the dates presented:

	As of 30 September	As of 31 December		
	2014	2013	2012	2011
	(unaudited ^{*)}) (in € million)	(audited, unless otherwise specified) (in € million)		
Equity attributable to the Guarantor's shareholders.....	3,998.4 ^{**)}	3,805.5	2,666.4	2,216.3
Fair value of derivative financial instruments ^(a)	91.8	54.7	67.1	59.8
Deferred taxes ^(b)	1,004.6 ^{**)}	922.0	715.4	691.9
NAV (unaudited)	5,094.8	4,782.2	3,448.9	2,968.0

- *) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.
 **) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.
 (a) Adjusted for effects from cross currency swaps.
 (b) Deferred taxes results from the netting of the relevant balance sheet line items "Deferred tax assets" and "Deferred tax liabilities".

- (5) The LTV-Ratio is the ratio of the nominal amount of financial liabilities (excluding liabilities for so-called EK 02 tax liabilities), less cash and cash equivalents, to the sum of investment properties, trading properties, owner-occupied properties and assets held for sale. The following table shows the calculation of the LTV-Ratio as of the dates shown:

	As of 30 September 2014	As of 31 December		
	(unaudited) ^{*)} (in € million)	2013	2012	2011
		(audited, unless otherwise specified) (in € million)		
Financial liabilities (unaudited) ^{**) (a)}	6,795.0	5,728.1	6,318.5	6,716.2
Less: Cash and cash equivalents	(236.2)	(547.8)	(470.1)	(278.5)
Net financial liabilities (unaudited) ^{**) (a)}	6,558.8	5,180.3	5,848.4	6,437.7
Investment properties	12,360.1	10,266.4	9,843.6	9,893.8
Trading properties ^(b)	—	—	—	16.2
Owner-occupied properties	12.1 ^{**) (a)}	12.2	9.5	3.7
Assets held for sale	41.4	45.9	128.8	25.9
Total properties and assets held for sale (unaudited) ^{**) (a)}	12,413.6	10,324.5	9,981.9	9,939.6
LTV-Ratio (in % and at end of period) (unaudited) ^{**) (a)}	52.8	50.2	58.6	64.8

- *) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014 and adjusted for the sale of the Leopard Portfolio and the Vitus Group Takeover (as defined under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*").

- **) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.
 (a) Financial liabilities based on nominal amounts; the nominal amounts do, in particular, not include capital lease obligations and effects from the evaluation of derivatives and are thus slightly lower than those recognised in the Group's consolidated balance sheet prepared in accordance with IFRS. If the IFRS values were applied, the LTV-Ratio would amount to 54.0% as of 30 September 2014, 50.5% as of 31 December 2013, 59.9% as of 31 December 2012 and 65.3% as of 31 December 2011.
 (b) Refers to the Fair Value of the trading properties as of the dates shown.

- (6) Modernisation and maintenance per sqm is the quotient of the total modernisation and maintenance including work performed by insourced craftsmen organisation and the total living area. The following table shows the calculation of modernisation and maintenance for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012 ^(a)	2011 ^(b)
	(unaudited ^(*))		(unaudited ^(*) , unless otherwise specified)		
	(in € million, unless otherwise specified)		(in € million, unless otherwise specified)		
Maintenance expenses	106.4	105.1	136.5 ^{**}	127.3 ^{**}	129.4
Capitalised maintenance ^(c)	16.9	15.7	21.1	23.7	15.5
Modernisation ^(d)	120.0	26.6	70.8	65.7	47.6
Total modernisation and maintenance work.....	243.3	147.4	228.4	216.7	192.5
<i>thereof sales of own craftsmen's organisation.....</i>	<i>129.8</i>	<i>86.6</i>	<i>123.8</i>	<i>54.3</i>	<i>1.4</i>
<i>thereof bought-in services</i>	<i>113.5</i>	<i>60.8</i>	<i>104.6</i>	<i>162.4</i>	<i>191.1</i>
Total average living area (in thousand sqm) (unaudited).....	11,544	11,490	11,446	11,760	12,022

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

**) Audited.

(a) Figures extracted from the Guarantor's 2013 audited consolidated financial statements.

(b) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

(c) Refers to investments that are designed to preserve the value of the respective property and includes intercompany profits of €0.3 million.

(d) Refers to investments that are designed to increase the value of the respective property and often trigger the statutory right to increase rents with respect to the modernised unit within the applicable legal framework or to reduce vacancy.

(7) Number of vacant residential units as of 30 September 2014, 31 December 2013, 2012 and 2011, respectively, divided by total number of residential units owned on the respective date.

(8) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 31 December 2011, 2012 and 2013 and 30 September 2013 and 2014, respectively, before deducting non-transferable property management costs, divided by the residential floor area of rented residential units as of the same dates. Residential in-place rent is often also referred to as "net cold rent".

Segments

Since the beginning of the first quarter of 2013, the Group has had two operating segments: Rental and Sales. The following discussion presents selected segment financial data for the nine-month periods ended 30 September 2014 and 30 September 2013 and for the fiscal years 2013, 2012 and 2011 on the basis of segment reporting currently in effect.

The Rental segment comprises activities relating to residential property management, lease management, modernisation and maintenance and tenant assistance. The Rental segment constitutes the Group's core segment. Adjusted EBITDA Rental is derived by subtracting property management costs and maintenance expenses from rental income generated by the Group ("**Adjusted EBITDA Rental**").

The Sales segment comprises all activities relating to the sale of residential and other units and covers both single unit sales (privatisation) that include sales of condominium units and single-family homes and non-core divestitures that include multi-family residential buildings and commercial properties. Adjusted EBITDA Sales is derived by subtracting all operating expenses (excluding overhead costs) incurred in connection with sales activities from profit on disposal of properties generated by the Group and by adjusting profit on disposal of properties for certain reclassification and timing effects ("**Adjusted EBITDA Sales**") described under "*—Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Profit on Disposal of Properties*".

The following table presents the Group's Adjusted EBITDA Rental and Adjusted EBITDA Sales for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011
	(unaudited ^{*)} (in € million)		(unaudited, unless otherwise specified) (in € million)		
Rental segment					
Rental income.....	572.7	546.1	728.0 ^{***)}	729.0 ^{***)}	730.7 ^{***)}
Maintenance expenses.....	(106.4)	(105.1)	(136.5) ^{**)}	(127.3) ^{**)}	(129.4) ^{**)}
Property management costs ^{**)(1)}	(101.8)	(105.3)	(148.8)	(164.4)	(152.7)
Adjusted EBITDA Rental^{**)(2)}	364.5	335.7	442.7	437.3	448.6
Sales segment					
Income from disposal of properties.....	213.0	226.1	353.5 ^{***)}	304.9 ^{***)}	253.3 ^{***)}
Carrying amount of properties sold.....	(180.6)	(207.1)	(325.8) ^{***)}	(270.4) ^{***)}	(188.4) ^{***)}
Revaluation of assets held for sale.....	16.5	17.2	24.3 ^{***)}	17.1 ^{***)}	2.7 ^{***)}
Profit on disposal of properties (IFRS).....	48.9	36.2	52.0^{***)}	51.6^{***)}	67.6^{***)}
Reclassification of trading properties into investment properties ^{**)}	-	-	-	-	(21.0)
Revaluation (realised) of assets held for sale ^{**)}	(16.5)	(17.2)	(24.3)	(17.1)	(2.7)
Revaluation from disposal of assets held for sale ^{**)}	18.8	18.3	15.3	19.7	-
Adjusted profit from disposal of properties^{**)}	51.2	37.3	43.0	54.2	43.9
Selling costs ^{**)}	(15.5)	(9.9)	(15.3)	(17.5)	(15.3)
Adjusted EBITDA Sales^{**)(2)(3)}	35.7	27.4	27.7	36.7	28.6

^{*)} Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

^{**)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

^{***)} Audited.

(1) Includes all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, Deutsche Annington includes other income from property management which is offset by costs, such as income from condominium administration for other owners or public-sector rent supplements.

(2) Deutsche Annington uses Adjusted EBITDA Rental and Adjusted EBITDA Sales as indicators of segment profitability in accordance with IFRS 8. Because not all companies calculate Adjusted EBITDA in the same way, these indicators as used by the Guarantor are not necessarily comparable with similarly or comparably-titled measures used by other companies. Adjusted EBITDA Rental and Adjusted EBITDA Sales together equal Adjusted EBITDA of the Group.

(3) Adjustments are aimed at eliminating the effect of certain reporting principles resulting in the recognition of profit on disposal of properties in periods prior to the recognition of income from the sale of such properties as well as eliminating the effect of the reclassification of trading properties into investment properties at the end of fiscal year 2011. For more information, see "—Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Profit on Disposal of Properties".

Management's Discussion and Analysis of Financial Condition and Results of Operations

Deutsche Annington considers itself Germany's largest private-sector residential real estate company in terms of portfolio value and number of units owned. By the same measure, Deutsche Annington is also one of the top ten listed European real estate companies and the largest listed German residential real estate company. As of 30 September 2014, the Group's real estate portfolio comprised 183,983 residential units, 45,682 garages and parking spaces as well as 1,261 commercial units and was valued at €11.4 billion. In April 2014, Deutsche Annington completed the acquisition of the real estate business managed by DeWAG group and entered into a share purchase agreement for the Vitus Group Takeover which closed on 1 October 2014 (the transferred entities are hereinafter referred to as the "**Vitus Group**" and, excluding the entities resold to a subsidiary of LEG Immobilien AG in October 2014, the "**Retained Vitus Group**" and the portfolio owned by the Retained Vitus Group is referred to as the "**Retained Vitus Portfolio**"). On 9 October 2014, Deutsche Annington, as seller, and a subsidiary of LEG Immobilien AG, as buyer, signed an agreement regarding the sale of a portfolio comprising around 9,600 residential units (the "**Leopard Portfolio**"),

which closed on 23 October 2014. The Leopard Portfolio constitutes part of the portfolio of the newly acquired Vitus Group located in North Rhine Westphalia. Given the proximity of the closing of the Vitus Group Takeover on 1 October 2014 and the sale of the Leopard Portfolio on 9 October 2014, Deutsche Annington did not exercise a significant level of control over the Leopard Portfolio within the limited timeframe of ownership without intention to operate the Leopard portfolio beyond the normal course of business and therefore does not expect to consolidate the Leopard Portfolio in its financial statements for the fiscal year 2014. Together, the DeWAG portfolio and the Retained Vitus Portfolio comprised about 31,700 units as of 31 December 2013 for an aggregate acquisition price of approximately €2.0 billion. For information on the DeWAG portfolio and the Retained Vitus Portfolio, see “—Business—Strategy—Acquisition Strategy – Growth through opportunistic acquisitions and integration of new portfolios—Acquisitions of DeWAG and the Retained Vitus Portfolio”.

Although Deutsche Annington owns properties throughout Germany, approximately 96% of its portfolio as measured by Fair Value is situated in the old German Federal States (*Alte Bundesländer*) including Berlin. On average, the Group’s residential units contain two to three rooms and have an overall size of 64 sqm. Therefore, Deutsche Annington believes it is well situated to benefit from the growth of one and two-person households in Germany, which is expected to be particularly strong in Germany’s metropolitan areas (*Source: BBSR – Regional Planning 2030*). As of 30 September 2014, the vacancy rate of the Group’s portfolio was approximately 3.6%, and residential in-place rent amounted to €5.59 per sqm per month, including the DeWAG portfolio.

Since the beginning of the first quarter of 2013, the Group has had two reporting segments: Rental and Sales. The Rental segment comprises activities relating to residential property management, lease management, modernisation and maintenance and tenant assistance. The Sales segment comprises all activities relating to the sale of residential and other units and covers both single unit sales (privatisation), including the sales of condominium units and single-family homes and assets allocated to the “Non-Core” portfolio, which includes multi-family residential buildings, commercial properties and undeveloped land. The Group’s main indicator of segment profitability is Adjusted EBITDA. In this Prospectus, Deutsche Annington presents unaudited information on segment profitability for the fiscal years under review on the basis of its current segment structure.

During the nine-month period ended 30 September 2014, the Group generated income from property letting of €823.5 million, EBITDA IFRS of €357.4 million and Adjusted EBITDA of €400.2 million, with Adjusted EBITDA Rental contributing €364.5 million and Adjusted EBITDA Sales contributing €35.7 million to Adjusted EBITDA.

During fiscal year 2013, the Group generated income from property letting of €1,048.3 million, EBITDA IFRS of €431.0 million and Adjusted EBITDA of €470.4 million, with Adjusted EBITDA Rental contributing €442.7 million and Adjusted EBITDA Sales contributing €27.7 million to Adjusted EBITDA.

The Group’s financial liabilities include both bank financing and capital market instruments such as bonds and securitised debt. As of 30 September 2014, the Group’s net financial debt amounted to €6,558.8 million (nominal), resulting in an LTV-Ratio of 52.8% (adjusted for effects arising from the Vitus Group Takeover), and the Group’s NAV amounted to €5,094.8 million.

For a reconciliation of Adjusted EBITDA, NAV and the LTV-Ratio to the most nearly comparable IFRS figures, see “—Selected Consolidated Financial Information for the Group—Additional Key Figures”.

Key Factors Affecting Results

Deutsche Annington believes that the factors discussed below have affected its results in the periods for which financial information is presented in this Prospectus and will continue to affect its results in the future:

Economic and Demographic Developments in Germany

Deutsche Annington's results are subject to general economic conditions and demographic trends prevailing in Germany. Cyclical economic developments beyond the Group's control, including changes in growth and unemployment rates, price trends and interest rate levels, affect rental income levels, the potential for property sales, opportunities for acquisitions and purchase prices. For example, economic growth and favourable market conditions in the periods under review contributed to higher rents, while the benign interest rates environment positively affected prices at which the Group was able to sell individual properties from its residential portfolio. After a good start to the year, the gross domestic product in the second quarter of 2014 declined, according to IfW Kiel. Also, quoted rents have stabilised following a significant increase in the national average in the first quarter of 2014. The Guarantor believes that the evolution of market prices of residential properties in big prime locations in Germany such as, among others, Berlin, Munich and Hamburg continues to be very positive.

Demographic factors such as changes in living space per capita, average household size, home ownership rate and migration patterns also affect the rental yields and market values of properties in the Group's residential portfolio. It is expected that the number of households in Germany will continue to increase by 2.9% between 2010 and 2030 (*Source: BBSR – Regional Planning 2030*), particularly in cities and densely populated areas. The increase in the number of one- and two-person households is expected to be more pronounced, with a projected growth rate of 8.9% between 2010 and 2025 (*Source: BBSR – Regional Planning 2030*). Residential living area demand is also expected to grow by 6% from 2010 to 2025 due to an increased desire for more living space and the ageing population. Average per capita floor space of tenants' households is expected to grow from 37.2 sqm in 2010 to 40.5 sqm in 2025 (*Source: BBSR – Residential Market Prediction 2025*). However, trends in the individual micro markets in which Deutsche Annington operates may have a more significant impact on the Group's results than overall demographic developments, whether in Germany as a whole or at a regional or state level. For more information on the micro markets in which the Group's residential properties are located, see “—Markets and Competition—Markets—Germany—Demographic Trends”.

Portfolio Size, Rent Levels and Vacancy Rates

Income from property management depends on the performance of the key operational metrics in the rental business: portfolio size, rent levels and vacancy rates. The following table sets forth information on the Group's residential portfolio, average monthly residential in-place rent per sqm and average vacancy rate:

	As of and for the nine-month period ended 30 September	As of and for the year ended 31 December		
	2014	2013	2012	2011
	(unaudited ^{*)})	(unaudited ^{*)} , unless otherwise specified)		
Number of residential units	183,983	175,258	181,954 ⁽¹⁾	186,530
Living area at end of period (in thousand sqm)	11,763	11,182	11,612	11,918
Monthly in-place rent (in € per sqm) ⁽²⁾	5.59	5.40	5.28	5.17
Vacancy rate at period end (in % of units) ⁽³⁾	3.6	3.5	3.9	4.1
Rental income (in € million)	572.7 ^{**})	728.0 ^{***})	729.0 ^{***})	730.7 ^{***})

^{*)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

^{**}) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

^{***}) Audited.

(1) Figure derived from the Guarantor's 2013 audited consolidated financial statements.

(2) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 31 December 2011, 2012 and 2013 and 30 September 2014, respectively, before deducting non-transferable property management costs, divided by the residential floor area of rented residential units as of the same dates. Residential in-place rent is often also referred to as “net cold rent”.

(3) Number of vacant residential units as of 30 September 2014 and 31 December 2013, 2012 and 2011, respectively, divided by total number of residential units owned on the respective date.

Portfolio size: Income from property management tends to increase or decrease with changes in the size of the investment portfolio. In the past three years, driven by the strategy of improving the structure of the investment portfolio and favourable market conditions, the Group steadily increased the number of sales of residential and other properties. Although income from property management is negatively affected by a decline in the size of the investment portfolio, portfolio optimisation tends to result in improvements in average rental and vacancy rates for the remaining portfolio. The Group intends to further improve its residential portfolio by implementing selective sales of assets allocated by the Group to its “Privatise” and “Non-Core” portfolios.

Deutsche Annington completed the acquisition of the real estate business managed by DeWAG in April 2014 and entered into a share purchase agreement with a view to integrating parts of the real estate business of the Vitus Group, which closed on 1 October 2014. Deutsche Annington believes that the two transactions, even after the sale of the Leopard Portfolio, will have a positive impact on the Group’s NAV and FFO per share in fiscal year 2015.

The Group intends to continue to grow its portfolio through further acquisitions in the future. While such acquisitions will positively affect income from property management, the impact on operating measures such as residential in-place rent and vacancy rates and financial measures such as FFO, the LTV-Ratio and NAV will depend on the characteristics of the acquired portfolio and related financing structure. Under the Group’s investment policy, in addition to presenting a strategic fit, planned acquisitions should usually be FFO I accretive, at least NAV neutral, and should support the Group’s stable BBB credit rating.

Rent levels: The Group’s income from property management is directly affected by the level of residential in-place rent per sqm it is able to charge. Rent levels depend generally on the location and condition of properties in the portfolio. Deutsche Annington constantly monitors current market rents and rent indices (*Mietspiegel*) in individual micro markets where its properties are located and strives to set its rents in line with the current market level to the extent allowed by law and its contractual arrangements. The Group also puts substantial effort into improving its housing stock, particularly through investments in energy efficiency, senior living modernisations and high standard refurbishments which increase the economic value of residential units and allow the Group to increase rents, including under existing rental agreements. In the past three years, Deutsche Annington was able to raise the average residential in-place rent per sqm per month from €5.17 as of 31 December 2011, to €5.28 as of 31 December 2012, to €5.40 as of 31 December 2013 and to €5.59 as of 30 September 2014. Excluding the effects of the DeWAG acquisition, the residential in-place rent per sqm per month as of 30 September 2014 would have amounted to €5.51.

Vacancy rates: Vacancy rates also affect the profitability of the Group’s rental business due to the loss of rental income and the inability to pass on to tenants the ancillary expenses with respect to vacant units. The number of vacant units depends on both regional economic and demographic trends and the condition and attractiveness of a particular property. Tenant turnover contributes to the number of vacant units due to the fact that time may elapse before newly vacated units can be re-let. Although high vacancy rates adversely affect Deutsche Annington’s rental business, the Group may be able to charge an additional premium for vacant units in individual sales to prospective tenants and small capital investors and therefore from time to time chooses to keep certain units designated for privatisation vacant. The Group has implemented measures to reduce vacancy rates, tenant turnover and the time it takes to conclude new leases with respect to vacated units, and it will continue its efforts in this regard. Such measures contributed to a decline in the Group’s vacancy rate from 4.1% as of 31 December 2011 to 3.6% as of 30 September 2014. While the Group’s vacancy rate may increase slightly in the near term as a result of the integration of the Retained Vitus Portfolio, Deutsche Annington believes that in the medium term it will be able to achieve a reduction of the vacancy rate for the combined portfolio as a result of property related improvements.

Sales Prices, Sales Proceeds and Profit on Disposals of Properties

The Group’s profit on the disposal of properties depends generally on the number of units sold, market prices for the properties in its portfolio and the mix of properties sold. Sales prices are influenced significantly by the location and condition of the property in question, the level of rental

income it is able to generate, the prevailing interest rates and the general perception of the relevant asset class by investors. Increases in the construction of new residential units can reduce market demand for the Group's real estate holdings and adversely affect the prices that Deutsche Annington can realise from disposals. Political and regulatory decisions and developments, such as, for example, decisions to increase public spending for construction of affordable housing, introduction of a limit on rent increases (the so-called rental price brake, or *Mietpreisbremse*), increase in the real estate transfer tax, which most recently took place in 2014 in a number of states (with some becoming effective in 2015), also influence supply and demand in the residential property market and affect price trends for residential real estate. In recent years, *inter alia*, due to the low interest rate environment and the general positive perception of the relevant asset class, demand for real estate has been strong.

The Group engages in two types of property sales: single unit sales (privatisations) that include sales of single units in condominium properties and single-family homes and sales of assets allocated to the "Non-Core" portfolio that include multi-family residential buildings and commercial properties.

In single unit sales to owner-occupants or small capital investors, Deutsche Annington aims to sell these units over the long-term at average prices of at least 20% above Fair Value as recorded on the Guarantor's balance sheet. Although high vacancy rates adversely affect market prices, in single unit sales the Group may be able to charge an additional premium for vacant units. With respect to "Non-Core" sales, the Group's main objective is to optimise the portfolio by selling properties, on average, at Fair Value.

Although single unit sales (privatisations) tend to be relatively unaffected by economic developments, they have, however, benefited from increased demand for real estate investment owing mainly to the low interest rate environment. "Non-Core" sales are generally strongly influenced by economic conditions and therefore more opportunistic in nature. In addition, as sales of multi-family residential buildings and commercial properties are effected at or near Fair Value, such transactions positively affect cash flow but have a very limited impact on the Group's profit on disposal of properties. By contrast, over the long-term, the Guarantor targets single-unit sales (privatisations) at average prices of at least 20% above fair value, as recorded on the Group's financial statements, therefore such sales tend to substantially affect both cash flow and profit on disposal of properties.

The following table sets forth information regarding single units and "Non-Core" assets sold by Deutsche Annington in the periods under review:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011
	(unaudited ^{*)})		(unaudited ^{*)})		
Number of units sold (recorded sales)	2,651	3,415	6,720	4,819	3,169
thereof Privatised	1,778	2,001	2,576	2,784	2,503
thereof Non-Core	873	1,414	4,144	2,035	666
Adjusted profit from disposal of properties (in € million) ⁽¹⁾	51.2	37.3	43.0	54.2	43.9
thereof Privatised (in € million)	49.5	32.6	44.6	42.5	35.0
thereof Non-Core (in € million)	1.7	4.7	(1.6)	11.7	8.9

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Adjustments are aimed at eliminating the effect of certain reporting principles resulting in the recognition of profit on disposal of properties in periods prior to the recognition of income from the sale of such properties as well as eliminating the effect of the reclassification of trading properties into investment properties at the end of fiscal year 2011. For more information, see "—Results of Operations—Profit on Disposal of Properties".

Fair Value Adjustments of Investment Properties

The investment properties owned by the Group are revalued on an annual basis – with quarterly updates – in accordance with IAS 40 in conjunction with IFRS 13 at their respective market value as of the relevant reporting date. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the values of investment properties. Any changes in the Fair Value

of the investment portfolio are recognised as gains or losses on the Group's income statement and can substantially affect the Group's results of operations. Net income from fair value adjustments of investment properties amounted to €26.9 million in the first nine months of 2014, €553.7 million in fiscal year 2013, €205.6 million in fiscal year 2012 and €246.7 million in fiscal year 2011.

Until and including fiscal year 2012, the Group used the income capitalisation method to determine the Fair Value of Deutsche Annington's investment properties for financial reporting purposes. In accordance with this method, the Fair Values of investment properties are calculated on the basis of in-place or market rents and risk-adjusted capitalised interest rates. The interest rates applied were derived from the development of the German residential real estate market and then allocated with the aid of a rating system. With this rating, all buildings in the portfolio were valued with regard to their quality, market attractiveness and location.

In fiscal year 2013, Deutsche Annington started using the DCF methodology in its interim report for the three-month period ended 31 March 2013, initially by adopting the valuations of the external appraiser CBRE, which employs the DCF valuation method, and subsequently, by applying the DCF methodology to its own property valuations performed in connection with its ongoing financial reporting. Under the DCF methodology, the expected future revenues and expenses of a property are forecast over a period of 10 years and discounted to the date of valuation as the net present value. To determine the forecasted cash flows, various parameters such as market rents, expected rental growth, development of vacancy rates and expected maintenance expenses are taken into account. Market rents are derived for every location from the then current rent indices (*Mietspiegel*) and market data provided by external real estate servicers. The terminal value of the property at the end of the 10-year observation period is determined using the expected stabilised cash flow and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g., inheritable rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property. For further information, see Note 21 to the audited consolidated financial statements of fiscal year 2013.

Deutsche Annington instructed CBRE to prepare the Valuation Report. The Valuation Report speaks only as of the respective valuation dates and CBRE has not been engaged to and is not otherwise under an obligation to update the valuation report after these valuation dates.

With respect to the Group's entire portfolio as of 31 March 2014 and as of 30 June 2014, respectively, the Group's internal property valuation determined Fair Values that deviated by less than 0.01% from the Fair Values determined by CBRE in the Valuation Report. The Fair Values of each valuation unit under the Group's internal valuation deviated by less than 10%, or €100,000, from the Fair Values determined by CBRE. This represents a common range of variance between two independent internal property valuations. In the interim report for the nine-month period ended 30 September 2014 Deutsche Annington has determined a total Fair Value of €11.4 billion.

Insourcing

In recent years Deutsche Annington has been extending the range of services it provides to its customers. With respect to certain services that are closely related to, and have an impact on, its rental business, such as maintenance measures, the Group seeks to reduce its dependence on outside contractors, save costs, and perform such services by means of its own employees. With respect to services that require expertise outside of the Group's core competence and that must therefore be provided by third parties, if the choice of external service provider lies with the property owner, Deutsche Annington may enter into partnerships and cooperation agreements with outside contractors to offer its customers attractive service conditions.

In fiscal year 2011, the Group began an initiative to insource the performance of certain tasks related to its rental business previously performed by outside contractors. As part of this initiative, Deutsche Annington established its own caretaker organisations in fiscal year 2011. In the same year, the Group established a fully consolidated craftsmen organisation as a joint venture with B&O Service & Messtechnik AG (now operating under the name Deutsche TGS GmbH), which performs

functions such as painting, plumbing, masonry and glazing work. The Group believes that the insourcing of caretaker and craftsmen functions allows it to improve the quality of repairs, shorten response times to customer complaints and generally increase the attractiveness of its residential properties. In addition, the Group expects to realise significant cost reduction, particularly in VAT savings, with respect to maintenance work performed by its own employees (as the purchase of such services from third-party providers would be subject to VAT that is not recoverable).

In order to implement the insourcing initiative, the Group sharply increased its headcount beginning in late fiscal year 2011, which led to a corresponding increase in personnel expenses in fiscal years 2012 and 2013. In light of the new acquisitions and the Group's strategy to further expand the scope of services provided by its craftsmen organisations, the headcount of the caretakers and craftsmen organisations is expected to increase further in coming years.

The table below shows the number of Deutsche Annington's employees at the end of each of the last three fiscal years and as of 30 September 2014:

	As of 30 September 2014 (unaudited)	As of 31 December		
		2013	2012	2011 ⁽¹⁾
		(audited, unless otherwise specified)		
Headcount	3,436^{*)}	2,935	2,407	1,279
<i>thereof caretaker organisation (unaudited)^{**)}</i>	381	364	343	62
<i>thereof craftsmen organisation (unaudited)^{**)}</i>	1,654	1,213	722	90

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

**) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Since fiscal year 2013, Deutsche Annington applies a revised methodology to determine the headcount. Deutsche Annington has restated the headcount number for the fiscal year 2012 in line with the new methodology. The headcount number for the fiscal year 2011 has not been restated.

While the insourcing initiative caused personnel expenses to rise, cost of materials declined due to reduced expenses for maintenance resulting from the fact that maintenance services previously provided by third parties were increasingly performed by the Group's craftsmen organisation. This decline in cost of materials has been partially offset, however, by increases in the absolute volume of maintenance services provided to the Group's customers.

The establishment of the Group's caretaker and craftsmen organisations resulted in start-up costs of €5.9 million in fiscal year 2012 and €6.6 million in fiscal year 2011. Deutsche Annington measures the profit contribution of the craftsmen organisations by measuring the intra-group profits generated by the craftsmen organisations on an unconsolidated basis in its management accounts. For more information on the intra-group profits generated by the craftsmen organisation see "*— Investments in Improvements of Properties*".

On an annual basis, a first positive EBITDA contribution was visible in fiscal year 2012. For more information see "*— Investments in Improvements of Properties*".

Investments in Improvements of Properties

Deutsche Annington invests in maintaining and improving the quality of its residential properties. Modernisation measures include projects to increase energy efficiency, improve access, particularly for the elderly, and otherwise to improve housing quality. Besides ensuring a certain quality standard in the Group's total residential portfolio by maintaining its properties, modernisation projects tend to increase rent levels and reduce vacancies, which positively impacts rental income and leads to increases in the Fair Value of the residential portfolio.

The following table shows Deutsche Annington's total cost of modernisation and maintenance work on an unconsolidated basis for the periods under review:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012 ⁽¹⁾	2011 ⁽²⁾
	(unaudited ^{*)}) (in € million)		(unaudited ^{*)}) (in € million)		
Maintenance expenses	106.4	105.1	136.5 ^{**}	127.3 ^{***}	129.4
Capitalised maintenance ⁽³⁾	16.9	15.7	21.1	23.7	15.5
Modernisation work ⁽⁴⁾	120.0	26.6	70.8	65.7	47.6
Total cost of modernisation and maintenance	243.3	147.4	228.4	216.7	192.5
<i>thereof sales of own craftsmen's organisation</i>	<i>129.8</i>	<i>86.6</i>	<i>123.8</i>	<i>54.3</i>	<i>1.4</i>
<i>thereof bought-in services</i>	<i>113.5</i>	<i>60.8</i>	<i>104.6</i>	<i>162.4</i>	<i>191.1</i>
Total cost of modernisation and maintenance in € per sqm	21.1	12.8	20.0	18.4	16.0
Intra-group profits of Deutsche Annington's craftsmen organisation (TGS)	14.0	9.1	11.6	1.4	–

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

**) Audited.

(1) Figures extracted from the Guarantor's 2013 audited consolidated financial statements.

(2) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

(3) Refers to investments that are designed to preserve the value of the respective property and includes inter Guarantor profits of €0.3 million.

(4) Refers to investments that are designed to increase the value of the respective property and often trigger the statutory right to increase rents with respect to the modernised unit within the applicable legal framework or to reduce vacancy.

Total cost of modernisation and maintenance work consists of three categories of expenditures, maintenance expenses, capitalised modernisation and maintenance work. While maintenance expenses are recognised in the income statement and thus affect profit, capitalised modernisation and maintenance work are capitalised and recorded on the balance sheet, thus increasing the value of investment properties on the Guarantor's balance sheet. The Group regards both maintenance expenses and capitalised maintenance as value-preserving measures (*i.e.*, by delivering services attributable to one of these categories, the value of the building or flat is preserved). As the performance of these measures is mandatory, rather than merely optional, the Group refers to these measures as 'reactive maintenance'. Whether or not maintenance expenditures are recognised as expenses impacting the consolidated income statement or capitalised on the balance sheet depends on the type of work performed and its treatment under relevant accounting rules. In contrast, expenditures recognised in connection with modernisation work refer to investments that are designed to enhance the value of the respective property and often trigger the statutory right to increase rents with respect to the modernised unit within the applicable legal framework or help to reduce vacancy. In its AFFO, however, the Group recognises only value-preserving maintenance (*i.e.*, expensed and capitalised maintenance) given that this key performance indicator shows the operational results generated before any decisions of how to use the generated funds.

Total cost of modernisation and maintenance work represents all expenditures in relation to properties incurred in connection with value-preserving maintenance measures and value-enhancing modernisation initiatives. To account for changes in the size of Deutsche Annington's portfolio and in order to better show the intensity of modernisation and maintenance expenditures, the Group also calculates total cost of modernisation and maintenance work on a per sqm basis. Moreover, total cost of modernisation and maintenance work is also divided into services performed or subcontracted by the internal craftsmen organisation and those performed by third-party providers.

In fiscal year 2012, Deutsche Annington started to perform maintenance measures through its insourced craftsmen organisation. As a consequence, services which were formerly recognised as maintenance expenses in the income statement are now recognised as personnel expenses and other operating expenses. In order to provide meaningful and comparable data, the Group reports modernisation and maintenance expenditures from the point of view of the property receiving services

and, accordingly, disregards whether modernisation and maintenance measures were performed by the internal craftsmen organisation or a third-party provider.

Given that the Group's craftsmen organisation charges its services to the Group's asset-holding companies at market rates, payments for these services by Deutsche Annington's asset-holding companies to the craftsmen organisation include intra-group profits. Modernisation and maintenance expenditures are shown on an unconsolidated basis to better communicate the total amounts spent on the property. Accordingly, the numbers presented in the table above do not match the corresponding line items in the accounts to the consolidated income statement. In order to provide transparency on the success of the internal craftsmen organisation, the Group separately discloses the intra-group profits of the Group's craftsmen organisation. This position accounts for the largest part of the difference between unconsolidated modernisation and maintenance figures and consolidated balance sheet and income statement figures.

Cost of Financing

The Group depends on the availability of financing and its results of operations are materially affected by financing costs. Accordingly, entering into financing agreements on favourable terms, including for the purpose of refinancing its existing financial obligations, is of considerable importance to the Group. In the second quarter of 2013, the Group changed the focus of its financing strategy from utilising mortgage-backed structured instruments to the issuance of unsecured corporate bonds. Transaction costs associated with the change in the Group's financing strategy amounted to approximately €2.2 million in fiscal year 2013.

In June 2013, Deutsche Annington entered into a €2.5 billion term loan agreement with J.P. Morgan Limited and Morgan Stanley Bank International Limited ("**Morgan Stanley**") (the "**2013 Term Loan**") to repay the REF Notes and to unwind its largest financial obligation – the GRAND portfolio. On 11 July 2013, the Guarantor completed its IPO and received gross proceeds of €400 million. On 18 July 2013, the Group fully repaid the REF Notes using a €2.3 billion drawing under the 2013 Term Loan, whereupon all amounts outstanding under the GRAND Securitisation were also repaid in full.

On 25 July 2013, the Issuer issued €700 million principal amount notes due 2016 and €600 million principal amount notes due 2019 guaranteed by the Guarantor (together, the "**July 2013 Notes**"). Proceeds from the issuance of the July 2013 Notes were utilised to repay €1.3 billion under the 2013 Term Loan, while €1.0 billion remained outstanding.

On 2 October 2013, the Issuer issued the USD Notes guaranteed by the Guarantor. The Group fully hedged its exposure to the U.S. dollar by contracting currency derivatives, which resulted in a reduction of financing costs due to the interest rate differences between the U.S. dollar and the Euro. In late September 2013, the Issuer as issuer and the Guarantor as guarantor established the EMTN Programme, and the 2013 EMTN Notes were issued thereunder on 8 October 2013. With proceeds from the issuance of the USD Notes and the 2013 EMTN Notes, Deutsche Annington was able to fully repay all amounts outstanding under the 2013 Term Loan in October 2013.

On 4 March 2014, Deutsche Annington entered into the Working Capital Facility. As of 30 September 2014, €124.7 million has been taken out in the form of a loan and €5.3 million in the form of a guarantee credit. The loan was repaid in October 2014 and, as of the date of this Prospectus, only the guarantee credit in the amount of €4.7 million was outstanding.

On 8 April 2014, the Issuer issued the April 2014 Hybrid with a first call date 2019, due 2074 guaranteed by the Guarantor. Proceeds from the issuance of the April 2014 Hybrid were utilised to partly fund acquisitions.

On 9 July 2014, the Issuer as issuer and the Guarantor as guarantor issued €500 million 2014 EMTN Notes under the EMTN Programme, which was updated in September 2014 and its programme volume increased to €5.0 billion in connection with the update. Accordingly, as of the date of this Prospectus, Deutsche Annington had a further €4.0 billion authorised but unissued notes under

its EMTN Programme. The cash inflow from the 2014 EMTN Notes was used to finance the Vitus Group Takeover.

In September 2014, the Issuer, as borrower, and the Guarantor, as guarantor, entered into a €475 million term loan agreement with Barclays Bank Plc and J.P. Morgan Limited (the “**2014 Term Loan**”). The proceeds from the 2014 Term Loan will be used to finance the Vitus Group Takeover. The 2014 Term Loan was fully repaid in October 2014.

On 1 December 2014, the Issuer entered into the DA Credit Agreement with J.P. Morgan Limited as arranger, JP Morgan Chase Bank, N.A. as original lender and J.P. Morgan Europe Limited as agent. The DA Credit Agreement will be used to finance the Takeover Offer and provides for a Facility A in an amount that exceeds the cash component payable after the Takeover Offer and a Facility B to refinance the liabilities of Gagfah.

As of the date of this Prospectus, the Group’s debt financing primarily includes unsecured corporate bonds placed on the capital markets (*i.e.*, the July 2013 Notes, the USD Notes, the 2013 EMTN Notes, the April 2014 Hybrid and the 2014 EMTN Notes), classic banking loans and, to a lesser extent, public loans granted by KfW Bank and Wohnungsbauförderungsanstalt des Landes Nordrhein-Westfalen (WfA). The new financing structure led to a weighted average interest rate paid by the Group on its debt of 3.0% as of 30 September 2014. The Group’s financial liabilities (IFRS), as of the same date, amounted to €7,239.9 million.

Changes in Interest and Exchange Rates

Changes in interest and exchange rates affect the Group’s business in a number of ways. Interest rates impact capitalisation and discount rates, which in turn influence the Fair Value of its investment portfolio. Moreover, lower interest rates in Germany tend to increase demand for residential properties, resulting in higher acquisition costs and also tend to positively impact the sale of properties. Conversely, rising interest rates lead to less favourable financing terms and negatively impact the sale of properties as well as tend to impact capitalisation and discount rates. In addition, changes in interest rates impact the Group’s cost of financing. They affect the conditions at which Deutsche Annington may obtain fixed rate financing and impact interest payment obligations under its floating rate debt obligations. Exchange rates impact the Issuer and the Guarantor as guarantor under the USD Notes with respect to fluctuations in the exchange rate between the Euro and the U.S. dollar.

The Group has engaged in significant hedging transactions to reduce the risk of interest and exchange rate fluctuations. Deutsche Annington fulfils the requirements of the IAS 39 hedge accounting rules applicable to accounting for hedging instruments (interest and exchange rate swaps) in hedging against cash flow risks from variable interest rate loans and exchange rate fluctuations. When interest or exchange rate levels fluctuate, the fair value of the interest or the exchange rate swaps also fluctuate. Under hedge accounting, changes in the fair value of hedging instruments that are part of an effective hedge relationship are recognised directly in equity. Only those portions that do not meet the effectiveness requirements of IAS 39 are recognised in the consolidated profit and loss statement. For more information on hedge accounting, see Note 38 (*Derivative financial instruments*) to the consolidated financial statements as of 31 December 2013, which are incorporated in this Prospectus by reference.

Factors Affecting Comparability of Financial Information

Modernisation and Maintenance

Starting in fiscal year 2013, the Group adjusted its reporting of modernisation and maintenance expenditures. Since then, the Group presents modernisation expenses in a separate line item. Previously, the expenses corresponding to this line item, which are capitalised on the balance sheet, were not included on the income statement. If capitalised internal modernisation costs had not been shown separately in the fiscal year 2013, this would have resulted in €22.7 million lower cost of materials, €12.6 million lower personnel expenses and €6.7 million lower other operating expenses. For more information, see “—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Investments in Improvements of Properties”.

Deutsche Annington has restated its 2012 figures accordingly in the audited financial statements as of and for the fiscal year ended 31 December 2013. The restatements of individual line items affected for the fiscal year 2012 results of operations are presented in the following table:

	For the year ended 31 December 2012	Changes 2012 (audited) (in € million)	For the year ended 31 December 2012 Restated
Capitalised internal expenses.....	–	9.9	9.9
Cost of materials.....	(519.5)	(3.8)	(523.3)
Personnel expenses.....	(112.1)	(4.1)	(116.2)
Other operating expenses	(81.2)	(2.0)	(83.2)

Investment Properties Reclassified as Assets Held for Sale

Under certain circumstances, investment properties that are the subject of a sales transaction are reclassified as assets held for sale. This occurs when the agreement to dispose of an investment property is signed in one reporting period (including interim periods) but the transaction is not expected to close until a subsequent period. In such case, the investment property is reclassified as an asset held for sale in the period in which the contract is signed and its carrying value is adjusted to equal the purchase price, with the adjustment, which represents the profit (or loss) on the disposal, shown as revaluation of assets held for sale in the same reporting period. The income from the sale of such property is not recognised, however, until the period in which the transaction closes, at which time it is recorded as income from the sale of assets held for sale and is entirely offset by the retirement carrying amount, which is the carrying amount of the property after the revaluation (*i.e.*, its Fair Value as measured by the purchase price). Accordingly, while the profit from such transaction is reflected in the period in which the purchase agreement is signed, the income from the sale is not recognised until the period in which the transaction closes. In the event a purchase agreement for a property classified as an asset held for sale is terminated prior to the closing of the transaction it is not reclassified as investment properties if it is highly probable that the asset will be sold within 12 months.

Revaluation of assets held for sale amounted to €16.5 million in the nine-month period ended 30 September 2014 (nine-month period ended 30 September 2013: €17.2 million) and to €24.3 million in fiscal year 2013 (2012: €17.1 million; 2011: €2.7 million). Had the profit on the disposal reflected in the revaluation of assets held for sale been recorded in the period in which the income from the sale of these properties was recognised, profit on disposal of properties in the nine-month period ended 30 September 2014 would have been €2.3 million higher (nine-month period ended 30 September 2013: €1.1 million higher), while in 2013 it would have been €9.0 million lower (2012: €2.6 million higher; 2011: €2.7 million higher). In fiscal year 2011 all of the €2.7 million revaluation gain related to contracts that were signed in fiscal year 2011 but did not close until 2012 when the income from such disposals was recognised. In fiscal year 2012 almost all of the disposals resulting in revaluation of assets held for sale were signed and closed in the same fiscal year. In fiscal year 2013, €9.1 million revaluation gain related to contracts that were signed in fiscal year 2013 but did not close until the first half of 2014 when the income from such disposals was recognised. Similarly, in fiscal year 2012 €0.1 million revaluation gains related to contracts that were signed in fiscal year 2012 but did not close until the first half of 2013 when the income from such disposals was recognised.

Reclassification of Trading Properties

At the end of fiscal year 2011, the Guarantor reclassified 26,850 units previously accounted for as trading properties to investment properties. Upon the first time preparation of financial statements in accordance with IFRS in 2005, the Guarantor classified units that it intended to sell in single unit sales (privatisations) within the following six years as trading properties. For strategic reasons, Deutsche Annington slowed the sale of its trading properties beginning in 2006. Assets held as trading properties are not accounted for at current Fair Value but rather at the lower of their cost and net realisable value. Since these properties were only partially sold at the end of the six-year period following their classification as trading properties, the Group reclassified the unsold trading properties

into investment properties at the end of fiscal year 2011. The reclassification resulted in a revaluation of the reclassified properties to adjust their carrying values to their Fair Value as of 31 December 2011. This reclassification led to an increase of €204.5 million in their carrying amount in fiscal year 2011, which was reported as a change in the value of trading properties in the income statement for fiscal year 2011. In periods ending on or prior to 31 December 2011, the recognition of trading properties at the lower of their cost and net realisable value resulted in higher gross profits from disposals since the carrying amount of disposed trading properties was generally lower than their Fair Value. From 1 January 2012 onwards, this effect no longer impacts profit on disposal of properties. Had the reclassified trading properties been designated as investment properties in 2005, profit on disposal of properties would have been €21.0 million lower in fiscal year 2011.

Impairment Losses on Doubtful Accounts

In fiscal year 2012, the Group used a refined approach to more precisely determine impairment losses on doubtful accounts. Up to and including fiscal year 2011, such losses were recognised using a formula-based approach. Starting in fiscal year 2012, the Group began to implement a modified approach in accordance with which doubtful accounts are analysed on the basis of the applicable estimated collection rate. The increase in impairment losses from €12.1 million in fiscal year 2011 to €18.2 million in fiscal year 2012 was due primarily to this modified approach. Impairment losses have since declined back to around the 2011 level figure, amounting to €10.9 million in fiscal year 2013 and €9.6 million as of 30 September 2014.

Discount Factors for Measurement of Pension Obligations

In fiscal year 2013, in accordance with IAS 19R, the Group refined its methodology used to determine the interest rate used for the measurement of pension obligations. Based on an actuarial recommendation, the Group chose to determine the interest rate on the basis of the Global RATE:LINK Index. This method is based on a selection of AA-rated corporate bonds in accordance with data published by Bloomberg. For maturities for which reliable bonds are no longer available on the market, data are extrapolated by constant retention of the calculated 30-year interest rate. In Deutsche Annington's opinion, this method provides a sufficiently deep and representative set of comparisons. The amendment contributed to a €12.2 million decrease in pension obligations as of 31 December 2013. Following a lowering of the discount factor from 4.6% in fiscal year 2011 to 2.7% in fiscal year 2012, in 2012 actuarial losses of €69.3 million (2011: actuarial losses of €7.5 million) were recognised in other comprehensive income.

Results of Operations

The following table provides an overview of the Group's results of operations for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013⁽¹⁾	2013	2012⁽²⁾	2011⁽³⁾
	(unaudited*) (in € million)		(audited) (in € million)		
Income from property letting.....	823.5	785.2	1,048.3	1,046.5	1,058.5
Other income from property management.....	13.2	14.3	19.3	18.4	19.8
Income from property management	836.7	799.5	1,067.6	1,064.9	1,078.3
Income from sale of properties.....	213.0	226.1	353.5	304.9	253.3
Carrying amount of properties sold	(180.6)	(207.1)	(325.8)	(270.4)	(188.4)
Revaluation of assets held for sale.....	16.5	17.2	24.3	17.1	2.7
Profit on disposal of properties	48.9	36.2	52.0	51.6	67.6
Net income from fair value adjustments of investment properties	26.9	540.1	553.7	205.6	246.7
Capitalised internal expenses.....	59.8	21.5	42.0	9.9	— ⁽⁴⁾
Changes in value of trading properties	—	—	—	—	204.5
Cost of materials.....	(382.7)	(368.1)	(502.8)	(523.3)	(548.6)
Personnel expenses.....	(130.2)	(112.4)	(172.1)	(116.2)	(90.8)

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013 ⁽¹⁾	2013	2012 ⁽²⁾	2011 ⁽³⁾
	(unaudited ^{*)} (in € million)		(audited) (in € million)		
Depreciation and amortisation.....	(5.1)	(4.6)	(6.8)	(6.1)	(6.2)
Other operating income	34.7	33.1	45.8	43.5	44.4
Other operating expenses	(110.7)	(67.0)	(104.2)	(83.2)	(70.6)
Financial income	4.2	16.8	14.0	12.3	14.7
Financial expenses.....	(206.7)	(221.1)	(299.6)	(443.2)	(362.1)
Profit before tax.....	175.8	674.0	689.6	215.8	577.9
Income tax	(53.8)	(199.7)	(205.4)	(43.6)	(154.3)
Profit for the period.....	122.0	474.3	484.2	172.2	423.6
Attributable to:					
Guarantor's shareholders	117.3	469.2	480.2	171.4	423.0
Non-controlling interests.....	4.7	5.1	4.0	0.8	0.6

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

- (1) Figures for the nine-month period ended 30 September 2013 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in cost of materials of €11.0 million, in personnel expenses of €6.7 million and in other operating expenses of €3.8 million.
- (2) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for 2012 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of materials of €3.8 million, in personnel expenses of €4.1 million and in other operating expenses of €2.0 million.
- (3) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Figures for 2011 have been restated in accordance with the accounting principles in effect in 2012, which resulted in a decrease in income from property letting and income from property management and a corresponding decrease in cost of materials in the amount of €4.3 million compared to the figures reported in the 2011 consolidated financial statements. In addition, the application of the 2012 accounting principles led to an increase in profit on disposal of properties and a corresponding decrease in net income from fair value adjustments of investment properties in the amount of €2.7 million for fiscal year 2011.
- (4) Had the Group presented capitalised internal expenses in a separate line item in 2011, such expenses would have amounted to €3.4 million and there would have been an increase in personnel expenses of €2.3 million and in other operating expenses of €1.1 million.

Income from Property Management

Income from property management includes income from property letting and other income from property management. Income from property letting comprises rental income and ancillary costs (*Erlöse aus Betriebskosten*). The Guarantor records the portion of expenses for utilities and other property-related expenses for which Deutsche Annington receives invoices from third-party service providers that it can pass on to tenants as ancillary costs (*Erlöse aus Betriebskosten*); the corresponding expense item is recorded as expenses for ancillary costs as part of cost of materials. The main components of other income from property management are income from condominium administration and property management activities for third parties as well as rent subsidies with respect to residential units that are subject to rent restrictions.

The following table provides a breakdown of the Group's income from property management for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Rental income.....	572.7	546.1	728.0	729.0	730.7
Ancillary costs	250.8	239.1	320.3	317.5	327.8
Income from property letting	823.5	785.2	1,048.3	1,046.5	1,058.5
Other income from property management	13.2	14.3	19.3	18.4	19.8
Income from property management	836.7	799.5	1,067.6	1,064.9	1,078.3

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Income from property management increased by 4.7% from €799.5 million in the first nine months of 2013 to €836.7 million in the first nine months of 2014. This increase was primarily due to the DeWAG portfolio, which was incorporated into the Group's reporting for the first time in the second quarter 2014 and contributed €41.5 million towards income from property management.

For the same reason, rental income increased by 4.9% from €546.1 million in the first nine months of 2013 to €572.7 million in the first nine months of 2014. Excluding the effects of the DeWAG acquisition, the rental income in the first half of 2014 would have amounted to €542.1 million.

Correspondingly, ancillary costs rose by 4.9% from €239.1 million in the first nine months of 2013 to €250.8 million in the first nine months of 2014. This rise was mainly driven by the DeWAG acquisition.

Other income from property management declined by 7.7% from €14.3 million in the first nine months of 2013 to €13.2 million in the first nine months of 2014.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Income from property management rose 0.3% from €1,064.9 million in fiscal year 2012 to €1,067.6 million in fiscal year 2013.

Rental income remained stable, as the effect of a 3.1% decline in the size of the residential portfolio measured by living area was almost fully offset by an increase in average residential in-place rents per sqm and a decline in the vacancy rate.

Ancillary costs increased 0.9% from €317.5 million in fiscal year 2012 to €320.3 million in fiscal year 2013 mainly due to a reduction in vacancies and additional services (Source: Deutsche Medien Service).

Other income from property management increased 4.9% from €18.4 million in fiscal year 2012 to €19.3 million in fiscal year 2013.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Income from property management declined 1.2% from €1,078.3 million in fiscal year 2011 to €1,064.9 million in fiscal year 2012.

Rental income remained stable, as the effect of a 2.6% decline in the size of the residential portfolio measured by living area was almost fully offset by an increase in average residential in-place rents per sqm and a decline in the vacancy rate.

Ancillary costs declined 3.1% from €327.8 million in fiscal year 2011 to €317.5 million in fiscal year 2012 mainly due to lower on-charged expenses as a result of a reduction in the size of the residential portfolio and negotiated discounts on bulk purchases from selected utility service providers.

Other income from property management decreased 7.0% from €19.8 million in fiscal year 2011 to €18.4 million in fiscal year 2012, primarily due to a reduction in rent subsidies following the expiration of rent restrictions.

Profit on Disposal of Properties

Profit on disposal of properties includes profit on disposal of investment properties, profit on disposal of trading properties and revaluation of assets held for sale.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation. Investment properties are measured at Fair Value.

Trading properties are properties that are held for sale in the ordinary course of business, which under the Group's internal guidelines comprise properties to be sold within six years. Trading properties are measured at the lower of cost and net realisable value. At the end of fiscal year 2011, the Group reclassified its properties previously accounted for as trading properties into investment properties and currently it does not have any assets recorded as trading properties on its balance sheet.

Assets held for sale are reclassified as investment properties for which the signing and the closing of a sales transaction fall in different reporting periods (including interim periods). Revaluation of assets held for sale is the difference between the agreed purchase price for such properties and their carrying value prior to the revaluation and therefore represents the profit (or loss) on the disposal of such properties. Income from sale of assets held for sale is the agreed purchase price for such properties, which is by definition equal to and fully offset by their retirement carrying amount, which is the carrying amount of the properties after the revaluation (*i.e.*, their Fair Value as measured by the purchase price). The income from sale of assets held for sale is recognised, together with retirement carrying value, in the period when the sales transaction closes, whereas the revaluation gain is recorded in the period when the purchase agreement is signed. In the event a purchase agreement for a property classified as an asset held for sale is terminated prior to the closing of the transaction, it is not reclassified as investment properties if it is highly probable that the asset will be sold within 12 months.

The following table provides a breakdown of Deutsche Annington's profit on disposal of properties for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited*) (in € million)		(audited) (in € million)		
Income from disposal of investment properties.....	116.4	98.5	145.5	144.1	116.5
Carrying amount of investment properties sold.....	(84.0)	(79.5)	(117.9)	(117.0)	(94.4)
Profit on disposal of investment properties.....	32.4	19.0	27.6	27.1	22.1
Income from disposal of trading properties.....	—	—	—	20.0	136.8
Carrying amount of trading properties sold.....	—	—	—	(12.6)	(94.0)
Profit on disposal of trading properties.....	—	—	—	7.4	42.8
Income from sale of assets held for sale.....	96.6	127.6	208.0	140.8	—
Retirement carrying amount of assets held for sale.....	(96.6)	(127.6)	(207.9)	(140.8)	—
Revaluation of assets held for sale.....	16.5 ⁽²⁾	17.2 ⁽³⁾	24.3 ⁽⁴⁾	17.1 ⁽⁵⁾	2.7 ⁽⁶⁾
Profit on disposal of properties.....	48.9	36.2	52.0	51.6	67.6

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

(2) Of the €16.5 million included in revaluation of assets held for sale in the first nine months of 2014, €6.8 million relates to income from the sale of properties that was not recognised until a later period. In addition, of the €24.3 million recorded as revaluation of assets held for sale in fiscal year 2013, €9.1 million relates to income from the sale of properties that was not recognised until fiscal year 2014. Adjusted for these timing effects, revaluation of assets held for

sale in the first nine months of 2014 would have amounted to €18.8 million and profit on disposal of properties would have amounted to €51.2 million.

- (3) Of the €17.2 million included in revaluation of assets held for sale in the first nine months of 2013, €(1.0) million relates to income from the sale of properties that was not recognised until a later period. In addition, of the €17.1 million recorded as revaluation of assets held for sale in fiscal year 2012, €0.1 million relates to income from the sale of properties that was not recognised until the first nine-months of 2013. Adjusted for these timing effects, revaluation of assets held for sale in the first nine months of 2013 would have amounted to €18.3 million and profit on disposal of properties would have amounted to €37.3 million.
- (4) Of the €24.3 million included in revaluation of assets held for sale in fiscal year 2013, €9.1 million relates to income from the sale of properties that was not recognised until fiscal year 2014. In addition, of the €17.1 million recorded as revaluation of assets held for sale in fiscal year 2012, €0.1 million relates to income from the sale of properties that was not recognised until fiscal year 2013. Adjusted for these timing effects, revaluation of assets held for sale in fiscal year 2013 would have amounted to €15.3 million and profit on disposal of properties would have amounted to €43.0 million.
- (5) Of the €17.1 million included in revaluation of assets held for sale in fiscal year 2012, €0.1 million relates to income from the sale of properties that was not recognised until fiscal year 2013. In addition, the entire amount of €2.7 million recorded as revaluation of assets held for sale in fiscal year 2011 relates to income from the sale of properties that was not recognised until fiscal year 2012. Adjusted for these timing effects, revaluation of assets held for sale in fiscal year 2012 would have amounted to €19.7 million and profit on disposal of properties would have amounted to €54.2 million.
- (6) The entire amount of €2.7 million recorded as revaluation of assets held for sale in fiscal year 2011 relates to income from the sale of properties that was not recognised until fiscal year 2012. Adjusted for the timing effect, revaluation of assets held for sale in fiscal year 2011 amounted to €0.0 and profit on disposal of properties would have amounted to €64.9 million.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Income from sale of properties, defined as the total of income from disposal of investment properties, income from sale of assets held for sale (which relate to properties carried as investment properties until their reclassification as assets held for sale in the prior year) and income from disposal of trading properties, decreased by 5.8% from €226.1 million in the first nine months of 2013 to €213.0 million in the first nine months of 2014. This was mainly due to a significant reduction in the number of units sold from 3,415 in the first nine months of 2013 to 2,651 in the first nine months of 2014. The significant reduction in the number of units sold resulted from more stringent profitability standards and accordingly a deliberate reduction in the sales volume.

Profit on disposal of properties increased from €36.2 million in the first nine months of 2013 to €48.9 million in the first nine months of 2014. This development was affected by the timing effects associated with investment properties reclassified as assets held for sale as described in footnotes (2) and (3) to the table above. Adjusting for these effects, adjusted profit on disposal of properties increased 37.3% from €37.3 million in the first nine months of 2013 to €51.2 million in the first nine months of 2014. Deutsche Annington achieved this increase of profit on disposal of properties despite a lower number of units sold, due to the positive market environment as well as unit sales from the DeWAG portfolio. The positive market environment translated into higher sales prices and corresponding higher Fair Value step-ups for the properties which more than offset the reduced number of sales. Sales from the DeWAG portfolio contributed a low double-digit million value to this development. For more information on the underlying operational factors causing this result, see “—Segment Discussion—Sales”.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Income from sale of properties (as defined above) increased 15.9% from €304.9 million in fiscal year 2012 to €353.5 million in fiscal year 2013.

Profit on disposal of properties increased slightly from €51.6 million in fiscal year 2012 to €52.0 million in fiscal year 2013. This development was affected by the timing effects associated with investment properties reclassified as assets held for sale as described in footnotes (4) and (5) to the table above. Adjusting for these effects, profit on disposal of properties decreased 20.7% from €54.2 million in fiscal year 2012 to €43.0 million in fiscal year 2013. For more information on the fundamental underlying operational factors causing this result, see “—Segment Discussion—Sales”.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Income from sale of properties (as defined above) increased 20.4% from €253.3 million in fiscal year 2011 to €304.9 million in fiscal year 2012.

Adjusted profit on disposal of properties declined from €67.6 million in fiscal year 2011 to €51.6 million in fiscal year 2012 due to, most importantly, the effect of the reclassification of trading properties into investment properties at the end of fiscal year 2011. Had the properties classified as trading properties originally been classified as investment properties and carried at Fair Value, the profit on disposal of trading properties in fiscal year 2011 would have been €21.0 million lower. Adjusting for this effect and the timing effects associated with investment properties reclassified as assets held for sale as described in footnotes (5) and (6) to the table above, profit on disposal of properties increased 23.5% from €43.9 million in fiscal year 2011 to €54.2 million in fiscal year 2012. For more information on the fundamental underlying operational factors causing this result, see “—Segment Discussion—Sales”.

Net Valuation Gain on Property

Net valuation gain on property consists of net income from fair value adjustments of investment properties and changes in value of trading properties. Investment properties are measured at Fair Value and any gains or losses from changes in Fair Value are recognised as net income from fair value adjustments of investment properties. Trading properties are measured at the lower of cost and net realisable value. If the carrying amount of trading properties exceeds the net realisable value, trading properties are written down to net realisable value on an item-by-item basis.

The following table shows net valuation gain on property for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Net income from fair value adjustments of investment properties	26.9	540.1	553.7	205.6	246.7
Changes in value of trading properties	—	—	—	—	204.5
Net valuation gain on property	26.9	540.1	553.7	205.6	451.2

*) Taken from the Guarantor’s unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor’s 2012 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Net income from fair value adjustments of investment properties amounted to €26.9 million in the first nine months of 2014 and €540.1 million in the first nine months of 2013. At the beginning of 2013 Deutsche Annington instructed CBRE as external appraisers to determine the Fair Value of investment properties. CBRE used the DCF valuation method and made certain assumptions and estimates in line with the approach generally accepted and used in the market. The overall positive market development in 2013 and the extended approach to assumptions and estimates resulted in the net income from fair value adjustments of €540.1 million in the first nine months of 2013. See “—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Fair Value Adjustments of Investment Properties”. According to the previously applied income capitalisation method, net income from fair value adjustments of investment properties would have been lower by approximately €42.0 million in the first quarter of 2013. An estimate of the effects of these changes on further reporting periods is not practicable.

Comparison of the Fiscal Years Ended 31 December 2013, 2012 and 2011

Net income from fair value adjustments of investment properties amounted to €553.7 million in fiscal year 2013, €205.6 million in fiscal year 2012 and €246.7 million in fiscal year 2011. The substantial increase in net income from fair value adjustments of investment properties in fiscal year 2013 was largely attributable to the overall positive market development and the extended approach to assumptions in the DCF valuation.

Net income from fair value adjustments of investment properties in the years under review otherwise generally reflects the improvement in vacancy rates and average rent levels and, in particular, decreased average capitalised interest used for the determination of Fair Value of investment properties due to positive developments in the real estate market at locations where the Group's properties are situated.

The change in the value of trading properties in fiscal year 2011 is due to the reclassification of trading properties into investment properties described above.

Cost of Materials

Cost of materials includes expenses for ancillary costs, expenses for maintenance and other cost of purchased goods and services. Expenses for ancillary costs include the costs of utilities and other property-related expenses for which the Group receives invoices from third-party service providers. Expenses for ancillary costs are almost fully passed on to tenants in utility bills (with the income reported as ancillary costs (*Erlöse aus Betriebskosten*)). Expenses for maintenance are costs of repairs recognised as expenses. Other cost of purchased goods and services include sale and rental commissions, heritable interest payments, administrative expenses for condominium administration, eviction costs and other expenses.

The following table shows a breakdown of the Group's cost of materials for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013 ⁽¹⁾	2013	2012 ⁽²⁾	2011 ⁽³⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Expenses for ancillary costs	246.6	240.2	324.9	337.8	353.5
Expenses for maintenance ⁽⁴⁾	100.7	83.9	119.7	119.0	128.8
Other cost of purchased goods and services	35.4	44.0	58.2	66.5	66.3
Cost of materials	382.7	368.1	502.8	523.3	548.6

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) In the Guarantor's unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014, figures for the nine-month period ended 30 September 2013 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of materials of €11.0 million.

(2) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for 2012 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of materials of €3.8 million.

(3) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

(4) Expenses for maintenance exclude costs incurred for services performed or subcontracted by the internal craftsmen organisation.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Cost of materials increased 4.0% from €368.1 million in the first nine months of 2013 to €382.7 million in the first nine months of 2014.

Expenses for ancillary costs increased 2.7% from €240.2 million in the first nine months of 2013 to €246.6 million in the first nine months of 2014.

Expenses for maintenance increased 20.0% from €83.9 million in the first nine months of 2013 to €100.7 million in the first nine months of 2014 primarily due to the acquisition of DeWAG. At the same time, maintenance expenses per sqm increased 0.8% from €9.15 in the first nine months of 2013 to €9.22 in the first nine months of 2014. For more information on the development of expenses for maintenance see “—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Investments in Improvements of Properties”.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Cost of materials declined 3.9% from €523.3 million in fiscal year 2012 to €502.8 million in fiscal year 2013 due to decreases in expenses for ancillary costs and other costs of purchased goods and services, partially offset by an increase in expenses for maintenance.

Expenses for ancillary costs decreased 3.8% from €337.8 million in fiscal year 2012 to €324.9 million in fiscal year 2013 mainly as a result of a reduction in the size of the residential portfolio.

Expenses for maintenance stabilised at €119.7 million in fiscal year 2013, compared to €119.0 million in fiscal year 2012. This was primarily due to the insourcing of maintenance services to the Group’s craftsmen organisation. In contrast, maintenance expenses per sqm increased 10.3% from €10.82 in fiscal year 2012 to €11.93 in fiscal year 2013. For more information on the development of expenses for maintenance see “—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Investments in Improvements of Properties”.

Other cost of purchased goods and services declined 12.5% from €66.5 million in fiscal year 2012 to €58.2 million in fiscal year 2013 primarily due to the caretaker insourcing initiative (see “—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Insourcing”).

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Cost of materials declined 4.6% from €548.6 million in fiscal year 2011 to €523.3 million in fiscal year 2012. Had the Group presented capitalised internal expenses in a separate line item in 2011, cost of materials would have remained unaffected, see also “—Factors Affecting Comparability of Financial Information—Modernisation and Maintenance”.

Expenses for ancillary costs decreased 4.4% from €353.5 million in fiscal year 2011 to €337.8 million in fiscal year 2012 mainly as a result of negotiated discounts on bulk purchases from selected utility service providers and due to lower utilities consumption in fiscal year 2011 and consequently reduced prepayments charged by utility providers in fiscal year 2012.

Expenses for maintenance decreased 7.6% from €128.8 million in fiscal year 2011 to €119.0 million in fiscal year 2012 primarily due to the insourcing of craftsmen services and the performance of maintenance work in part by the Group’s craftsmen organisation. At the same time, maintenance expenses per sqm increased 0.5% from €10.76 in fiscal year 2011 to €10.81 in fiscal year 2012.

Personnel Expenses

Personnel expenses include wages and salaries and social security, pensions and other employee benefits. Pensions and other employee benefits comprise statutory pension insurance payments, long-term incentive plans, pre-retirement part-time work arrangements and other severance payments.

The following table shows a breakdown of the Group's personnel expenses for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013 ⁽¹⁾	2013	2012 ⁽²⁾	2011 ⁽³⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Wages and salaries	108.5	93.5	147.4	96.8	75.7
Social security, pensions and other employee benefits	21.7	18.9	24.7	19.4	15.1
Personnel expenses	130.2	112.4	172.1	116.2	90.8

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

- (1) In the Guarantor's unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014, figures for the nine-month period ended 30 September 2013 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in personnel expenses of €6.7 million.
- (2) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for 2012 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in personnel expenses of €4.1 million.
- (3) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Had the Group presented capitalised internal expenses in a separate line item in 2011, there would have been an increase in personnel expenses of €2.3 million.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Personnel expenses rose 15.8% from €112.4 million in the first nine months of 2013 to €130.2 million in the first nine months of 2014. The increase was primarily due to an increase in headcount from 2,815 employees as of 30 September 2013 to 3,436 employees as of 30 September 2014. At the same time, ongoing personnel cost per full-time equivalent employee ("FTE") went down significantly, as most of the new FTEs were recruited as craftsmen or caretakers and have below-average salaries.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Personnel expenses increased 48.1% from €116.2 million in fiscal year 2012 to €172.1 million in fiscal year 2013. This increase was driven primarily by a 52.3% increase in wages and salaries. Personnel expenses in 2013 include severance payments amounting to €10.2 million (2012: €2.9 million), additions to provisions for pre-retirement part-time work arrangements of €11.1 million (2012: €0.6 million) and expenses attributable to the long-term incentive plan of €7.1 million (2012: €1.7 million). Excluding these amounts, ongoing personnel expenses would have increased 29.5%, which is substantially lower than the 50.5% increase in average headcount from 1,819 in fiscal year 2012 to 2,738 in fiscal year 2013. Consequently, ongoing personnel expenses per FTE went down by 8.2% from 2012 to 2013 reflecting that most new FTEs are employed as craftsmen or caretakers.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Had the Group presented capitalised internal expenses in a separate line item in 2011, there would have been an increase in personnel expenses of €2.3 million, thus personnel expenses would have amounted to €93.1 million. Considering this adjusted number, personnel expenses increased 24.8% from €93.1 million in fiscal year 2011 to €116.2 million in fiscal year 2012. This increase was primarily due to the insourcing initiative that began in fiscal year 2011 and resulted in a headcount increase from 1,279 as of 31 December 2011 to 2,407 as of 31 December 2012. Following a change in accounting policies the number of employees recognised for the fiscal year 2012 has been restated in the Guarantor's 2013 audited consolidated financial statements, however, since the number of employees in fiscal year 2011 has not been restated, the following discussion is based on figures extracted from the Guarantor's 2011 and 2012 audited consolidated financial statements. Accordingly,

wages and salaries attributable to the caretaker and craftsmen organisations rose from €0.7 million in fiscal year 2011 to €15.7 million in fiscal year 2012. Although total wages and salaries increased 23.2%, the average annual wage decreased 10.5% from €67,752 per FTE in fiscal year 2011 to €60,638 per FTE in fiscal year 2012 reflecting the new personnel structure with a higher share of blue-collar workers, the salaries of which are typically on average lower than those for existing staff. In addition, in fiscal year 2012, bonus payments made in connection with the GRAND restructuring in the amount of €5.8 million contributed to the increase in personnel expenses. Personnel expenses also included severance payments that amounted to €3.2 million in fiscal year 2012 and €4.1 million in fiscal year 2011.

Other Operating Income

Other operating income includes compensation paid and cost reimbursements (including compensation paid by insurance companies), reversal of provisions, dunning and debt collection fees, reversal of impairment losses and other. Based on the reporting principles employed by the Guarantor, reversal of provisions shows the gross amount of reversed provisions, meaning that if a provision was substituted by another provision the full amount of the initial provision would be reflected as reversed and the full amount of the new provision would be reported as made in the relevant period. Therefore, increases in other operating income due to reversal of provisions, as reported by the Group, for each of the periods is largely offset by increases in other operating expenses resulting from new provisions substituting reversed provisions; see also “—Other Operating Expenses”.

The following table shows a breakdown of the Group’s other operating income for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Compensation paid and cost reimbursements	19.6	16.0	23.5	22.2	21.1
Reversal of provisions	2.5	1.5	3.3	9.1	9.3
Dunning and debt collection fees	4.0	3.7	5.3	2.0	1.8
Reversal of impairment losses	0.2	0.2	0.7	0.5	1.3
Other	8.4	11.7	13.0	9.7	10.9
Other operating income	34.7^{**)}	33.1^{**)}	45.8	43.5	44.4

^{*)} Taken or derived from the Guarantor’s accounting records or internal management reporting systems, respectively.

^{**)} Taken from the Guarantor’s unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor’s 2012 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Other operating income increased by 4.8% from €33.1 million in the first nine months of 2013 to €34.7 million in the first nine months of 2014, in particular due to an increase in compensation paid and cost reimbursements.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Other operating income increased from €43.5 million in fiscal year 2012 to €45.8 million in fiscal year 2013 as increases in compensation paid and cost reimbursements, dunning and debt collection fees and other income were partially offset by a decline in reversal of provisions.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Other operating income declined from €44.4 million in fiscal year 2011 to €43.5 million in fiscal year 2012. A slight increase in compensation paid and cost reimbursements reflected higher

compensation paid by insurance companies and was more than offset by declines in reversal of provisions and reversal of impairment losses and lower other income.

Other Operating Expenses

Other operating expenses include consultants' and auditors' fees, vehicle and travelling costs, impairment losses on doubtful accounts, rents, leases and ground rents, legal and notary costs, additions to provisions, IT and administrative services, communication costs and work equipment, dunning and debt collection fees, advertising costs, refused insurance claims, sales incidentals and other expenses.

The following table shows a breakdown of the Group's other operating expenses for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013⁽¹⁾	2013	2012⁽²⁾	2011⁽³⁾
	(unaudited^{*)}) (in € million)		(audited) (in € million)		
Consultants' and auditors' fees.....	26.9	7.6	15.0	10.3	12.6
Vehicle and travelling costs.....	12.1	9.4	13.0	8.3	5.3
Impairment losses on doubtful accounts.....	9.6	4.8	10.9	18.2	12.1
Rents, leases and ground rents.....	8.1	7.7	10.4	8.5	7.3
Legal and notary costs.....	2.0	2.6	8.4	1.9	2.0
Additions to provisions.....	16.3	2.3	7.2	2.6	4.7
Other ⁽⁴⁾	35.7	32.6	39.3	33.4	26.6
Other operating expenses.....	110.7^{**)}	67.0^{**)}	104.2	83.2	70.6

^{*)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

^{**)} Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

- (1) In the Guarantor's unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014, figures for the nine-month period ended 30 September 2013 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of other operating expenses of €3.8 million.
- (2) Figures extracted from the Guarantor's 2013 audited consolidated financial statements. Figures for 2012 have been restated in accordance with the accounting policies in effect in 2013, which presented capitalised internal expenses in a separate line item for the first time, resulting in an increase in costs of other operating expenses of €2.0 million.
- (3) Figures extracted from the Guarantor's 2012 audited consolidated financial statements. Had the Group presented capitalised internal expenses in a separate line item in 2011, there would have been an increase in other operating expenses of €1.1 million.
- (4) Include IT and administrative services, communication costs and work equipment, dunning and debt collection fees, advertising costs, refused insurance claims, sales incidentals and other expenses.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Other operating expenses rose from €67.0 million in the first nine months of 2013 to €110.7 million in the first nine months of 2014, primarily due to the significant increase in consultants' and auditors' fees from €7.6 million in the first nine months of 2013 to €26.9 million in the first nine months of 2014, and a €14.0 million increase in additions to provisions. Both developments relate primarily to the acquisition activities relating to the DeWAG acquisition and the Vitus Group Takeover.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Other operating expenses increased from €83.2 million in fiscal year 2012 to €104.2 million in fiscal year 2013. This increase was primarily due to an increase of consultants' and auditors' fees from €10.3 million in fiscal year 2012 to €15.0 million in fiscal year 2013 and an increase of legal and notary costs fees from €1.9 million in fiscal year 2012 to €8.4 million in fiscal year 2013, reflecting mainly expenses incurred in connection with the IPO, the Guarantor's subsequent refinancing and

further insourcing activities. This increase was partly offset by a decline of impairment losses on doubtful accounts from €18.2 million in fiscal year 2012 to €10.9 million in fiscal year 2013, which was roughly in line with the 2011 level, with the higher 2012 level primarily due to the refined methodology used to determine impairment losses and the resulting write-off of doubtful accounts. Additions to provisions increased from €2.6 million to €7.2 million and vehicle and travelling costs increased from €8.3 million to €13.0 million. The increase in vehicle and travelling costs was mainly due to the insourcing initiative (see “—Key Factors Affecting Results—Economic and Demographic Developments in German—Insourcing”).

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Other operating expenses increased from €70.6 million in fiscal year 2011 to €83.2 million in fiscal year 2012. Impairment losses on doubtful accounts rose from €12.1 million in fiscal year 2011 to €18.2 million in fiscal year 2012, reflecting the refined methodology used to determine impairment losses, which was the main contributor to the 50%, or €6.1 million, increase in impairment losses on doubtful accounts in fiscal year 2012 compared to the previous year. Consultants’ and auditors’ fees in fiscal year 2012 included significant costs relating to the recruiting of employees for the Group’s caretaker and craftsmen organisations as well as for Senior Management and €2.0 million for, *inter alia*, the conversion of the Guarantor into a stock corporation (*Aktiengesellschaft*) and further into a European company (*Societas Europaea*) in preparation for the anticipated IPO in 2013; in fiscal year 2011, these costs related primarily to advisory services provided in connection with the Group’s insourcing strategy. IT and administrative services as well as vehicle and travelling costs increased due to the insourcing-related increase in headcount and the respective rise in the number of users of IT and administrative services.

Financial Result

Financial result is the total of financial income and financial expenses. Financial income includes income from other investments, income from non-current securities and non-current loans and other interest and similar income. Financial expenses mainly relate to interest expenses on financial liabilities.

The following table shows a breakdown of the Group’s financial result for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012 ⁽¹⁾	2011
	(unaudited*) (in € million)		(audited) (in € million)		
Income from other investments	0.8 ^{**}	0.7 ^{**}	2.8	3.0	2.7
Income from non-current loans	1.5 ^{**}	1.4 ^{**}	1.9	1.9	1.9
Interest income	1.9 ^{**}	14.7 ^{**}	9.3	7.4	10.1
Financial income	4.2	16.8	14.0	12.3	14.7
Cash interest expense	(139.1)	(193.3)	(224.8)	(280.3)	(304.8)
Initial measurement of GRAND refinancing	—	—	—	(83.1)	—
Transaction costs	(4.1)	(17.9)	(9.6) ^{**}	(57.1)	(26.7)
Prepayment penalty and commitment interest	(24.3)	(26.8)	(27.5) ^{**}	(2.1) ^{**}	—
Effects from valuation of non-derivative financial instruments	(13.9)	27.6	(4.6) ^{**}	(6.7) ^{**}	(11.5) ^{**}
Derivatives	2.6 ^{**}	(13.7) ^{**}	(22.2) ^{**}	(1.5) ^{**}	—
Interest accretion to provisions / EK 02	(8.2) ^{**}	(8.2) ^{**}	(8.6) ^{**}	(19.6) ^{**}	(20.2) ^{**}
Accrued interest and other effects	(19.7) ^{**}	11.2 ^{**}	(2.3) ^{**}	7.2 ^{**}	1.1 ^{**}
Financial expenses	(206.7)	(221.1)	(299.6)	(443.2)	(362.1)
Financial result	(202.5)	(204.3)	(285.6)	(430.9)	(347.4)

*) Taken from the Guarantor’s unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

**) Taken or derived from the Guarantor’s accounting records or internal management reporting systems, respectively.

(1) Figures extracted from the Guarantor’s 2013 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Financial result slightly improved by 0.9% from negative €204.3 million in the first nine months of 2013 to negative €202.5 million in the first nine months of 2014.

Financial expenses decreased by 6.5% from €221.1 million in the first nine months of 2013 to €206.7 million in the first nine months of 2014 primarily due to a decrease in cash interest expenses by €54.2 million as well as a decrease in transaction costs by €13.8 million. Opposing effects resulted from the valuation of non-derivative financial instruments that resulted from the special effect of the restructuring and refinancing of the GRAND Securitisation, as well as from accrued interest.

Financial income declined from €16.8 million in the first nine months of 2013 to €4.2 million in the first nine months of 2014. Financial income in the first nine months of 2013 was positively impacted by a one-time interest income effect resulting from subordinated loans (the “**S-Notes**”) that the Guarantor’s former major shareholder Monterey Holdings I S.à r.l. (“**Monterey**”) had contributed as contribution in kind to the capital reserves of the Guarantor.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Financial result improved 33.7% negative €430.9 million in fiscal year 2012 to negative €285.6 million in fiscal year 2013 primarily due to a significant decrease in financial expenses.

Financial expenses declined 32.4% from €443.2 million in fiscal year 2012 to €299.6 million in fiscal year 2013. A decrease in cash interest expense from €280.3 million in fiscal year 2012 to €224.8 million in fiscal year 2013 due to the refinancing contributed significantly to this development. In addition, the decline in financial expenses was due to a number of extraordinary effects, including most notably a decrease in initial measurement of the GRAND refinancing from €83.1 million in fiscal year 2012 to nil in fiscal 2013.

Financial income increased 13.8% from €12.3 million in fiscal year 2012 to €14.0 million in fiscal year 2013 mainly due to interest income resulting from the S-Notes.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Financial result declined by 24.0% from negative €347.4 million in fiscal year 2011 to negative €430.9 million in fiscal year 2012 primarily due to a significant increase in financial expenses.

Financial expenses rose 22.4% from €362.1 million in fiscal year 2011 to €443.2 million in fiscal year 2012 primarily as a result of the GRAND portfolio restructuring including the difference between the nominal amount of the restructured GRAND financing and its initial IFRS reporting value that led to an expense of €83.1 million and transaction costs of €57.1 million (2011: €26.7 million), both recognised as financial expenses in fiscal year 2012. Cash interest expense decreased by 8.0% mainly due to the effects of lower levels of financial indebtedness; €49.0 million of the €280.3 million cash interest expense paid in fiscal year 2012 were attributable to interest step-ups relating to the GRAND financing (when compared to the interest level paid until mid-2010).

Financial income decreased 16.3% from €14.7 million in fiscal year 2011 to €12.3 million in fiscal year 2012 mainly due to a €2.7 million decrease in interest income primarily attributable to a decrease in interest received on tax refunds from €7.7 million in fiscal year 2011 to €6.0 million in fiscal year 2012.

Income Tax

The following table shows a breakdown of Deutsche Annington's income tax for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)		
Current income tax	6.0 ^{**}	6.0 ^{**}	8.5	2.1	4.9
Aperiodical current income tax	(11.5)	(6.4)	(3.7)	(6.4)	(6.5)
Deferred income tax – temporary differences	}	200.1	228.2	117.0	226.3
Deferred income tax – unutilised loss carryforwards			(27.6)	(69.1)	(70.4)
Income tax	53.8	199.7	205.4	43.6	154.3

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

**) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Income tax decreased from an expense of €199.7 million in the first nine months of 2013 to an expense of €53.8 million in the first nine months of 2014 mainly due to a decrease in deferred income tax expenses. Deferred income taxes in the first nine months of 2013 resulted predominantly from the increase in net income from fair value adjustments of investment properties.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Income tax more than quadrupled from an expense of €43.6 million in fiscal year 2012 to an expense of €205.4 million in fiscal year 2013 primarily due to the increase in deferred income taxes as a result of the increase in net income from fair value adjustments of investment properties. In addition, the taxable income significantly improved in fiscal year 2013 compared to fiscal year 2012, which resulted in a marginal increase of the total sum of loss carryforwards and therefore resulted in a corresponding decrease of the positive effect on deferred income tax from unutilised carryforwards in fiscal year 2013 compared with fiscal year 2012.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Income tax declined by 71.7% from an expense of €154.3 million in fiscal year 2011 to an expense of €43.6 million in fiscal year 2012 primarily due to lower valuation gains from fair value adjustments of investment properties. Deferred income taxes in fiscal year 2011 were significantly affected by the reclassification of trading properties into investment properties and the related Fair Value adjustment on such properties in fiscal year 2011.

Segment Discussion

Since the beginning of the first quarter of 2013, the Group has had two operating segments in accordance with IFRS 8: Rental and Sales. The following discussion presents selected segment financial data for the nine-month periods ended 30 September 2014 and 2013 and for the fiscal years 2013, 2012 and 2011 on the basis of segment reporting currently in effect. The basis for value-focused operational management of the two segments Rental and Sales is Adjusted EBITDA. The Group adjusts EBITDA to exclude special effects which do not relate to the period, are non-recurring expenses (with respect to non-recurring expenses, see “—Selected Consolidated Financial Information for the Group—Additional Key Figures”) or do not relate to the ordinary course of business. The goal is to focus on the operational performance of the segments and to ensure comparability with prior periods.

The following table presents the Group's Adjusted EBITDA Rental and Adjusted EBITDA Sales for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012	2011
	(unaudited ^{*)} (in € million)		(unaudited, unless otherwise specified) (in € million)		
Rental segment					
Rental income	572.7	546.1	728.0 ^{***)}	729.0 ^{***)}	730.7 ^{***)}
Maintenance expenses	(106.4)	(105.1)	(136.5) ^{***)}	(127.3) ^{***)}	(129.4) ^{**)}
Property management costs ^{**) (1)}	(101.8)	(105.3)	(148.8)	(164.4)	(152.7)
Adjusted EBITDA Rental^{**) (2)}	364.5	335.7	442.7	437.3	448.6
Sales segment					
Income from disposal of properties	213.0	226.1	353.5 ^{***)}	304.9 ^{***)}	253.3 ^{***)}
Carrying amount of properties sold	(180.6)	(207.1)	(325.8) ^{***)}	(270.4) ^{***)}	(188.4) ^{***)}
Revaluation of assets held for sale	16.5	17.2	24.3 ^{***)}	17.1 ^{***)}	2.7 ^{***)}
Profit on disposal of properties (IFRS)	48.9	36.2	52.0^{***)}	51.6^{***)}	67.6^{***)}
Reclassification of trading properties into investment properties ^{**)}	—	—	—	—	(21.0)
Revaluation (realised) of assets held for sale ^{**)}	(16.5)	(17.2)	(24.3)	(17.1)	(2.7)
Revaluation from disposal of assets held for sale ^{**)}	18.8	18.3	15.3	19.7	0.0
Adjusted profit from disposal of properties^{**)}	51.2	37.3	43.0	54.2	43.9
Selling costs ^{**)}	(15.5)	(9.9)	(15.3)	(17.5)	(15.3)
Adjusted EBITDA Sales^{**) (2) (3)}	35.7	27.4	27.7	36.7	28.6

^{*)} Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

^{**)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

^{***)} Audited.

- (1) Includes all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, Deutsche Annington includes other income from property management which is offset by costs, such as income from condominium administration for other owners or public-sector rent supplements.
- (2) Deutsche Annington uses Adjusted EBITDA Rental and Adjusted EBITDA Sales as indicators of segment profitability in accordance with IFRS 8. Because not all companies calculate Adjusted EBITDA in the same way, these indicators as used by the Guarantor are not necessarily comparable with similarly or comparably-titled measures used by other companies. Adjusted EBITDA Rental and Adjusted EBITDA Sales together equal Adjusted EBITDA of the Group.
- (3) Adjustments are aimed at eliminating the effect of certain reporting principles resulting in the recognition of profit on disposal of properties in periods prior to the recognition of income from the sale of such properties as well as eliminating the effect of the reclassification of trading properties into investment properties at the end of fiscal year 2011. For more information, see "—Results of Operations—Profit on Disposal of Properties".

Rental

The Rental segment comprises activities relating to residential property management, lease management, modernisation and maintenance and tenant assistance. The Rental segment is the Group's core segment. Adjusted EBITDA Rental is derived by subtracting property management and maintenance expenses from rental income generated by the Group.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Adjusted EBITDA Rental increased by 8.6% from €335.7 million in the first nine months of 2013 to €364.5 million in the first nine months of 2014, primarily due to an increase in the size of the housing portfolio following the acquisition of the DeWAG portfolio. Adjusted EBITDA Rental per unit rose 8.2% from €1,865 in the first nine months of 2013 to €2,017 in the first nine months of 2014. Rental income increased by 4.9% from €546.1 million in the first nine months of 2013 to €572.7 million in the first nine months of 2014, due to the increase in the size of the housing portfolio. Residential in-place rent per month per sqm increased 4.1% from €5.37 in the first nine months of

2013 to €5.59 in the first nine months of 2014. Excluding the effects of the DeWAG acquisition, rental income and residential in-place rent per month per sqm in the first nine months of 2014 would have amounted to €542.1 million and €5.51, respectively. Maintenance expenses remained essentially stable in the first nine months of 2014 at €106.4 million compared to the expenses of €105.1 million recognised for the first nine months of 2013. Maintenance expenses per sqm increased 0.8% from €9.15 in the first nine months of 2013 to €9.22 in the first nine months of 2014. Property management costs decreased by 3.3% from €105.3 million in the first nine months of 2013 to €101.8 million in the first nine months of 2014 despite the property management costs related to the DeWAG portfolio as a result of Deutsche Annington's cost reduction measures, the expansion of Deutsche Annington's craftsmen's organisation and lower expenses for ancillary costs.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Adjusted EBITDA Rental increased 1.2% from €437.3 million in fiscal year 2012 to €442.7 million in fiscal year 2013, while Adjusted EBITDA Rental per unit increased 4.1% from €2,372 to €2,468. Rental income remained essentially stable, while residential in-place rent per month per sqm increased 2.3% from €5.28 in fiscal year 2012 to €5.40 in fiscal year 2013. Maintenance expenses rose 7.2% from €127.3 million in fiscal year 2012 to €136.5 million in fiscal year 2013, while maintenance expenses per sqm increased 10.3% from €10.82 in fiscal year 2012 to €11.93 in fiscal year 2013. Property management costs declined 9.5% from €164.4 million in the fiscal year 2012 to €148.8 million in the fiscal year 2013. Property management costs per unit decreased 7.0% from €892 in fiscal year 2012 to €830 in fiscal year 2013. The expansion of the Group's own craftsmen's and caretaker organisations had a positive effect. Furthermore, optimisations in receivables management as well as in service charges and ancillary cost billing contributed to this reduction in costs.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Adjusted EBITDA Rental decreased 2.5% from €448.6 million in fiscal year 2011 to €437.3 million in fiscal year 2012, while Adjusted EBITDA Rental per unit declined slightly by 0.3% from €2,378 in fiscal year 2011 to €2,372 in fiscal year 2012. Rental income remained essentially stable, while residential in-place rent per month per sqm increased 2.1% from €5.17 in fiscal year 2011 to €5.28 in fiscal year 2012. Maintenance expenses declined 1.6% from €129.4 million in fiscal year 2011 to €127.3 million in fiscal year 2012, while maintenance expenses per sqm increased 1.0% from €10.71 in fiscal year 2011 to €10.82 in fiscal year 2012. Property management costs increased 7.7% from €152.7 million in the fiscal year 2011 to €164.4 million in the fiscal year 2012. Property management costs per unit increased 10.1% from €810 in fiscal year 2011 to €892 in fiscal year 2012. This increase resulted primarily from a step up in impairment losses on doubtful accounts in the amount of €6.1 million primarily due to a structural change from a formula-based approach to a modified approach that involves analysis of doubtful accounts on the basis of the applicable estimated collection rate. In addition, provisions made in connection with the termination of a service agreement in fiscal year 2012 had a negative impact on property management costs.

Sales

The Sales segment comprises all activities relating to the sale of residential and other units and covers both single unit sales (privatisation), which include sales of condominium units and single-family homes, and "Non-Core" sales, which include multi-family residential buildings and commercial properties. Adjusted EBITDA Sales is derived by subtracting all operating expenses incurred in connection with sales activities from profit on disposal of properties generated by the Group and by adjusting profit on disposal of properties for certain reclassification and timing effects described under "—Results of Operations—Profit on Disposal of Properties". Adjusted EBITDA Sales adjusts EBITDA Sales to eliminate these effects.

The Group splits its properties designated for sale into two different sub-portfolios (i) "Privatise" and (ii) "Non-Core" and follows different strategies with regard to each sub-portfolio. For a description of these sub-portfolios and Deutsche Annington's strategy with respect to each, see

“—Business—Deutsche Annington’s Current Portfolio—Strategic Portfolios”. The administrative expenses incurred in connection with sales activities primarily comprise sales commissions and other sales related fees payable to third parties as well as internal costs for the Group’s sales organisation, for example salaries of employee.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Adjusted EBITDA Sales increased 30.3% from €27.4 million in the first nine months of 2013 to €35.7 million in the first nine months of 2014 primarily due to an increase in profit on disposal of properties, adjusted for certain timing effects. The increase in profit on disposal of properties was due to significantly improved sales margins privatisation, which more than offset the lower number of sales.

Adjusted profit on disposal of properties in single unit sales (privatisations) increased 51.8% from €32.6 million in the first nine months of 2013 to €49.5 million in the first nine months of 2014 due to an increase in the fair-value step-up from 23.3% in the first nine months of 2013 to 36.7% in the first nine months of 2014, which offset a decline in the number of units sold from 2,001 to 1,778.

Adjusted profit on disposal of “Non-Core” properties declined from €4.7 million in the first nine months of 2013 to €1.7 million in the first nine months of 2014 due to a 38.3% decline in the number of units sold from 1,414 in the first nine months of 2013 to 873 in the first nine months of 2014 and a decrease in Fair Value step-up on such sales from 9.6% to 6.6%, respectively.

Selling costs increased from €9.9 million in the first nine months of 2013 to €15.5 million in the first nine months of 2014.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Adjusted EBITDA Sales declined 24.5% from €36.7 million in fiscal year 2012 to €27.7 million in fiscal year 2013 driven by a decrease in profit on disposal of properties, adjusted for certain timing effects, partially offset by a decline in selling costs.

Adjusted profit on disposal of properties in single unit sales (privatisations) increased slightly, from €42.5 million in fiscal year 2012 to €44.6 million in fiscal year 2013 despite a decline in the income from disposal of properties and the number of units sold, due to an increase in Fair Value step-up on privatisations from 22.2% in fiscal year 2012 to 24.9% in fiscal year 2013.

Adjusted profit on disposal of “Non-Core” properties declined from €11.7 million in fiscal year 2012 to a loss of €1.6 million in fiscal year 2013, due to a significant effort to optimise the portfolio. The Group increased income from disposal of properties by selling 4,144 residential units, including a residential portfolio of 2,114 units in North Rhine-Westphalia, more than twice the number sold in the prior year. However, the resulting increase in income from disposal of properties was more than offset by a decrease in Fair Value step-up on such sales from 19.5% in fiscal year 2012 to negative 1.2% in fiscal year 2013, as some of the properties were sold below fair market value. Excluding the one-time effect of a large non-core disposal, the Fair Value step-up on sales in fiscal year 2013 would have been 10.8%.

Selling costs declined slightly from €17.5 million to €15.3 million despite the higher sales volume.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Adjusted EBITDA Sales increased 28.3% from €28.6 million in fiscal year 2011 to €36.7 million in fiscal year 2012 driven by an increase in profit on disposal of properties, adjusted for certain reclassification and timing effects, due primarily to an increase in profit from disposal of properties in single unit sales (privatisations).

Adjusted profit on disposal of properties in single unit sales (privatisations) rose 21.4% from €35.0 million in fiscal year 2011 to €42.5 million in fiscal year 2012 due to an increase in the number

of units sold of 11.3% and an increase in Fair Value step-up on privatisations from 20.1% in fiscal year 2011 to 22.2% in fiscal year 2012.

Adjusted profit on disposal of “Non-Core” properties rose 30.3% from €8.9 million in fiscal year 2011 to €11.6 million in fiscal year 2012 due to a large increase in the number of units sold from 666 in fiscal year 2011 to 2,035 in fiscal year 2012, which was partially offset by a decrease in Fair Value step-up on such sales from 25.8% to 19.5%, respectively.

Selling costs increased 14.4% from €15.3 million in fiscal year 2011 to €17.5 million in fiscal year 2012 due to a higher sales volume.

Real Estate Portfolio and Investments

The following table provides an overview of the development of the Group’s real estate portfolio from 1 January 2011 through 30 September 2014:

	Investment properties	Trading properties	Assets held for sale	Owner- occupied properties	Total
	(audited, unless otherwise specified) (in € million)				
Balance as of 1 January 2011.....	8,436.7	1,166.6	–	2.5	9,605.8
Additions	0.6	0.9	–	–	1.5
Capitalised modernisation costs ⁽¹⁾	63.1	0.0	–	–	63.1
Net income from fair value adjustments of investment properties	246.7	204.5	–	(0.4)	450.8
Value write-up/write-down	2.7	–	–	–	2.7
Revaluation of assets held for sale.....	1,265.2	(1,265.2)	–	0.0	0.0
Transfer from property, plant and equipment	(1.6)	0.0	–	1.6	0.0
Transfer to property, plant and equipment.....	0.6	0.0	–	–	0.6
Transfer to assets held for sale	(25.9)	0.0	25.9	–	0.0
Disposals	(94.3)	(94.1)	–	–	(188.4)
Balance as of 31 December 2011.....	9,893.8	12.7	25.9	3.7	9,936.1
Additions	3.5	0.0	0.0	0.2	3.7
Capitalised modernisation costs ⁽¹⁾	89.4	0.0	0.0	0.1	89.5
Net income from fair value adjustments of investment properties	205.6	0.0	–	–	205.6
Value write-up/write-down	0.0	0.0	0.0	0.3	0.3
Revaluation of assets held for sale.....	17.1	0.0	–	–	17.1
Transfer from property, plant and equipment	0.2	0.0	0.0	(0.2)	0.0
Transfer to property, plant and equipment.....	(5.4)	0.0	0.0	5.4	0.0
Transfer to assets held for sale	(243.7)	0.0	243.7	0.0	0.0
Disposals	(116.9)	(12.7)	(140.8)	0.0	(270.4)
Balance as of 31 December 2012.....	9,843.6	0.0	128.8	9.5	9,981.9
Additions	0.9	–	0.0	0.0	0.9
Capitalised modernisation costs ⁽¹⁾	90.8	–	0.3 ^{**}	0.5	91.6^{**}
Net income from fair value adjustments of investment properties	553.7	–	–	–	553.7
Value write-up/write-down	0.0	–	0.0	(0.1)	(0.1)
Grants received.....	(2.0)	–	–	–	(2.0)
Revaluation of assets held for sale.....	24.3	–	–	0.0	24.3
Transfer from property, plant and equipment	1.1	–	0.0	(1.1)	0.0
Transfer to property, plant and equipment.....	(3.4)	–	0.0	3.4	0.0
Transfer to assets held for sale	(124.7)	–	124.7	0.0	0.0
Disposals	(117.9)	–	(207.9)	0.0	(325.8)
Balance as of 31 December 2013.....	10,266.4	–	45.9	12.2	10,324.5
Additions due to changes in scope of consolidation	1,055.6 ^{*)}	–	–	–	1,055.6^{*)}
Additions (unaudited).....	13.6 ^{*)}	–	–	–	13.6^{*)}
Capitalised modernisation costs (unaudited) ⁽¹⁾	134.8 ^{*)}	–	0.0 ^{*)}	0.1 ^{**}	134.9^{*)}
Net income from fair value adjustments of investment properties / impairment (unaudited).....	26.9 ^{*)}	–	0.0 ^{*)}	–	26.9^{*)}
Value write-up/write-down (unaudited)	–	–	–	(0.1) ^{**}	(0.1)^{**}

	Investment properties	Trading properties	Assets held for sale	Owner- occupied properties	Total
	(audited, unless otherwise specified) (in € million)				
Grants received.....	(0.3)	–	–	–	(0.3)
Revaluation of assets held for sale (unaudited)	16.5 ^{*)}	–	–	–	16.5 ^{*)}
Transfer to assets held for sale (unaudited)	(92.1) ^{*)}	–	92.1 ^{*)}	–	0.0 ^{*)}
Disposals (unaudited)	(84.0) ^{*)}	–	(96.6) ^{*)}	(0.1) ^{**)}	(180.7) ^{**)}
Balance as of 30 September 2014 (unaudited)	11,337.4	–	41.4	12.1^{**)}	11,390.9^{**)}

^{*)} Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

^{**)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Refers to the total of capitalised modernisation and maintenance measures.

Development from 1 January 2011 through 31 December 2011

The value of the Group's real estate portfolio increased 3.4% from €9,605.8 million as of 1 January 2011 to €9,936.1 million as of 31 December 2011, primarily driven by net income from fair value adjustments of investment properties and investments, partially offset by disposals.

The value of investment properties increased primarily due to the reclassification of trading properties into investment properties at the end of fiscal year 2011 that led to an increase in value of investment properties of €1,265.2 million, including €204.5 million resulting from the revaluation of reclassified properties at Fair Value, in fiscal year 2011. Investment properties also profited from positive developments of the real estate market that resulted in net income from fair value adjustments of investment properties of €246.7 million in fiscal year 2011. Disposals reduced the value of investment properties by €94.3 million.

Capitalised modernisation costs in fiscal year 2011 amounted to €63.1 million, whereof €47.6 million was attributable to modernisation measures and €15.5 million to capitalised maintenance. Modernisation measures primarily comprised energy efficiency modernisation (including the insulation of facades, basements and attics and the installation of energy efficient heating systems, double-glazed windows, well-insulated front doors and motion-activated light systems), the restoration of balconies as well as the installation of outside blinds and intercommunication systems. The energy efficiency modernisation projects covered a total of approximately 2,660 residential units throughout Germany, including 134 units in Frankfurt, 112 units in Eschweiler and 106 units in Dortmund.

The value of trading properties decreased from €1,166.6 million as of 1 January 2011 to €12.7 million as of 31 December 2011 primarily due to the reclassification of trading properties into investment properties at the end of fiscal year 2011 and disposals of €94.1 million.

The value of assets held for sale rose to €25.9 million as of 31 December 2011 in particular as a result of the reclassification of trading properties into investment properties at the end of fiscal year 2011 and increased divestitures of "Non-Core" properties from the investment portfolio in such fiscal year.

Development from 31 December 2011 through 31 December 2012

The value of the Group's real estate portfolio increased 0.5% from €9,936.1 million as of 31 December 2011 to €9,981.9 million as of 31 December 2012, as net income from fair value adjustments of investment properties and capitalised modernisation costs was almost completely offset by disposals.

The value of investment properties decreased 0.5% from €9,893.8 million as of 31 December 2011 to €9,843.6 million as of 31 December 2012 primarily due to an increase in disposals of investment properties and in transfer to assets held for sale, which was partially offset by an increase in capitalised modernisation costs over the same period. Disposals rose 24.0% from €94.3 million in fiscal year 2011 to €116.9 million in fiscal year 2012 as a result of an increased

number of units sold. Transfer to assets held for sale increased by €217.8 million, from €25.9 million in fiscal year 2011 to €243.7 million in fiscal year 2012. Capitalised modernisation costs rose by 41.7% from €63.1 million in fiscal year 2011 to €89.4 million in fiscal year 2012 primarily due to increased capitalised modernisation costs in the quality of housing stock via targeted modernisation projects.

Capitalised modernisation costs in fiscal year 2012 included €65.7 million attributable to modernisation measures and €23.7 million attributable to capitalised maintenance. Modernisation measures primarily comprised energy efficiency modernisation (including the insulation of facades, basements and attics and the installation of energy efficient heating systems, double-glazed windows, well-insulated front doors and motion-activated light systems), the restoration of balconies as well as the installation of outside blinds and intercommunication systems. These energy efficiency modernisation projects covered a total of approximately 2,900 residential units throughout Germany, including 248 units in Frankfurt, 151 units in Bonn, 114 units in Duisburg, 106 units in Oberursel and 103 units in Darmstadt. In fiscal year 2012, the Group began its pilot senior living modernisation project and refurbished first 41 residential units to make them suitable for the elderly. Senior living modernisation measures amounted to €0.6 million, or approximately €14,600 per residential unit, in fiscal year 2012.

The value of trading properties decreased from €12.7 million at 31 December 2011 to €0.0 million at 31 December 2012 due to the completion of all sales of trading properties that were entered into before the reclassification of the entire stock of trading properties into investment properties at the end of fiscal year 2011.

The value of assets held for sale rose from €25.9 million as of 31 December 2011 to €128.8 million as of 31 December 2012 due to transfer to assets held for sale in the amount of €243.7 million that was partially offset by disposals of assets held for sale in the amount of €140.8 million in fiscal year 2012.

Development from 31 December 2012 through 31 December 2013

The value of the Group's real estate portfolio increased 3.4% from €9,981.9 million as of 31 December 2012 to €10,324.5 million as of 31 December 2013, as net income from fair value adjustments of investment properties and capitalised modernisation costs once again outweighed the impact of disposals.

The value of investment properties increased 4.3% from €9,843.6 million as of 31 December 2012 to €10,266.4 million as of 31 December 2013 primarily due to income from fair value adjustments of €553.7 million, resulting primarily from overall positive market development and the extended approach to assumptions in the Group's DCF valuation method. Partially offsetting these increases in the value of the investment portfolio were disposals of €117.9 million and transfer to assets held for sale of €124.7 million.

Capitalised modernisation costs in fiscal year 2013 of €90.8 million included €70.8 million attributable to modernisation measures and €20.0 million attributable to capitalised maintenance (excluding €1.1 million attributable to intercompany profits). Modernisation measures again focused on energy-efficient modernisation measures and senior friendly conversions.

The value of assets held for sale declined from €128.8 million as of 31 December 2012 to €45.9 million as of 31 December 2013. The decrease in assets held for sale was primarily attributable disposals of €207.9 million that were offset by transfers to assets held for sale from investment properties.

Development from 31 December 2013 through 30 September 2014

The value of the Group's real estate portfolio increased by 10.3% from €10,324.5 million as of 31 December 2013 to €11,390.9 million as of 30 September 2014.

The sharp increase in the value of investment properties to €11,337.4 million as of 30 September 2014 was primarily due to the first time consolidation of the DeWAG portfolio in an amount of €1,055.6 million. Net income from fair value adjustments of investment properties in the amount of €26.9 million reflects the net valuation gain as at 30 September 2014. Investments of €134.8 million continue to consist of energy-efficient modernisation measures and senior-friendly conversions. The value of the investment properties was also affected by disposals of €84.0 million and transfer to assets held for sale of €92.1 million.

The value of assets held for sale declined from €45.9 million as of 31 December 2013 to €41.4 million as of 30 September 2014. The decline was due to disposals of €96.6 million, which exceeded the value of the assets transferred from investment properties.

Liquidity and Capital Resources

Cash Flows

The following table provides an overview of the Group's cash flows for the periods presented:

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012⁽³⁾	2011⁽¹⁾
	(unaudited²⁾) (in € million)		(audited) (in € million)		
Profit for the period	122.0	474.3	484.2	172.2	423.6
Depreciation and amortisation	5.1	4.6	6.8	6.1	6.2
Interest expenses/income	203.4	204.9	288.3	433.9	350.1
Income taxes	53.8	199.7	205.4	43.6	154.3
Results from disposals of investment properties	(32.4)	(19.0)	(27.6)	(27.0)	(22.1)
Results from disposal of non-current assets	–	–	0.9	–	–
Net income from fair value adjustments of investment properties	(26.9)	(540.1)	(553.7)	(205.6)	(246.7)
Revaluation of assets held for sale	(16.5)	(17.2)	(24.3)	(17.1)	(2.7)
Changes in value of trading properties	–	–	–	–	(204.5)
Transaction costs (cash paid) for shares in consolidated companies	10.4	–	–	–	–
Other expenses/earnings not affecting net income	0.1	1.1	0.8	(0.5)	0.4
Changes in inventories	1.1	(1.0)	(1.7)	11.9	93.7
Changes in receivables and other assets	15.0	(6.3)	(0.3)	22.8	20.7
Changes in provisions	(17.0)	(30.0)	(2.9)	(32.3)	(24.9)
Changes in liabilities	(9.3)	(18.5)	9.3	(4.6)	13.8
Payment of tax liabilities (EK 02)	–	(114.7)	(114.7)	(24.5)	–
Income tax paid	(2.9)	(7.3)	(10.9)	6.6	23.1
Cash flow from operating activities	305.9	130.5	259.6	385.5	585.0
Proceeds from disposals of investment properties and assets held for sale	264.2	206.8	270.3	284.5	135.2
Proceeds from disposals of intangible assets and property, plant and equipment	0.1	0.2	0.2	–	–
Proceeds received from disposals of financial assets	0.9	0.5	0.9	0.1	4.1
Acquisition of investment properties ⁽²⁾	(148.7)	(46.5)	(94.9)	(91.0)	(58.4)
Acquisition of intangible assets and property, plant and equipment	(6.3)	(4.1)	(8.3)	(6.8)	(2.7)
Acquisition of shares in consolidated companies (net of cash acquired)	39.3	–	(0.1)	(0.9)	(1.6)
Acquisition of financial assets	(1,533.6)	–	–	(0.2)	(0.5)
Interest received	4.9	2.8	3.2	8.8	11.7
Cash flow from investing activities	(1,379.2)	159.7	171.3	194.5	87.8
Capital contributions on the issue of new shares (including premium)	304.0	400.0	400.0	334.1	–
Cash paid to shareholders of the Guarantor	(168.2)	–	–	–	–
Cash paid to non-controlling shareholders	(11.5)	–	(5.1)	(1.9)	–
Cash proceeds from issuing loans and notes	1,806.4	5,275.2	6,525.0	4,469.6	178.5
Cash repayments of financial liabilities	(1,007.6)	(5,797.1)	(6,876.3)	(4,874.6)	(545.6)

	For the nine-month period ended 30 September		For the year ended 31 December		
	2014	2013	2013	2012 ⁽³⁾	2011 ⁽¹⁾
	(unaudited ^{*)} (in € million)		(audited) (in € million)		
Transaction costs.....	(19.8)	(112.4)	(123.9)	(28.2)	(33.1)
Payment of transaction costs in connection with the issue of shares	(3.0)	(25.0)	(20.6)	–	–
Acquisition/disposal of shares in consolidated companies (net of cash acquired).....	2.9	–	0.0	(5.0)	–
Prepayment penalty and commitment interest	(41.7)	(26.8)	(27.5)	(2.1)	–
Interest paid.....	(139.1)	(193.3)	(224.8)	(280.3)	(304.8)
Cash flow from financing activities.....	722.4	(479.4)	(353.2)	(388.4)	(705.0)
Net changes in cash and cash equivalents.....	(350.9)	(189.2)	77.7	191.6	(32.2)
Cash and cash equivalents at beginning of the period	547.8	470.1	470.1	278.5	310.7
Cash and cash equivalents at the end of the period	196.9	280.9	547.8	470.1	278.5

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

(2) Mainly includes spending on modernisation measures.

(3) Figures extracted from the Guarantor's 2013 audited consolidated financial statements.

Comparison of the Nine-month Periods Ended 30 September 2014 and 30 September 2013

Cash Flow from Operating Activities

Cash flow from operating activities increased by 134.4% from €130.5 million in the first nine months of 2013 to €305.9 million in the first nine months of 2014 driven by a higher cash surplus from the property management business and a more favourable development in working capital. The cash flow from operating activities in the first nine months of 2013 included the payment of the EK 02 liabilities in the amount of €114.7 million.

Cash Flow from Investing Activities

Cash flow from investing activities decreased significantly, from an inflow of €159.7 million in the first nine months of 2013 to an outflow of €1,379.2 million in the first nine months of 2014 due to the acquisition of the DeWAG portfolio and the Vitus Group Takeover.

The cash flow from investing activities in the first nine months of 2014 includes a net outflow of €390.0 million for the settlement of the payment obligation for the acquisition of the DeWAG portfolio as well as payments made in connection with the Vitus Group Takeover in an amount of €1,104.3 million. It also comprises inflows from sale of assets in the amount of €264.2 million, which was offset by outflows of €148.7 million for investments in the real estate portfolio.

Cash Flow from Financing Activities

Cash flow from financing activities in the first nine months of 2014 improved significantly from an outflow of €479.4 million in the first nine months of 2013 to an inflow of €722.4 million in the first nine months of 2014.

Cash outflow from financing activities in the first nine months of 2014 reflects the inflow of gross proceeds of €304.0 million from the capital increase of 7 March 2014, the net borrowings of the financial year of €798.8 million, regular interest payments of €139.1 million, prepayment penalties and transaction costs of €64.5 million, as well as the outflow of €168.2 million for the dividend payment resolved upon by the Guarantor's shareholders' meeting of 9 May 2014.

Cash outflow from financing activities in the first nine months of 2013 reflects cash repayments of financial liabilities, net of cash proceeds from loans and issue of notes, of €521.9 million. Cash repayments of financial liabilities was driven by repayments in the amount of

€4,086.2 million in connection with the GRAND restructuring and €1,710.9 million resulting from portfolio financing and repayments of mortgages. €5,275.2 million representing proceeds from issue of financial liabilities primarily resulted from the inclusion of the 2013 Term Loan in the amount of €2,304.3 million, the issue of notes in July 2013 in the amount of €1,300 million and the payments made in connection with other portfolio financing and mortgages in the amount of €1,670.9 million (mainly attributable to a loan granted by Berlin-Hannoversche Hypothekenbank (BHH) and a loan by the insurance company AXA). Cash flow from financing activities in the first nine months of 2013 was also affected by transaction costs of €137.4 million.

The improvement in cash flow from financing activities was also positively impacted by lower interest paid due to the optimised financing conditions resulting from the refinancing in 2013.

Comparison of the Fiscal Years Ended 31 December 2013 and 31 December 2012

Cash Flow from Operating Activities

Cash flow from operating activities declined from €385.5 million in 2012 to €259.6 million in 2013, driven primarily by a cash outflow of €114.7 million for the repayment ahead of schedule of all remaining EK 02 liabilities, compared to the regular instalment of €24.5 million in fiscal year 2012. See “—Liabilities—Non-Financial Liabilities”. The decline in cash flow from operating activities was also affected by a €17.5 million swing in tax payments, from a refund of €6.6 million in fiscal year 2012 to a payment of €10.9 million in fiscal year 2013. Cash flow from operating activities benefited from changes in working capital, which led to positive cash flows of €4.4 million in fiscal year 2013, compared with cash outflows of €2.2 million in fiscal year 2012.

Cash Flow from Investing Activities

Cash flow from investing activities declined from €194.5 million in fiscal year 2012 to €171.3 million in fiscal year 2013. While the cash outflows for investments in investment properties (primarily modernisation measures) was generally stable at €94.9 million, income from disposal of investment properties fell by €14.2 million. At €8.3 million, investments in intangible assets and in other property, plant and equipment increased by €1.5 million year-on-year, while at €3.2 million, interest received was €5.6 million below the prior-year figure.

Cash Flow from Financing Activities

Cash flow from financing activities improved from an outflow of €388.4 million in fiscal year 2012 to an outflow of €353.2 million in fiscal year 2013.

The cash outflow from financing activities in fiscal year 2013 was primarily driven by the GRAND refinancing and repayment of the REF Notes, which were refinanced through the IPO and proceeds from the 2013 Term Loan that was in turn refinanced through bonds issuances. Net proceeds from the capital increase as part of the IPO amounted to €379.4 million. Cash repayments of financial liabilities, net of proceeds from loans and issue of notes, amounted to €351.3 million. Cash outflow from financing activities also included transaction costs and prepayment penalties and commitment interest, primarily in connection with the GRAND refinancing, of €151.4 million.

In fiscal year 2012, the then sole shareholder of the Guarantor contributed €334.1 million to capital reserves in connection with the GRAND restructuring. Cash repayments of financial liabilities, net of cash proceeds from loans and issuing notes, was €405.0 million in fiscal year 2012, whereof €380.8 million was attributable to scheduled repayments and €24.2 million to unscheduled repayments including the GRAND restructuring.

The improvement in cash flow from financing activities was also due to a decline in interest paid from €280.3 million in 2012 to €224.8 million in 2013 due to the refinancing.

Comparison of the Fiscal Years Ended 31 December 2012 and 31 December 2011

Cash Flow from Operating Activities

Cash flow from operating activities decreased 34.1% from €585.0 million in fiscal year 2011 to €385.5 million in fiscal year 2012 primarily due to a decline in income from sale of trading properties and an increase in income tax paid compared to the previous year. Cash flow from operating activities in fiscal year 2011 included proceeds from the sale of trading properties that would have been recorded as cash flow from investment activities had the relevant properties originally been classified as investment properties. Income from sale of trading properties is reflected in the Group's cash flow statement in part as changes in inventories, which reflect carrying amounts of properties sold, and in part as profit for the period, which includes, among other things, profit on disposal of trading properties. The decline in income from sale of trading properties of €116.8 million, from €136.8 million in fiscal year 2011 to €20.0 million in fiscal year 2012, was primarily attributable to the reclassification of trading properties into investment properties at the end of fiscal year 2011. Income tax paid increased by €41.0 million, from an inflow of €23.1 million in fiscal year 2011 to an outflow of €17.9 million in fiscal year 2012. The inflow in fiscal year 2011 resulted from a tax refund following a ruling by the Federal Fiscal Court (*Bundesfinanzhof*) clarifying the responsibilities for trade tax payments.

Cash Flow from Investing Activities

Cash flow from investing activities more than doubled from €87.8 million in fiscal year 2011 to €194.5 million in fiscal year 2012. The increase was primarily due to an increase in proceeds from disposals of investment properties that was partially offset by an increase in acquisition of investment properties. Proceeds from disposal of investment properties more than doubled from €135.2 million in fiscal year 2011 to €284.5 million in fiscal year 2012 and were affected by the reclassification of trading properties into investment properties at the end of fiscal year 2011. Cash flow from operating activities in fiscal year 2011 included proceeds from the sale of trading properties that would have been recorded as cash flows from investment activities had those properties originally been classified as investment properties. Acquisition of investment properties, which mainly includes investment in modernisation measures, rose by 55.8% from an outflow of €58.4 million in fiscal year 2011 to an outflow of €91.0 million in fiscal year 2012 primarily due to the implementation of targeted modernisation projects.

Cash Flow from Financing Activities

Cash flow from financing activities improved 44.9% from an outflow of €705.0 million in fiscal year 2011 to an outflow of €388.4 million in fiscal year 2012 primarily due to equity contributions by the then sole shareholder that was partially offset by an increase in net cash repayments of financial liabilities. In fiscal year 2012, the then sole shareholder of the Guarantor contributed €334.1 million to the capital reserves in connection with the GRAND restructuring. Cash repayments of financial liabilities, net of cash proceeds from loans and issuing notes, rose 10.3% from €367.1 million in fiscal year 2011 to €405.0 million in fiscal year 2012, whereof €380.8 million was attributable to scheduled repayments and €24.2 million to unscheduled repayments including the GRAND restructuring.

Equity

The following table shows Deutsche Annington's equity as of the dates specified:

	As of 30 September	As of 31 December		
	2014	2013	2012	2011 ⁽¹⁾
	(unaudited*) (in € million)		(audited) (in € million)	
Subscribed capital.....	240.2	224.2	0.1	0.1
Capital reserves	1,716.1	1,430.1	1,052.3	718.2

	As of 30 September 2014 (unaudited*) (in € million)		As of 31 December 2012 (audited) (in € million)	2011 ⁽¹⁾
Retained earnings	2,098.3	2,178.5	1,661.1	1,539.3
Other reserves	(56.2)	(27.3)	(47.1)	(41.3)
Total equity attributable to the Guarantor's shareholders	3,998.4	3,805.5	2,666.4	2,216.3
Non-controlling interests	17.2	12.5	11.0	13.5
Total equity	4,015.6	3,818.0	2,677.4	2,229.8

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of 30 September 2014 and 31 December 2013

In the first nine months of 2014, the Group's total equity increased 5.2% from €3,818.0 million as of 31 December 2013 to €4,015.6 million as of 30 September 2014, primarily due to the capital increase in March 2014, which led to the increase in subscribed capital and capital reserves. The capital procurement costs of €3.0 million in connection with the issuance of the shares were offset against the capital reserves allowing for deferred tax effects of €1.0 million. The positive effect from the issuance of the new shares was partly offset by the dividend pay-out to the Guarantor's shareholders in the amount of €168.2 million.

Comparison of 31 December 2013 and 31 December 2012

In fiscal year 2013, Deutsche Annington's total equity capital increased 42.6% from €2,677.4 million as of 31 December 2012 to €3,818.0 million as of 31 December 2013. This increase was partially due to the contribution in kind by the then sole shareholder of a subordinated loan in the amount of €239.1 million to capital reserves. The IPO contributed a further €375.8 million to the increase in capital reserves and also led to an increase of €224.1 million in subscribed capital, primarily through a conversion of capital reserves in the amount of €199.9 million and the subscription of new shares at nominal value. The capital procurement costs attributable to the Guarantor of €20.6 million in connection with the IPO were offset against capital reserves, allowing for deferred tax effects of €6.7 million. In preparation for a dividend distribution, €23.3 million was withdrawn from capital reserves and reclassified to retained earnings. Equity was also positively impacted by the increase in retained earnings, which was significantly impacted by income from Fair Value adjustments attributable to the overall positive market development and the extended approach to assumptions in the Group's DCF valuation method. In total the net income for the period contributed €484.2 million to the increase in total equity.

Comparison of 31 December 2012 and 31 December 2011

In fiscal year 2012, the Group's total equity capital increased 20.0% from €2,229.8 million as of 31 December 2011 to €2,677.4 million as of 31 December 2012. This increase was primarily the result of an equity contribution by the then sole shareholder of the Guarantor into capital reserves in the amount of €334.1 million relating to the restructuring of the GRAND portfolio and fair value adjustments of investment properties. In total the net income contributed €172.2 million.

Liabilities

Financial Liabilities

Financial liabilities include other non-derivative financial liabilities and derivative financial liabilities. Other non-derivative financial liabilities include liabilities to banks, other lenders (e.g., liabilities under securitised debt) as well as deferred interest from such liabilities. Derivative financial liabilities are purchase price liabilities from put options and cash flow hedges (e.g., currency swaps

and interest rate swaps) as well as deferred interest from cash flow hedges. The following table provides a breakdown of the Group's financial liabilities for the dates shown:

	As of 30 September 2014 (unaudited*) (in € million)	As of 31 December 2013 2012 2011 ⁽¹⁾ (audited) (in € million)		
Other non-derivative financial liabilities				
Banks.....	2,932.3	2,663.3	1,634.1	1,542.1
Other creditors.....	4,180.2	2,996.6	4,703.1	5,110.8
Deferred interest from other non-derivative financial liabilities.....	58.9	26.8	35.4	42.8
Total other non-derivative financial liabilities	7,171.4	5,686.7	6,372.6	6,695.7
Derivative financial liabilities				
Purchase price liabilities from put options	18.3	7.4	7.0	7.2
Cash flow hedges (cross currency and interest rate swaps)	59.0	69.4	67.1	59.8
Deferred interest from cash flow hedges	(8.8)	1.6	3.8	2.6
Total derivative financial liabilities.....	68.5	78.4	77.9	69.6
Total other financial liabilities.....	7,239.9	5,765.1	6,450.5	6,765.3

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of 30 September 2014 and 31 December 2013

Other non-derivative financial liabilities increased 26.1% from €5,686.7 million as of 31 December 2013 to €7,171.4 million as of 30 September 2014 mainly due to the acquisition of the DeWAG group. As part of this acquisition, portfolio loans and mortgages with a nominal value of €565.5 million were acquired.

Derivative financial liabilities decreased 12.6% from €78.4 million as of 31 December 2013 to €68.5 million as of 30 September 2014 mainly due to a decrease in cash flow hedges. At the same time, purchase price liabilities from put options rose 147.3% from €7.4 million as of 31 December 2013 to €18.3 million as of 30 September 2014 primarily due to the DeWAG acquisition.

Comparison of 31 December 2013 and 31 December 2012

Other non-derivative financial liabilities decreased 10.8% from €6,372.6 million as of 31 December 2012 to €5,686.7 million as of 31 December 2013 as a decline in financial liabilities to other creditors was partially offset by an increase in liabilities to banks. The 36.3% decline in liabilities to other creditors to €2,996.6 million as of 31 December 2013 was due to refinancing of the GRAND CMBS, whereas liabilities to banks increased 63.0% to €2,663.3 million as of 31 December 2013 as a result of new bonds and new structured and secured loans.

Derivative financial liabilities increased only slightly to €78.4 million as of 31 December 2013.

Comparison of 31 December 2012 and 31 December 2011

Other non-derivative financial liabilities decreased 4.8% from €6,695.7 million as of 31 December 2011 to €6,372.6 million as of 31 December 2012 mainly due to repayments of securitised debt that was partially offset by an increase in liabilities to banks. The repayments of securitised debt amounted to €405.0 million, whereof €380.8 million represents scheduled repayments and €24.2 million represents unscheduled repayments (net). Unscheduled repayments (net) refer to the restructuring of the GRAND portfolio and include the difference between the unscheduled repayment in the amount of €4,493.8 million of the original obligations and the drawing of a new loan in the amount of €4,469.6 million. Liabilities to banks increased 6.0% from €1,542.1 million as of

31 December 2011 to €1,634.1 million as of 31 December 2012 primarily due to the refinancing of the Prima portfolio that was reclassified from liabilities to other creditors into liabilities to banks.

Derivative financial liabilities rose 11.9% from €69.6 million as of 31 December 2011 to €77.9 million as of 31 December 2012 mainly due to an increase in cash flow hedges. Cash flow hedges rose 12.2% from €59.8 million as of 31 December 2011 to €67.1 million as of 31 December 2012 primarily due to a decline in the discount rate that resulted in a negative fair value of such hedging arrangements.

Maturity Profile of Key Liabilities

The following table provides a maturity profile of the Group's financial liabilities as of 30 September 2014:

	Nominal obligation as of 30 September 2014 (unaudited ^{**)}) (in € million)	Repayment of the nominal obligations is as follows:					
		2014	2015	2016	2017	2018	from 2019
		(unaudited ^{*)}) (in € million)					
Bonds	3,739.8	–	–	700.0	554.9	–	2,484.9
2014 Term loan	475.0	–	–	475.0	–	–	–
Portfolio financing.....	2,035.0	8.6	31.1	31.1	31.5	1,196.5	736.2
Credit line.....	124.7	124.7	–	–	–	–	–
Mortgages.....	719.3	8.0	21.5	18.6	17.1	14.4	639.7
Total.....	7,093.8	141.3	52.6	1,224.7	603.5	1,210.9	3,860.8

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

**) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

Non-Financial Liabilities

Non-financial liabilities include trade payables, current income tax liabilities, deferred tax liabilities and other liabilities. Trade payables are liabilities from property letting and from other goods and services. Income tax liabilities are liabilities resulting from the lump-sum taxation of the previously untaxed so-called EK 02 amounts at an effective rate of 3.0% introduced under the 2008 German Annual Tax Act (*Jahressteuergesetz 2008*), on which tax is to be paid starting from 2008 in ten equal annual instalments. Deferred tax liabilities are liabilities for temporary tax differences. The following table provides the composition of non-financial liabilities as of the dates shown:

	As of 30 September 2014 (unaudited ^{*)}) (in € million)	As of 31 December		
		2013	2012	2011 ⁽¹⁾
		(audited) (in € million)		
Trade payables.....	44.4	47.9	46.3	37.9
Income tax liabilities	–	–	112.8	131.6
Deferred tax liabilities	1,007.6	925.0	724.2	691.9
Other liabilities.....	47.5	45.6	53.4	32.7
Total.....	1,099.5	1,018.5	936.7	894.1

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of 30 September 2014 and 31 December 2013

Non-financial liabilities increased from €1,018.5 million as of 31 December 2013 to €1,099.5 million as of 30 September 2014 primarily due to an increase in deferred tax liabilities and an increase in other liabilities, partly offset by a decrease in trade payables. Deferred tax liabilities

increased 8.9% in particular due to an increase in valuation of the investment properties. Trade payables decreased slightly due to payments. Other liabilities increased slightly by 4.2% to €47.5 million.

Comparison of 31 December 2013 and 31 December 2012

Non-financial liabilities increased 8.7% from €936.7 million as of 31 December 2012 to €1,018.5 million as of 31 December 2013 due to an increase in deferred tax liabilities that was partially offset by a decrease in income tax liabilities and in other liabilities. The 27.7% increase in deferred tax liabilities to €925.0 million as of 31 December 2013 was mainly attributable to the income from fair value adjustment of investment properties, which was impacted by the overall positive market development and the extended approach to assumptions according to the DCF valuation method. The decline in income tax liabilities from €112.8 million as of 31 December 2012 to nil as of 31 December 2013 was due to the payment ahead of schedule of all remaining EK 02 liabilities. Other liabilities decreased 14.6% to €45.6 million.

Comparison of 31 December 2012 and 31 December 2011

Non-financial liabilities increased 4.8% from €894.1 million as of 31 December 2011 to €936.7 million as of 31 December 2012 due to an increase in deferred tax liabilities, trade payables and other liabilities that was partially offset by a decrease in income tax liabilities. The increase in deferred tax liabilities of 4.7% from €691.9 million as of 31 December 2011 to €724.2 million as of 31 December 2012 was mainly attributable to the positive Fair Value adjustment of investment properties. The increase in trade payables of €8.4 million, or 22.2%, from €37.9 million as of 31 December 2011 to €46.3 million as of 31 December 2012, was primarily due to compensation owed to a service provider. The increase in other liabilities included liabilities of €8.0 million from the GRAND Securitisation incurred in fiscal year 2012. Income tax liabilities declined by 14.3% from €131.6 million as of 31 December 2011 to €112.8 million as of 31 December 2012 primarily due to the annual payment of tax on EK 02 amounts of €24.5 million.

Provisions

Provisions include provisions for pensions and similar obligations, provisions for taxes and other provisions, such as environmental remediation, personnel costs, outstanding trade invoices and miscellaneous other provisions. The following table provides a composition of the Group's pension and similar provisions, provisions for taxes and other provisions as of the dates shown:

	As of 30 September	As of 31 December		
	2014	2013	2012	2011 ⁽¹⁾
	(unaudited ^{*)}) (in € million)		(audited) (in € million)	
Provisions for pensions and similar obligations	331.5 ^{**})	291.0	319.0	254.2
Provisions for taxes				
(current income taxes excluding deferred taxes)	57.2 ^{**})	64.4	71.4	73.2
Other provisions				
Environmental remediation	25.2	25.8	29.4	32.2
Personnel costs	50.4	57.1	54.7	46.1
Restructuring	—	—	—	3.3
Outstanding trade invoices	24.8	19.5	40.8	51.2
Follow-up costs from property sales	1.2	1.1	1.9	1.1
Miscellaneous other provisions	46.4	32.3	26.5	32.5
Other provisions total	148.0 ^{**})	135.8	153.3	166.4
Total	536.7 ^{**})	491.2	543.7	493.8

^{*)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

^{***)} Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

(1) Figures extracted from the Guarantor's 2012 audited consolidated financial statements.

Comparison of 30 September 2014 and 31 December 2013

Provisions increased 9.3% from €491.2 million as of 31 December 2013 to €536.7 million as of 30 September 2014, mainly due to an increase in provisions for pensions and similar obligations. Provisions for pensions and similar obligations increased 13.9% to €331.5 million as of 30 September 2014 primarily due to the recognition of actuarial losses (recognised in equity) resulting from the decrease in the applicable discount rate from 3.3% as of 31 December 2013 to 2.3% as of 30 September 2014.

Comparison of 31 December 2013 and 31 December 2012

Provisions decreased 9.7% from €543.7 million as of 31 December 2012 to €491.2 million as of 31 December 2013, mainly due to a decrease in provisions for pensions and similar obligations, primarily as a result of an increase in the applicable discount rate from 2.7% as of 31 December 2012 to 3.3% as of 31 December 2013.

Comparison of 31 December 2012 and 31 December 2011

Provisions increased 10.1% from €493.8 million as of 31 December 2011 to €543.7 million as of 31 December 2012, mainly due to an increase in provisions for pensions and similar obligations, primarily as a result of a decline in the applicable discount rate from 4.6% as of 31 December 2011 to 2.7% as of 31 December 2012.

Contingencies and Other Financial Obligations

Contingent Liabilities

Contingent liabilities are potential obligations towards third parties arising from past events, whose existence or non-existence will be determined in the future.

The following table provides a composition of the Group's contingent liabilities as of the dates indicated:

	As of 31 December		
	2013	2012	2011
	(audited)		
	(in € million)		
Property transfer obligations	12.6	67.4	65.7
Rent surety bonds	0.2	0.2	0.1
Other	2.8	2.8	0.1
Total Contingent Liabilities	15.6	70.4	65.9

Comparison of 31 December 2013 and 31 December 2012 and 31 December 2011

Contingent liabilities decreased 77.8% from €70.4 million as of 31 December 2012 to €15.6 million as of 31 December 2013 mainly due to a decrease in property transfer obligations from €65.7 million as of 31 December 2011 to €12.6 million as of 31 December 2013 after an increase to €67.4 million in fiscal year 2012. The increase in fiscal year 2012 is in line with the corresponding increase in sales of properties. The decrease in fiscal year 2013 was due to a decline in property transfer obligations resulting from a change in Deutsche Annington's practice in connection with sales of properties. Through fiscal year 2012, property transfer obligations included special bank guarantees (*Avale*) issued in favour of purchasers of Deutsche Annington's properties to guarantee repayment of the purchase price paid by the purchaser to the Group until the Group effected transfer of legal title in the relevant property. Starting in fiscal year 2013, repayment of the purchase price is no longer guaranteed in favour of the purchasers; instead, purchasers pay the purchase price into trust accounts maintained by a notary and the funds are only released to the Group upon transfer of legal title in the relevant property to the purchaser. As a result, starting in 2013, property transfer obligations no longer

include special bank guarantees previously issued in connection with the sale of properties and, accordingly, were significantly reduced.

Other Financial Obligations

Other financial obligations consist of rents, lease contracts, ground rent contracts and other financial liabilities.

The following table provides a composition of the Group's other financial obligations as of the dates indicated:

	As of 31 December		
	2013	2012	2011
	(audited) (in € million)		
Total minimum lease payments ⁽¹⁾	279.4	282.0	248.1
Cable TV service contracts	178.7	160.0	136.0
Caretaker service contracts	64.3	81.3	47.2
IT service contracts	20.2	20.9	26.1
Surcharges under the German Condominium Act	1.3	1.3	1.0
Refinancing costs	–	1.8	–
Total Other Financial Obligations	543.9	547.3	458.4

(1) Total minimum lease payments are due as follows:

Total minimum lease payments as of 31 December 2013	End of contracts term	Due within one year	Due in 1 to 5 years	Due after 5 years	Total
			(audited) (in € million)		
Rents	2014-2020	4.7	17.3	3.4	25.4
Lease contracts	2014-2017	6.8	12.3	–	19.1
Ground rent contracts	2017-2094	5.0	21.1	208.8	234.9
		16.5	50.7	212.2	279.4

Comparison of 31 December 2013 and 31 December 2012

Other financial obligations declined slightly from €547.3 million as of 31 December 2012 to €543.9 million as of 31 December 2013. Those from total minimum lease payments decreased slightly from €282.0 million as of 31 December 2012 to €279.4 million as of 31 December 2013, as an increase in obligations under cable TV service contracts was largely offset by a decline in those under minor repair and caretaker service contracts. Cable TV service contracts rose 11.7% from €160.0 million as of 31 December 2012 to €178.7 million as of 31 December 2013, primarily due to new arrangements with other TV service providers. Obligations under minor repair and caretaker service contracts declined from €81.3 million as of 31 December 2012 to €64.3 million as of 31 December 2013 due to reduced contractual volumes.

Comparison of 31 December 2012 and 31 December 2011

Other financial obligations increased 19.4% from €458.4 million as of 31 December 2011 to €547.3 million as of 31 December 2012 primarily due to an increase in total minimum lease payments of 13.7% to €282.0 million as of 31 December 2012 due to an increase in leased craftsmen vehicles. The increase in other financial obligations was also due to an increase in obligations from cable TV service contracts and minor repair and caretaker service contracts. Cable TV service contracts rose 17.6% from €136.0 million, fully attributable to the contract with Deutsche Telekom Group, as of 31 December 2011 to €160.0 million as of 31 December 2012, the increase of which was primarily attributable to new arrangements with other TV service providers. Minor repair and caretaker service contracts almost doubled from €47.2 million as of 31 December 2011 to €81.3 million as of 31 December 2012 due to the conclusion of a new contract with a service provider with respect to

outdoor property maintenance. The €5.2 million decrease in financial obligations under IT service contracts mainly resulted from the termination of two service agreements. The recognition of restructuring costs mainly relating to the GRAND restructuring in the amount of €1.8 million further contributed to other financial obligations as of 31 December 2012.

Additional Information from the Stand-Alone Annual Financial Statements Prepared in Accordance with the German Commercial Code as of and for the Year Ended 31 December 2013

The Guarantor's stand-alone annual financial statements as of and for fiscal year 2013 have been prepared in accordance with German GAAP. According to these annual financial statements, the Guarantor's equity increased from €1,226.5 million as of 31 December 2012 to €1,863.9 million as of 31 December 2013 mainly due to the placement of new shares of the Guarantor in July 2013 and the receipt of proceeds in the amount of €400.0 million as well as from the contribution in kind of S-Notes in the context of the GRAND refinancing with an amount of €239.1 million. Net income decreased from positive €9.6 million in fiscal year 2012 to a net loss of €1.8 million in fiscal year 2013 due to lower on-charges to the group companies, lower income from profit sharing and higher interest expenses which could not be offset by higher interest income. Provisions decreased from €102.9 million as of 31 December 2012 to €77.8 million as of 31 December 2013 in particular as a result of reduced accrued liabilities. Total equity and liabilities increased from €1,880.8 million as of 31 December 2012 to €2,795.3 million as of 31 December 2013 due to the increased equity and the increase in liabilities to affiliated companies as a consequence of the amend group financing through the Issuer and the new cash pooling structure. For further information on the Guarantor's annual financial statements, see the notes to the Guarantor's stand-alone annual financial statements prepared in accordance with German GAAP as of and for the year ended 31 December 2013, which are incorporated in this Prospectus by reference.

Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risks

Deutsche Annington's business is exposed to interest rate risk in the ordinary course of its business. Changes in the Market Interest Rate impact the fair value of fixed rate instruments and affect interest payable on floating rate debt. As of 30 September 2014, about 20.5% of the Group's financial liabilities, mainly bank loans, were floating rate instruments. Where possible and commercially reasonable, Deutsche Annington uses derivative financial instruments, in particular interest rate swaps, to mitigate the resulting cash flow risk. As of 30 September 2014, the Group's hedging ratio was 89.6%, meaning that 89.6% of its debt was either fixed rate or floating rate covered by interest rate hedging transactions. With respect to the remaining 10.4% the Group is exposed to cash flow risk.

Exchange Rate Risks

The Issuer as issuer and the Guarantor as guarantor under U.S. Notes are exposed to fluctuations in the exchange rate between the Euro and the U.S. dollar. As of the date of this Prospectus, the entire notional amount of US\$1.0 billion of the U.S. Notes remains outstanding. The Group fully hedged its exposure to the U.S. dollar by contracting four derivative arrangements with J.P. Morgan Limited and Morgan Stanley, consisting of two-year hedging instruments each in the amount of US\$375.0 million and two ten-year currency swaps each in the amount of US\$125.0 million. A default by any of the hedging counterparties would expose the Group to exchange rate fluctuations between the Euro and the U.S. dollar. In addition, it could lead to an increase in costs of financing due to the difference between interest rates on USD- and EUR-denominated debt instruments.

Credit Risks

Deutsche Annington is exposed to credit risk arising from two major sources: derivative financial instruments and rental agreements. The Group manages credit risk by using exposure limits and control processes as well as by careful selection of contractual counterparties. Contracts for derivative financial instruments are concluded with banks of good standing, and Deutsche Annington oversees that rental agreements are entered into with tenants with good credit history or with respect to

whom the Guarantor is otherwise confident that they will be able to meet their rental obligations when due. Deutsche Annington does not face any considerable credit risk, either from contractual counterparties or from groups of contractual counterparties with similar characteristics.

Liquidity Risks

Deutsche Annington utilises high volumes of debt financing and therefore is exposed to liquidity risk relating to future refinancings. In addition, during the term of existing financing arrangements, Deutsche Annington is subject to certain financial covenants, such as an obligation to maintain its debt-to-fair value ratio at a certain level, limitations on incurrence of financial indebtedness and maintenance of total unencumbered assets. If the Group is in breach of a financial covenant and the breach is not cured within the relevant time limit, the debt may be declared due and payable prior to its scheduled maturity, exposing Deutsche Annington to additional liquidity risk. The Group mitigates liquidity risk by holding liquidity reserves and carefully monitoring its compliance with financial covenants.

In July 2013, the Group fully repaid its main financial obligation – the GRAND portfolio – using a €2.3 billion drawing under the 2013 Term Loan. Shortly thereafter, Deutsche Annington partially repaid the 2013 Term Loan with proceeds from the placement of €1.3 billion principal amount unsecured notes. In October 2013, the Group issued additional US\$1.0 billion principal amount and €500 million principal amount notes and fully repaid all amounts outstanding under the 2013 Term Loan with proceeds from the placements of such notes. No further drawings are available to the Group under the 2013 Term Loan. The Group's outstanding unsecured corporate bonds are scheduled to mature between 2016 and 2074 with the first amount of €700 million due on 25 July 2016.

As of the date of this Prospectus, Deutsche Annington had €4.0 billion authorised but unissued notes under its EMTN Programme, which provides flexible and rapid access to the debt capital markets. On 10 September 2013, Deutsche Annington received a rating of BBB from S&P, which was affirmed on 1 December 2014. A downgrade, and especially a loss of an investment grade rating, could result in an increase in future costs of financing and hinder future borrowings by the Group, in particular under the EMTN Programme.

Critical Accounting Policies

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to use estimates and make assumptions and judgments that affect the Group's results or financial statements. Some of these estimates, assumptions and judgments are critical to the Group due to the high degree of uncertainty of the relevant parameters at the time they are used or due to various alternatives available to management in making decisions that would lead to significantly different results reflected on the Group's financial statements. For example, uncertainty about certain assumptions and estimates could lead to material adjustments of carrying amounts of the Group's assets or liabilities in future periods. Deutsche Annington believes that the Group's critical accounting policies are those relating to accounting for the valuation of properties in its investment portfolio, classification of residential units between trading and investment properties and post-employment benefits.

Valuation of Investment Properties

Currently the vast majority of the Group's real estate units are classified as investment properties. Investment properties are properties that are held for the purpose of earning rental income, for capital appreciation or both and are not used by the Group in the value creation process or used in the ordinary course of business. Investment properties are measured at Fair Value and any change in Fair Value of investment properties is recognised as profit or loss.

The value of all of the Group's investment properties is determined periodically for quarterly reporting on the basis of the International Valuation Standard Committee's definition of market value and in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Until and including fiscal year 2012, the Group used the income capitalisation method to determine the Fair Value of the Group's investment properties for financial reporting purposes. In accordance with this method, the Fair Value of investment properties was calculated on the basis of revenues and expenses as well as risk-adjusted interest rates. The interest rates applied by the Group were derived from the German residential real estate market and then allocated with the aid of a rating system. With this rating, all buildings in the portfolio were valued with regard to their quality, market attractiveness and location.

In fiscal year 2013, Deutsche Annington started using the DCF methodology for the Group's interim report for the three-month period ended 31 March 2013, initially by adopting the valuations of the external appraiser CBRE, which employs the DCF valuation method, and subsequently, by applying the DCF methodology to its own internal property valuations performed in connection with its ongoing financial reporting.

Under the DCF methodology adopted, the expected future revenues and expenses of a property are forecasted over a period of 10 years and discounted to the date of valuation as the net present value. To determine the forecasted cash flows, various parameters such as market rents, expected rent growth, development of vacancy rates and expected maintenance expenses are taken into account. The market rents are derived for every location from the then current rent indices (*Mietspiegel*) and market data provided by external real estate servicers. The terminal value of the property at the end of the 10-year observation period is determined using the expected stabilised cash flow and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (*e.g.*, inheritable rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property.

As at 31 December 2013, Deutsche Annington determined the Fair Values for its entire portfolio of real estate internally in its own valuation department on the basis of the DCF methodology described above. The internal valuation results were then confirmed by the results of an updated CBRE appraisal.

Additionally, Deutsche Annington instructed CBRE to prepare the Valuation Report, which is incorporated by reference in this Prospectus. The Valuation Report speaks as of the valuation dates of 31 March 2014 for the DeWAG portfolio and 30 June 2014 for the remaining portfolio of the Group, respectively. The Group's internal valuation department has also determined Fair Values of the DeWAG portfolio as of 31 March 2014 and the remaining portfolio of the Group as of 30 June 2014. These Fair Values deviated by less than 0.01% from the Fair Values determined by CBRE in the Valuation Report. The Fair Values of each valuation unit under the Group's internal valuation deviated by less than 10%, or €100,000, from the Fair Values determined by CBRE. This represents a common range of variance between two independent internal property valuations. In the interim report for the nine-month period ended 30 September 2014 Deutsche Annington has determined a total Fair Value of €11.4 billion.

Changes in the valuation assumptions regarding the development of rents, vacancies, maintenance costs, and capitalisation and discount rates, which are subject to uncertainties due to their long-term nature, may lead to positive or negative Fair Value adjustments in the future. As of 31 December 2013, an increase in the discount rates and the capitalisation rates of 0.125% would lead to a decrease in value of the Group's investment portfolio of €251.3 million, or 2.4%, while a decline in such rates of 0.125% would result in a corresponding increase in value of €264.3 million, or 2.6%, provided that all other parameters remain the same. As of the same date, an increase in market rents of 1.0% would lead to an increase in value of the Group's investment portfolio of €121.1 million, or 1.2%, while a decline in such rate of 1.0% would result in a corresponding decrease of €121.0 million, or 1.2%, provided that all other parameters remain the same.

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 wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. As of 30 September 2014, liabilities from defined benefit obligations amounted to €349.7 million (31 December 2013: €309.1 million; 31 December 2012: €339.8 million; 31 December 2011: €272.7 million).

Capitalisation and Indebtedness

The following tables set forth the Group's historical capitalisation and indebtedness as of 30 September 2014 on the basis of the Guarantor's accounting records. Investors should read these tables in conjunction with “—*Selected Consolidated Financial Information for the Group*” and “—*Management's Discussion and Analysis of Financial Condition and Results of Operations*”.

Capitalisation

	As of 30 September 2014⁽¹⁾
	(unaudited*)
	(in € million)
Total current liabilities ⁽²⁾	479.4
of which secured ⁽³⁾	58.5
of which guaranteed ⁽⁴⁾	0.5
of which unsecured/unguaranteed	420.4
Total non-current liabilities ⁽⁵⁾	8,396.7
of which secured ⁽³⁾	2,651.9
of which guaranteed ⁽⁴⁾	1.2
of which unsecured/unguaranteed	5,743.6
Total equity attributable to the Guarantor's shareholders ⁽⁶⁾	3,998.4
Subscribed capital ⁽⁷⁾	240.2
Capital Reserves ⁽⁸⁾	1,716.1
Other reserves ⁽⁹⁾	2,042.1
Total equity attributable to the Guarantor's shareholders and liabilities	12,874.5

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Columns may not add up due to rounding.

(2) Referred to as “total current debt” in the ESMA update of the CESR recommendations of 20 March 2013, ESMA/2013/319 (the “**ESMA Update**”).

(3) Security mainly comprises land charges, bank account pledges and pledges of shares in affiliates.

(4) Guaranteed comprises guarantees given by third parties in favour of the Group.

(5) Referred to as “total non-current debt (excluding current portion of long-term debt)” in the ESMA Update.

(6) Referred to as “shareholder's equity” in the ESMA Update.

(7) Referred to as “share capital” in the ESMA Update.

(8) Referred to as “legal reserve” in the ESMA Update.

(9) The line item other reserves includes retained earnings.

Indebtedness

	As of 30 September 2014⁽¹⁾
	(unaudited*)
	(in € million)
Cash.....	196.9
Cash equivalents.....	0.0
Marketable securities ⁽²⁾	0.0
Liquidity⁽³⁾	196.9
Current financial receivables⁽⁴⁾	0.0
Current bank debt	0.0
Current portion of non-current debt ⁽⁵⁾	60.6
Other current financial debt.....	193.1
Current financial debt⁽⁶⁾	253.7
Net current financial indebtedness⁽⁷⁾	(56.8)
Other non-current, non-derivative financial liabilities ⁽⁸⁾	3,161.4
Bonds issued.....	3,765.8
Non-current derivative financial liabilities ⁽⁹⁾	59.0
Non-current financial indebtedness⁽¹⁰⁾	6,986.2
Net financial indebtedness⁽¹¹⁾	(7,043.0)

- *) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.
- (1) Columns may not add up due to rounding.
 - (2) Refers to "trading securities" in the ESMA Update.
 - (3) Liquidity is the total of cash and cash equivalents and marketable securities.
 - (4) Not included here are the receivables in connection with the acquisition of the Vitus Group at a value of €1,101.8 million that are accounted for under current assets as of 30 September 2014.
 - (5) The item "Current portion of non-current debt" as referred to in the ESMA Update comprises financial liabilities that become due within the next twelve months and that were initially categorised as non-current financial indebtedness.
 - (6) Current financial debt is the total of current bank debt, current portion of non-current debt and other current financial debt.
 - (7) Net current financial indebtedness is the difference between current financial debt and the sum of liquidity and current financial receivables.
 - (8) Refers to "non-current bank loans" in the ESMA Update.
 - (9) Refers to "other non-current loans" in the ESMA Update.
 - (10) Non-current financial indebtedness is the total of other non-current, non-derivative financial liabilities, bonds issued and non-current derivative financial liabilities.
 - (11) Net financial indebtedness is the total of current financial indebtedness and non-current financial indebtedness.

The Group's other financial obligations, which are also referred to as "other financial debt and contingent liabilities", amounted to €544.1 million as of 30 September 2014. These comprise mainly future minimum lease payments in the amount of €309.4 million and liabilities under cable TV service contracts, minor repair and caretaker service contracts and IT contracts. The Group's contingent liabilities amounted to €8.5 million as of 30 September 2014 and comprise primarily liabilities from property transfer obligations.

Statement on Working Capital

The Guarantor is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.

Rating

On 10 June 2013, the Group obtained the following long-term corporate credit rating, which was affirmed on 1 December 2014 and has not changed as of the date hereof:

Rating Agency	Rating	Outlook
S&P	BBB ⁽¹⁾	Positive ⁽²⁾

- (1) S&P uses ten rating symbols, with each symbol representing a group in which the credit characteristics are broadly the same and which are used to designate least credit risk to greatest credit risk. The symbols are: AAA < AA < A < BBB < BB < B < CCC < CC < C < D. Issuers with a "BBB" rating are considered by S&P to have adequate capacity to meet financial commitments, but to be more subject to adverse economic conditions (*source: S&P Research Update December 2014*). S&P further modifies the generic credit risk groups from "AA" to "CCC" by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories, if applicable. In Deutsche Annington's case, S&P has not appended a plus (+) or minus (-) sign.
- (2) S&P's outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A "positive" outlook conveys that an issuer's rating may be raised (*source: S&P Research Update December 2014*).

S&P has a registered seat in the European Union and has been declared to be registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on rating agencies by the ESMA.

The agency rating reflects the opinion of S&P at the given reported point in time. Investors should consider each rating individually and obtain additional information and a more detailed understanding of the significance of the credit rating information provided by S&P. The rating does not constitute a recommendation to buy or sell the shares. Rating agencies may change their ratings at any time if specific circumstances require such a change in their opinion.

Profit Forecast

Forecast for FFO I for Deutsche Annington for the Fiscal Year 2014 and Fiscal Year 2015

*The forecast for FFO for the fiscal year 2014 and fiscal year 2015 set out in this section refers to FFO I (the “**FFO Forecast**”). The FFO Forecast is not a representation of fact and should therefore not be interpreted as such by potential investors. Rather, it reflects the forward-looking expectations of the Management Board with respect to the FFO I. Potential investors should rely only judiciously on this FFO Forecast.*

For the purposes of this FFO Forecast, Deutsche Annington has defined the FFO I figure as follows:

Profit for the period adjusted for adjusted EBITDA from sales, the effects from assets held for sale, one-off items and non-recurring results (in particular refinancing costs, acquisition costs, restructurings and expenses for pre-retirement part time working arrangements), income from fair value adjustments of investment properties, depreciation and amortization, deferred and non-periodic current taxes (income tax expenses/income), transaction costs, prepayment penalties and commitment interest, valuation effects of financial instruments, the compounding interest of provisions in particular provisions for pension provisions as well as other non-recurring non-periodic interest expenses and income.

The FFO Forecast is based on the following assumptions made by the Management Board for the development of the FFO I influencing factors. These assumptions also relate to factors which the Guarantor cannot influence or can only influence to a limited degree. Although the Guarantor assumes 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 Annington's actual FFO I may deviate materially from the forecast FFO I.

On the basis of developments to date in the current fiscal year, the Guarantor currently assumes that Deutsche Annington's FFO I will amount to between €280 million and €285 million in the fiscal year 2014. For the following fiscal year 2015 the Management Board of the Guarantor assumes a FFO I in the range between €340 million and €360 million. The forecasted amounts include the relevant portions of our acquisitions of DeWAG and the Vitus Group completed in 2014 and a portion of the Franconia acquisition planned for 2015. Due to existing uncertainties with regard to the occurrence of certain conditions of the Guarantor's Takeover Offer for all Gagfah Shares, such as the attainment of a minimum acceptance threshold in terms of the outstanding Gagfah Shares, the profit forecast does not include influence from the proposed acquisition of the Target.

Explanatory Notes to the FFO Forecast

Principles

The FFO Forecast for the current fiscal year 2014 and the following fiscal year 2015 was prepared in accordance with the IDW accounting guidelines on the preparation of profit forecasts and estimates in accordance with the specific requirements of the *Prospectus Regulation (IDW RH HFA 2.003)* published by Institut der Wirtschaftsprüfer (“**IDW**”).

For this purpose, the FFO Forecast was based on IFRS. The recognition, accounting and measurement methods applied are described in the Notes to the Guarantor's consolidated financial statements for the year ended 31 December 2013.

The FFO Forecast for the current fiscal year 2014 and the following year 2015 is influenced by a number of factors. The development of these factors is based on specific assumptions made by the Management Board, which are reproduced below.

Factors and Assumptions

Factors beyond the Guarantor's control

Deutsche Annington's forecast FFO I for the fiscal year 2014 and the following fiscal year 2015 is subject to factors beyond Deutsche Annington's control. These factors, and the Guarantor's assumptions taken about their development on the part of the Guarantor, are described below:

Factor: Unforeseen events

The Guarantor's FFO Forecast assumes that no material unforeseen events will occur that could seriously or persistently impede the Group companies' ongoing business, such as acts of God (e.g., fires, flooding, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

Factor: Legislative and other legal measures

When preparing the FFO Forecast, the Guarantor assumes that the current legal framework will be subject to no or only minor changes and that there will be no material statutory changes (e.g., to rental or tax law).

Factor: Economic development in the real estate industry

For the purpose of the FFO Forecast, the Guarantor assumes that:

- there will be no negative macroeconomic trends in Germany;
- there will be no negative trends in the real estate industry, particularly in Germany; and
- the Guarantor can maintain its current competitive position.

Factor: Interest rate development

When preparing the FFO Forecast the Guarantor assumes, given a substantially unchanged financing strategy and structure, that current interest rate levels will remain stable. As Deutsche Annington has hedged a substantial part of its floating-rate financial liabilities with interest rate swaps, it anticipates no significant deterioration in funding conditions in the fiscal year 2014 and the following fiscal year 2015.

Factors which can be partially influenced by the Guarantor

Further factors on which the Guarantor has limited control may also affect the amount of Deutsche Annington's FFO Forecast for the fiscal year 2014 and for the following year 2015. The key factors as well as the relevant assumptions for their development are listed below:

Factor: Rental Income

Rental income comprises target rents less vacancy losses. For the purpose of the FFO Forecast, the Guarantor assumes that rental income will amount to around €785 million in the fiscal year 2014 and €880 – 900 million in the fiscal year 2015 on the basis of current contractual rents. The Guarantor expects, on the basis of organizational measures in its planning process as well as its past experience, that it can forecast the rental income with reasonable certainty for the purposes of the FFO Forecast. To forecast the rental income, the Guarantor has made the assumption that the vacancy rate at the end of 2014 will be approximately at the same level as at the end of the fiscal year 2013, taking into consideration the acquisitions in the current fiscal year 2014. For the fiscal year 2015, the Guarantor expects a further slight reduction in the vacancy rate. Furthermore, the Guarantor has adopted, in the context of its budget planning, that the contractual rent per sqm will increase in the fiscal year 2014 by 2.3% to 2.6% (on a *like-for-like* basis) and in the fiscal year 2015 by 2.6 to 2.8% (on a *like-for-like* basis) compared to the respective previous year.

Factor: Expenses from Maintenance

The expenses for maintenance relating to the profit and loss statement recorded costs for capitalised maintenance in the property held by the Guarantor, such as minor repairs, vacancy repair, major repairs or payments to WEG reserves. For the purpose of the FFO Forecast, the Guarantor assumes that the expenses for maintenance per sqm will move at approximately the same level as in the year 2013 in both the current financial year 2014 as well as the following year 2015.

Factor: Property Management Costs

Property management costs cover all expenses for the rental segment which cannot be allocated to maintenance expenses. In addition, the Guarantor also include other income from property management which is offset by costs such as income from condominium administration for other owners or public-sector rent supplements. With regard to the FFO Forecast, the Guarantor expects that the property management costs per residential unit in the years 2014 and 2015 compared to fiscal year 2013, will, on average, sink by a mid-single-digit percentage. Behind this assumption are measures to reduce costs as well as process improvements while at the same time taking advantage of economies of scale on the basis of the purchase of larger portfolios.

Factor: Interest expense FFO

In the context of the underlying planning for the FFO Forecast for the fiscal year 2014 and the fiscal year 2015, the Guarantor assumes that:

- the debt ratio for the entire real estate portfolio will remain generally stable in the fiscal years 2014 and 2015;
- all financial covenants will be observed;
- the interest rate risk will remain low as the Guarantor assumes that the hedging instruments used (interest rate swaps and cross-currency swaps) are effective in the fiscal years 2014 and 2015; and
- the liquidity risk will remain low as the Guarantor assumes that sufficient liquidity will be available and that the funding conditions for existing loan agreements can be retained in the event of any loan extension with the banks.

Factor: Current income tax charge

The Guarantor assumes there will be no changes in the corporate tax and trade tax rates, and that there will be no further changes in the tax environment or in tax legislation in the fiscal years 2014 and 2015. The current income tax charge of the Guarantor in the context of the FFO Forecast will amount to around €8.0 million for the 2014 financial year and around €15.0 million for fiscal year 2015.

Factor: Non-recurring effects or special effects

Non-recurring effects or special effects have been eliminated from the discussed factors capable of influencing the FFO Forecast for the fiscal year 2014. The FFO Forecast for the fiscal year 2015 was created without taking into consideration non-recurring effects, or expenses for the preparation of the planned acquisition of the Target.

Factors in the Guarantor's control

The following factors controlled by the Guarantor can influence the FFO I for the fiscal year 2014 and fiscal year 2015: In the case of tenant changes, the Guarantor can determine the amount that should to be invested in re-letting to raise rental potential. The amount of costs incurred affects the rent for re-letting. The Guarantor expects, in the context of budget planning, which the FFO Forecast is based on, that the cost of modernization measures per sqm will rise in fiscal year 2014 and 2015

compared to the respective preceding year. The Guarantor has taken into account possible rent increases due to modernization when planning rental income.

Other Explanatory Notes

The FFO Forecast does not factor in any extraordinary events or the results of non-recurring activities as defined in the IDW Accounting Guidelines (IDW RH HFA 2.003).

The FFO Forecast for the fiscal years 2014 and 2015 of 30 October 2014 remains unchanged going forward. As the FFO Forecast refers to a period not yet concluded and has been prepared on the basis of assumptions relating to events and acts (factors) that are uncertain in the future, it inherently entails considerable uncertainty. In view of this uncertainty, it is possible that Deutsche Annington's actual FFO I for the fiscal year 2014 and the following year 2015 may differ substantially from the forecast FFO I of each year.

Report on the examination of the forecast of Funds from Operations I (FFO I) prepared by Deutsche Annington for the fiscal year 2014 and the fiscal year 2015

To Deutsche Annington Immobilien SE, Düsseldorf:

We have examined whether the forecast prepared by Deutsche Annington Immobilien SE, Düsseldorf, for the period from 1 January 2014 to 31 December 2014, as well as for the period 1 January 2015 until 31 December 2015, of funds from operations I (FFO I) of Deutsche Annington Group has been properly compiled on the basis of the principles described in the notes to the FFO I forecast and is consistent with the Company's accounting policies and its recognition, accounting and valuation methods.

The preparation of the FFO I forecast including the factors and assumptions described in the notes to the FFO I forecast is the responsibility of the Company's legal representatives.

Our duty is to express an opinion on the basis of the examination we have conducted as to whether the FFO I forecast has been properly compiled in accordance with the principles described in the notes to the FFO I forecast and whether these principles are consistent with the Company's accounting policies and its recognition, accounting and valuation methods. Our examination did not include an audit of the factors and assumptions identified by the Company on which the FFO I forecast is based.

We conducted our examination in accordance with *IDW Prüfungshinweis: Prüfung von Gewinnprognosen und -schätzungen i.S.v. IDW RH HFA 2.003 (IDW PH 9.960.3) [IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS HFA 2.003 (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 examination such that material errors in the preparation of the FFO I forecast based on the principles described in the notes to the FFO I forecast and in the preparation of this basis in accordance with the Company's accounting policies and its recognition, accounting and valuation methods are detected with reasonable assurance.

As the FFO I forecast refers to a period not yet concluded and has been prepared on the basis of assumptions relating to events and acts that are uncertain in the future, it inherently entails considerable uncertainty. In view of these uncertainties, it is possible that Deutsche Annington Group's actual FFO I for the period from 1 January 2014 to 31 December 2014 as well as the period from 1 January 2015 until 31 December 2015 may deviate materially from the FFO I forecast.

We believe our examination provides a reasonable basis for our opinion.

In our opinion, based on the findings of our examination, the FFO I forecast has been properly compiled in accordance with the principles described in the notes to the FFO I forecast. These principles are consistent with the Company's accounting policies and its recognition, accounting and valuation methods.

Essen, 15 December 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hain
Wirtschaftsprüfer

Salzmann
Wirtschaftsprüferin

Markets and Competition

Markets

Deutsche Annington's business activities are influenced by numerous demographic, economic and political factors. Given Deutsche Annington's involvement in the real estate sector, developments in and related to the residential property market in Germany affect the Guarantor, particularly in the four geographical regions – North Rhine Westphalia, Hesse, Bavaria and Berlin – where Deutsche Annington has the largest portfolio exposure. The residential property market environment significantly impacts the future development of housing prices, rent levels, turnover and vacancy rates, as well as home ownership rates.

Germany

With a population of 80.5 million, as last measured at the end of 2012 based on the 2011 census, a GDP of approximately €2.74 trillion in 2013 and a growth rate of GDP of 0.4% in 2013 (*Source: Federal Statistical Office, Population and Federal Statistical Office, National Economy & Environment – Domestic Product*), Germany is both the most populous and economically productive country in the European Union.

Demographic Trends

Germany is undergoing three fundamental demographic changes: (i) a long-term population decline, (ii) an increase in the number of households coupled with a reduction in average household size, and (iii) an aging population.

Germany's population has been declining steadily for over a decade. Between 2000 and 2010 its population declined by approximately 0.8%. Projections forecast a continuation of this trend, and predict that the population will decrease by an additional 2.0% between 2010 and 2025 (*Source: BBSR – Regional Planning 2030*).

Contrary to the predicted long-term population decline, Germany's population increased in 2013 for the third year in a row. The increase is largely attributable to Germany's strong migration surplus (*Source: Federal Statistical Office, Press Release 007/2014-01-08*). Furthermore, the number of households in Germany has increased over the past few years. In 2012, there were 40.7 million households in Germany, up from 40.4 million in 2011 and 40.3 million in 2010. This represents an increase of 0.9% (*Source: Federal Statistical Office, Genesis Online Database, Private Households*). The growth in the number of households is expected to continue and the number of households is forecast to increase by 2.9% between 2010 and 2025 (*Source: BBSR – Regional Planning 2030*). In 2012, the average household size for households in Germany was 2.01 persons, down from 2.02 persons in 2011, and 2.03 in 2010 (*Source: Federal Statistical Office, Population*). The decline in average household size reflects an increase in the number of one- and two-person households (which are expected to increase by 8.9% between 2010 and 2025), and a decrease in three and four or more-person households. The number of single-person households in Germany rose by a total of 16.8% (two-person households: 6.9%) between 2000 and 2010, and it is forecast to grow by an additional 7.3% (two-person households: 10.9%) between 2010 and 2025 (*Source: BBSR – Regional Planning 2030*). With an increase of 0.8% in 2012, single-person households showed strong growth, that was exceeded only by the 1.2% increase in two-person households during the same period. In 2012, the number of households with three, four, and five or more persons fell by 0.2%, 1.2%, and 1.5% respectively. These trends are expected to continue. As a result, average household size is projected to fall below 2.00 by as early as 2015 and is expected to decrease to a level of 1.88 by 2030 (*Source: Federal Statistical Office, Population*).

The population of many developed nations, particularly those in Europe, is gradually undergoing a demographic transition with respect to the age of the population. Of all European countries, this trend is most pronounced in Germany (*Source: Federal Statistical Office, Report on Older People in Germany and the EU 2011*). From 1990 to and including 2009, the number of persons aged 65 and older increased by 41.9% in Germany (*Source: Federal Statistical Office, Report on*

Older People in Germany and the EU 2011). As of 2013, more than a fifth of Germany's population (20.7%) was 65 or older. The EU average was 18.2% for the same time period (*Source: Eurostat Database*). Forecasts project that this percentage will exceed 25.0% by 2040 (*Source: Pestel Institut, Demand for Senior Citizen Housing in Germany*) and reach 34.0% by 2060 in Germany (*Source: Federal Statistical Office, Report on Older People in Germany and the EU 2011*). In 2009, almost every third household included a person aged 65 or older (*Source: Federal Statistical Office, Report on Older People in Germany and the EU 2011*), and other forecasts suggest that 10 million households in Germany will include a person aged 70 or older by 2025 (*Source: Pestel Institut, Demand for Senior Citizen Housing in Germany*).

Provided that these three aforementioned demographic trends continue as predicted, the demand for housing in general, and for apartments suitable for senior living more specifically, will continue to grow. Particularly, residential units suitable for one- or two-person households and/or for senior citizens will be in high demand in the future. Estimates place the demand for accessible housing at 2 million residential units in 2025. Currently 400,000 to 500,000 such residential units exist, meaning that an average of approximately 100,000 such residential units must be built per year (either newly constructed or created through modernisation) if the aforementioned demand is to be met (*Source: Pestel Institut, Demand for Senior Citizen Housing in Germany*).

Gross Domestic Product and Economic Growth Developments

Following the sharp 5.1 percentage point drop in price-adjusted GDP in 2009, the German economy not only stabilised, but also recovered in recent years. Price-adjusted (*i.e.*, real) GDP increased by 4.0% in 2010, by 3.3% in 2011, by 0.7% in 2012 and 0.4% in 2013 (*Source: Federal Statistical Office, National Economy & Environment – Domestic Product and Federal Statistical Office, Press Release 016/2014-01-15*). In 2013, the German economy saw a GDP increase of 0.5% – after price, seasonal and calendar adjustments – with respect to the previous year. The primary reason for this was an increase in the final consumption expenditure. Household expenditure increased by 0.9% in 2013, while government consumption expenditure increased by 1.1%. Though the price-adjusted gross value added by the construction industry decreased by 1.2% in 2013, this decrease was only half of that experienced in 2012 (*Source: Federal Statistical Office, Press Release 016/2014-01-15*). The outlook remains uncertain given geopolitical risks and external risks like the vulnerability to failures in the recovery process of the euro zone. Given these risks, the German Federal Government estimates that German GDP will grow by 1.8% during 2014 and the IMF projects growth of 1.9% in 2014 (*Source: IMF, World Economic Outlook July 2014, Federal Ministry for Economic Affairs and Energy, Monthly Report May 2014*). However, Germany's real GDP growth is expected to outperform the real GDP growth of the European Union, which is forecasted to grow 1.6% in 2014, compared to an estimated 1.8% growth in Germany during the same period (*Source: European Economic Forecast Spring 2014*).

Employment and Purchasing Power

The steady economic growth in Germany is further reflected in the consistently low unemployment rate and the simultaneous increases in disposable income, consumption expenditure and purchasing power per capita. In 2013, 2.95 million people were unemployed in Germany, resulting in an average unemployment rate of 6.9%, relatively stable (up only 0.1 percentage points) from the prior year and down 0.2 percentage points when compared to 2011 (*Source: Federal Statistical Office, Unemployment*). In 2014, the overall per capita purchasing power measured €21,179 and €43,275 per household, up from €20,621 per capita and €42,305 per household in 2013 (*Source: GfK Kaufkraft – Purchasing Power Germany 2013 and GfK Kaufkraft – Purchasing Power Germany 2014*).

Consumer Price Developments

In 2013, the annual average consumer price index (“CPI”) in Germany was up 1.5% from the average CPI in 2012. The fluctuation in prices was driven primarily by the 4.4% increase in the prices of food. During the same period, the price of housing, water, electricity, gas and related increased by

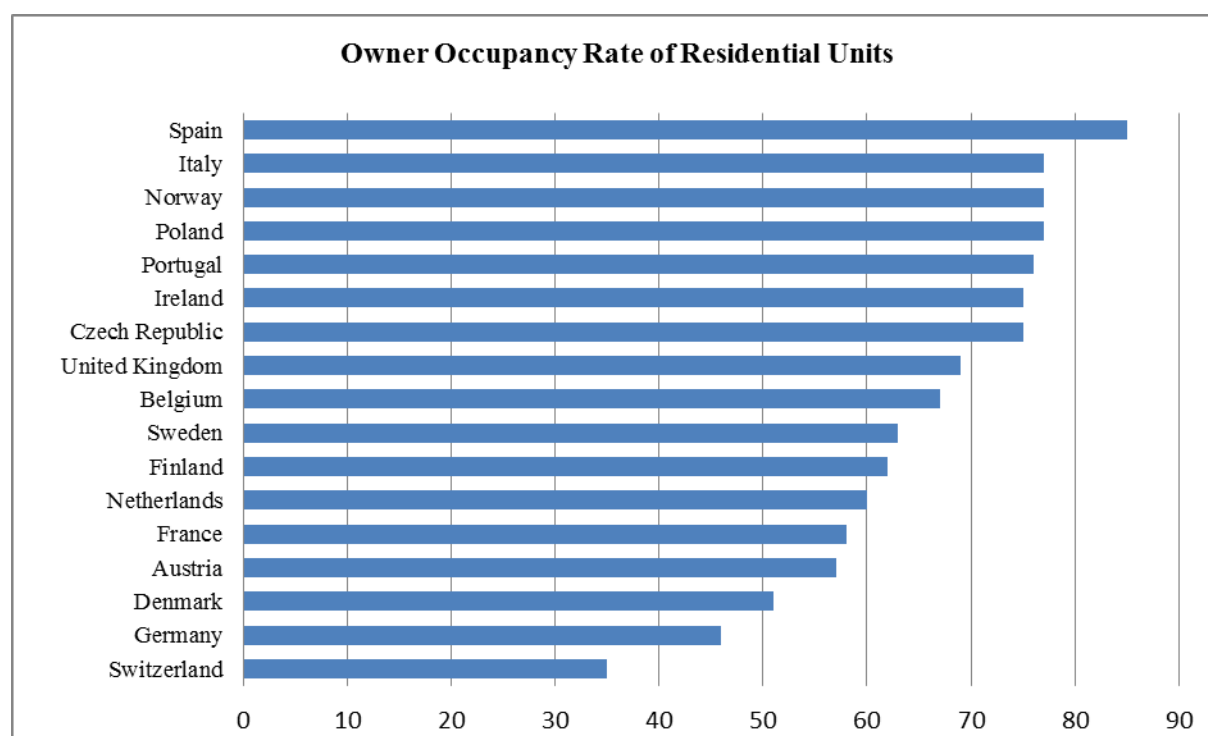
2.0%. Net cold rents increased by 1.3% and household energy prices rose by 4.1% on average in 2013 when compared to 2012 (Source: Federal Statistical Office, Press Release 017/2014-01-16).

An Overview of the German Housing Market

The risks associated with the Euro crisis and low interest rates are considered important drivers of demand for property in Germany (Source: Deutsche Bundesbank, Monthly Report December 2012). “Real Estate Activities”, as they are referred to on the National Accounts of important economic indicators, amounted to €281.3 billion or a share of 10.0% of Germany’s total GDP as of 25 November 2014 (Source: Federal Statistical Office, National Accounts, as of 25 November 2014).

Real estate related spending comprises the largest portion of a household’s expenditure. When last measured in 2012, German households spent an average of €796, or 34.5%, of their monthly consumption expenditure on housing, energy, and maintenance of their dwelling (Source: Federal Statistical Office, Social & Society – Consumption Expenditure). The national average gross cold rent (excluding heating expenses) of occupied residential units in buildings (excluding dormitories) was last measured to amount to €6.37 per sqm per month in 2010 (Source: Federal Statistical Office, Housing).

Housing in Germany is not only seen as an economic market segment but also as a social good to which each individual is entitled. It therefore has a special standing in terms of attention from and treatment by public administrators, which in turn explains the long history of subsidised construction and housing in Germany (Source: Enquete Report). Furthermore, the German housing market is – for historical, economic and socio-cultural reasons – biased towards the rental segment.



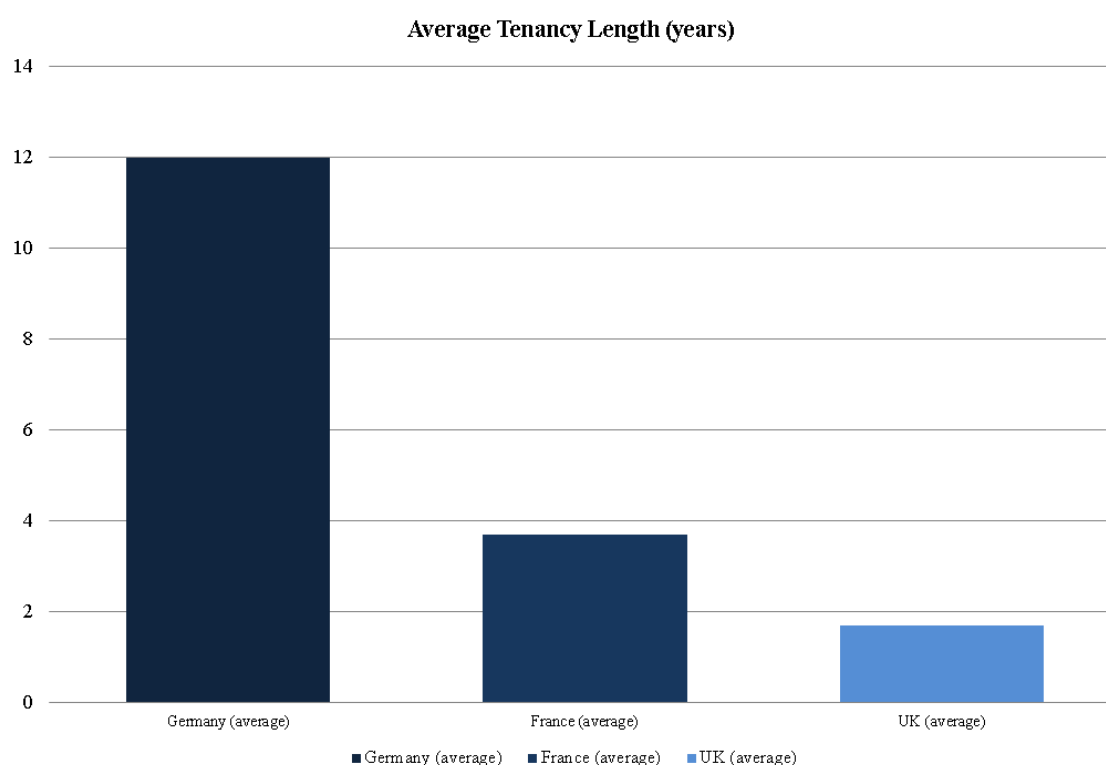
(Source: ifs Report)

Germany’s sophisticated rental market and real estate finance translates into low volatility and high stability, and renders the German housing market disconnected from broader economic fluctuations. (Source: MPRA Paper No. 43315). Additionally, rents, prices and incomes in many places rise in unison. Because of this, there is little chance of an oversupply of residential units, nor an inflation of the volume of housing loans, indicating that the market is still free of a real-estate “bubble”. (Source: empirica-bubble-index).

In Germany, demand for housing, a measure that is based on a quantitative analysis drawing on population and household growth forecasts (housing required in the future measured in terms of floor space) and then quantifies to what extent the current construction supply can keep pace with the required housing demand, has been projected to increase by 6.0% by 2025 from 2010 levels (*Source: BBSR – Residential Market Prediction 2025*). With an average owner occupier rate of 44.3% in 2011, the housing market in Germany is predominantly a rental market (*Source: Regional Statistical Office, Buildings and Housing*).

Rising rents and falling vacancy rates also bear witness to the aforementioned stability of and the consistent demand in the rental market. The average vacancy rate was 4.5% in 2013, down from 4.7% in 2012 and from 5.0% in 2011. Simultaneously the monthly in-place rent per sqm in Germany rose from €4.96 in 2011 to €5.04 in 2012 and €5.15 in 2013 for GdW-organised landlords (*Source: GdW and GdW Annual Statistics 2013*). According to the Federal Statistical Office, net cold rents increased by 1.3% in 2011, 1.2% in 2012 and 1.3% in 2013 (*Source: Federal Statistical Office, Consumer Price Index for Germany*).

Another strong indicator for the low volatility and general stability of the rental segment is the comparably high average tenancy length in Germany of approximately 12 years, far ahead of other European markets like France or the UK (as demonstrated by the graph below).



(Sources: Schader Stiftung (Germany Data), Clameur (France Data) and ARLA (UK Data))

In 2012, there were approximately 41.55 million apartments and 18.5 million residential buildings in Germany, which together provided a total of 3.8 billion sqm in living space. In 2013, tenant households had an average floor space of 69.4 sqm and owner households had an average floor space of 121.9 sqm (*Source: Federal Statistical Office, Housing*). Permits issued for the construction of residential units (including permits for renovation of existing units) have increased by 13.0% from 241,090 in 2012 to 272,433 in 2013. Simultaneously, the number of completed residential units increased by approximately 7.2% from 200,466 in 2012 to 214,817 as last measured in 2013. The same trends also held true for buildings. The number of permits for the construction of buildings (residential and other) increased by 2.1% from 208,923 in 2012 to 213,362 in 2013, while the number of completed buildings (residential and other) increased by 2.7% from 189,143 in 2012 to 194,277 as

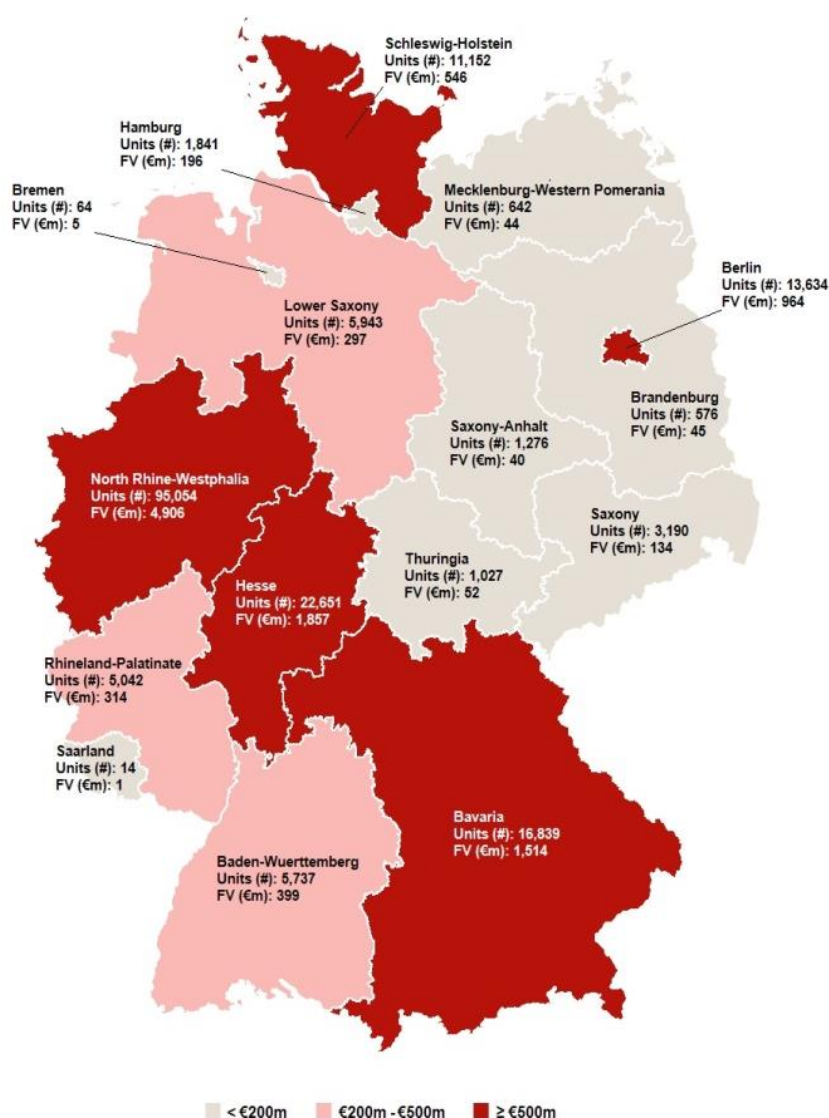
last measured in 2013. As a result, 29.7 million sqm of living area was approved for construction in 2013 (*Source: Federal Statistical Office, Construction*).

New housing construction, especially in the affordable segment is characterised by a disequilibrium between supply and demand, which results in less attractive yields for new construction compared to rents in existing buildings. Currently, there are signs of housing market shortages in a growing number of cities and regions. Driven by a construction supply too low for the sustainable development of the market, prices have increased at a faster rate than rents in recent years (*Source: BMVBS Report on Residential and Construction Market 2011/2012, Federal Statistical Office, Consumer Price Index for Germany and Federal Statistical Office, Genesis Online Database, Prices*). Currently, there is an estimated deficit of 250,000 housing units in Germany, particularly concentrated in large cities, metropolitan areas and university towns (*Source: Deutsche Mieterbund Press release 2012-12-06 and Deutsche Mieterbund Press release 2013-05-22*). In 2013, prices for new apartments were higher than prices for existing apartments, while the difference between the respective rents was less distinct. (*Source: IVD Residential Price Overview*). This results in significantly lower returns for new apartments: In 2011, yields for existing apartments with average residential value and built until 1948 were at 5.5%, those for apartments built since 1949 at 6.1%, while rental yields for new apartments with average residential value were at only 4.6% (*Source: IVD Bundesverband Research – Development of rental yields in Germany between 2001 and 2011*).

Overview of the German Federal States Most Relevant to Deutsche Annington's Portfolio

Deutsche Annington's primary regional focus is on the Ruhr and Rhine Main areas, in addition to southwest Germany (specifically Bavaria and Baden-Wuerttemberg) and Berlin. Approximately 96% of Deutsche Annington's housing portfolio in terms of Fair Value is located in former West Germany including Berlin. The portfolio is split among Germany's federal states as follows:

Deutsche Annington's residential portfolio split among federal state as of 30 September 2014 (by Fair Value)



More precisely, as of 30 September 2014, 94,786 residential units, or 52% of Deutsche Annington's housing portfolio (in terms of units), were located in North Rhine Westphalia, 22,554 residential units, or 12% were located in Hesse, 16,685 residential units, or 9%, were located in Bavaria and 13,604 residential units, or 7%, were located in Berlin. As such, market developments in the housing market of these four federal states, in which a total of 80% of Deutsche Annington's properties are located, have the greatest impact on, and are the most relevant to, Deutsche Annington's business activities.

Housing Trends in North Rhine Westphalia

With 3.8 million residential buildings, 8.9 million residential units, and 798 million sqm of floor space as last reported for 2012, North Rhine Westphalia is the federal state with the most residential units (*Source: Federal Statistical Office, Housing*). According to Census 2011 data, the residential units in North Rhine Westphalia had an owner-occupier rate of 41.6% (*Source: Regional Statistical Office, Buildings and Housing*). Of the residential units that are in the rental segment, only 37% were professionally managed in 2010 (*Source: Atlas Wohnen NRW 2010*). Much like Germany as a whole, vacancy rates in North Rhine Westphalia decreased over the course of the past few years. The average vacancy rate for 2013 was 3.0%, down from 3.2% in 2012 and 3.7% in 2011 (*Source: GdW and GdW Annual Statistics 2013*).

As a result of, among other factors, demographic (household structure) change and the Euro crisis, investors seek out stable investment opportunities like real estate, which has in turn increased property prices and asking rents across all markets, locations, and quality classes. Compared to the prior year, average asking rents, measured between April 2012 and March 2013, rose or remained stable in 52 of the 54 housing market regions in North Rhine Westphalia (*Source: Housing Market Report NRW 2013*).

In recent years, rents in North Rhine Westphalia increased by 1.5% (CAGR (2010, 2013)) (*Source: Federal Statistical Office, Index of net cold rents*). The average monthly net cold in-place rent for residential units of GdW-organised landlords was €5.09 per sqm in 2013, up from €4.99 per sqm in 2012 (*Source: GdW and GdW Annual Statistics 2013*). Generally, across all quality categories and locations, average asking rents, measured between April 2012 and March 2013, rose by €0.32 to €6.05 per sqm compared to the prior year. Average asking rents ranged from €4.25 (for apartments in the lower market segment) to €11.41 per sqm (for apartments in the upper market segment) in North Rhine Westphalia, with the gap between the high and low rent locations widening even further. On average, households spent 18.9%, up from 18% in the prior year, of their average monthly purchasing power on rent (including heating) in the period between the second quarter of 2012 and the first quarter of 2013. (*Source: Housing Market Report NRW 2012, Housing Market Report NRW 2013 and LEG Press Release 2013-08-29*)

It is expected that the number of North Rhine Westphalian households, with an income earner 70 years or older, will rise to 2,129,375 in 2025 (an approximate 21.5% increase compared to 2008). As a result, the additional demand for residential units suitable to needs of the elderly is expected to amount to 425,875 residential units by 2025 (*Source: Pestel Institut, Demand for Senior Citizen Housing in Germany*).

The demand for one- or two-family houses in terms of floor space could increase by 13.1% between 2010 and 2025, which translates into a total demand for 29,532 units in newly constructed one- or two-family houses per year. During the same period, the demand (quantified in terms of floor space) for multi-family houses could rise by 2.6%, which corresponds to 16,598 units in newly constructed multi-family houses per year (*Source: BBSR – Residential Market Prediction 2025, upper case scenario*).

Consistent with the national increase in issued permits for units in recent years, the number of permits issued for the construction of residential units (including the renovation of existing residential units) increased by 24.0% to 49,586 in 2013 compared to 2012 (*Source: Federal Statistical Office, Construction*). These permits primarily relate to the construction of new buildings. A total of 39,161 residential units were completed as last reported for 2013, marking an increase of 5.2% in the number of completed residential units compared to 2012 and resulting in approximately 4.4 million sqm of living area (when taking into account construction of new buildings and modernisation of existing buildings) (*Source: Federal Statistical Office, Construction*). Many of the constructed residential units are intended for owner occupancy, and are thus of limited benefit to current and future tenants. An analysis of purchase prices has shown that a significant proportion of the newly constructed housing is designed for households with a high purchasing power (*Source: Housing Market Report NRW 2012*).

Housing Trends in Hesse

Hesse is one of the top five German states in terms of the number of residential units. With a total of 1.37 million residential buildings and 3.0 million residential units as last reported for 2012, Hesse had the fifth largest housing stock of states in Germany (*Source: Federal Statistical Office, Housing*). Hesse is predominantly a rental market; the state had an owner occupier rate of 46.8% in 2011 (*Source: Regional Statistical Office, Buildings and Housing*).

Demand for housing in Hesse is also high. This is reflected in the state's consistently low vacancy rate, which measured 1.8% in 2013, 1.7% in 2012 and 2.1% in 2011 (*Source: GdW and GdW Annual Statistics 2013*). Given the high demand for housing in Hesse, the monthly in-place rent of €5.63 per sqm in 2013 (up from €5.49 in 2012) for GdW-organised landlords was third only to Hamburg and Baden-Wuerttemberg in the ranking of German federal states (*Source: GdW and GdW*

Annual Statistics 2013). Rent increased by 1.4% in recent years (CAGR (2010, 2013)) (Source: Federal Statistical Office, *Index of net cold rents*).

It is expected that the number of households in Hesse, with an income earner 70 years or older, will rise to 720,479 in 2025, marking an increase of approximately 27.0% when compared to 2008. As a result, the demand for residential units suited to needs of the elderly is expected to amount to 144,095 residential units by 2025 (Source: *Pestel Institut, Demand for Senior Citizen Housing in Germany*).

The demand for one- or two-family houses in terms of floor space could increase by 11.3% between 2010 and 2025, which translates into a total demand for 10,642 units in newly constructed one- or two-family houses per year. During the same period, the demand (quantified in terms of floor space) for multi-family houses could rise by 10.9%, which corresponds to 11,004 newly constructed units in multi-family houses per year (Source: *BBSR – Residential Market Prediction 2025, upper case scenario*).

As a result, construction has been widespread and active. As last recorded in 2013, 13,945 residential units and 8,521 residential buildings were completed (when taking into account the construction of new buildings and modernisation of existing buildings), which represents an increase of 14.7% for residential units and 2.6% for residential buildings when compared to 2012. This trend is expected to continue, as 20,194 permits for residential units (10,329 permits for residential buildings) were issued in 2013, representing an increase of 20.1% (2.4% for residential buildings) with respect to 2012 (Source: *Federal Statistical Office, Construction*).

Housing Trends in Bavaria

With a total of 2.94 million residential buildings and 6.2 million residential units as last reported for 2012, Bavaria has the second highest number of residential units of the German federal states (Source: *Federal Statistical Office, Housing*). The state had an owner occupier rate of 48.9% in 2011 (Source: *Regional Statistical Office, Buildings and Housing*).

Demand for housing in Bavaria is amongst the highest in Germany. This is reflected in the state's low vacancy rates of 2.1% in 2013, 2.0% in 2012 and 2.2% in 2011 (Source: *GdW and GdW Annual Statistics 2013*). As a result of the high demand for housing in Bavaria, the monthly in-place rent of €5.49 per sqm for GdW-organised landlords (up from €5.28 in 2012) was the fourth highest in the country in 2013 (Source: *GdW and GdW Annual Statistics 2013*). Rent increased by 1.3% in recent years (CAGR (2010, 2013)) (Source: *Federal Statistical Office, Index of net cold rents*).

It is expected that the number of Bavarian households, with an income earner 70 years or older, will rise to 1,438,353 in 2025 (an approximate 27.0% increase compared to 2008). As a result, the demand for residential units suited to needs of the elderly is expected to amount to 287,674 residential units by 2025 (Source: *Pestel Institut, Demand for Senior Citizen Housing in Germany*).

The demand for one- or two-family houses in terms of floor space could increase by 15.9% between 2010 and 2025, which translates into a total demand for 29,233 units in newly constructed one- or two-family houses per year. During the same period, the demand (quantified in terms of floor space) for multi-family houses could rise by 7.2%, which corresponds to 19,834 units in newly constructed multi-family houses per year (Source: *BBSR – Residential Market Prediction 2025, upper case scenario*).

Construction activity was widespread and active – Bavaria is the federal state with the most completed residential units and the most permits for the construction of residential units. In 2013, 47,059 residential units and 30,565 residential buildings were completed, marking an increase of 14.4% for residential units and 8.9% for buildings from 2012 levels. These trends are expected to continue as 55,972 permits for residential units and 34,012 permits for residential buildings were issued in 2013, which represents an increase of 5.7% and an increase of 4.5% from 2012 levels, respectively (Source: *Federal Statistical Office, Construction*).

Housing Trends in Berlin

Berlin had a total of 0.3 million residential buildings and 1.9 million residential units as last reported for 2012 (Source: *Federal Statistical Office, Housing*). Berlin only had an owner occupier rate of 15.3% in 2011 (Source: *Regional Statistical Office, Buildings and Housing*).

Demand for housing in Berlin is high. This is reflected in the state's consistently low vacancy rate, which measured 2.1% in 2013, down from 2.4% in 2012 and 2.7% in 2011 (Source: *GdW and GdW Annual Statistics 2013*). Given the high demand for housing in Berlin, the monthly in-place rent for GdW-organised landlords was €5.28 per sqm in 2013, up from €5.15 in 2012 (Source: *GdW and GdW Annual Statistics 2013*). In accordance with the overall upward trend of rent-levels in Germany, rent increased by 2.0% in recent years (CAGR (2010, 2013)) (Source: *Federal Statistical Office, Index of net cold rents*).

Despite its status as Germany's largest city, Berlin is the second most affordable of Germany's five largest cities in terms of cost of living (Source: *GSW Housing Market Report with Housing Cost Atlas 2013*). Overall, across all market segments and locations, median asking rent rose to €8.02 per sqm per month as measured during the first three quarters of 2013. This marked a 6.9% increase with regards to the 2012 average of median rents across all market segments. Rents ranged from approximately €5.07 per sqm per month (for apartments in the lower market segment) to €14.67 per sqm per month (for apartments in the upper market segment). This marked an increase of 3.7% in the lower market segment and 5.2% in the upper market segment from 2012. Households spent 26.6% of monthly purchasing power on rent (including heating) during the first three quarters of 2013 (Source: *GSW Housing Market Report with Housing Cost Atlas 2014*).

It is expected that the number of households in Berlin, with an income earner 70 years or older, will rise to 436,594 in 2025 (an approximate 48.3% increase compared to 2008). As a result, the demand for residential units suited to needs of the elderly is expected to amount to 87,319 residential units by 2025 (Source: *Pestel Institut, Demand for Senior Citizen Housing in Germany*).

The demand for one- or two-family houses in terms of floor space could increase by 15.1% between 2010 and 2025, which translates into a total demand for 1,530 units in newly constructed one- or two-family houses per year. During the same period, the demand for multi-family houses could rise by 13.3%, which corresponds to 14,146 units in newly constructed multi-family houses per year (Source: *BBSR – Residential Market Prediction 2025, upper case scenario*).

Construction is striving to meet the growing demand for housing in Berlin: 22.6% more residential units and 0.8% more residential buildings were completed in 2013 when compared to 2012. However, in absolute terms the number of completed buildings and units were still relatively low. In 2013, 2,823 residential buildings and 6,641 residential units were completed. The number of permits issued indicate that construction will increase further, as 12,518 permits for residential units were issued in 2013, up 25.9% from 9,941 permits issued in 2012 (Source: *Federal Statistical Office, Construction*).

Deutsche Annington's Ten Largest Portfolio Locations

Given that approximately 69% of Deutsche Annington's portfolio (in terms of number of units) is concentrated in cities with a population exceeding 100,000 inhabitants, the general developments in these urban locations are of significance for Deutsche Annington's business and success. Although the overall economic development of the federal state in which the portfolio is located is important, local trends play a more acute role in the development of housing markets; therefore, an understanding of the local markets in which Deutsche Annington operates provides important insights into its business. Although there is limited availability of data on the micro level, the city level provides a rough proxy for local developments. The ten largest portfolio locations summarised in the following tables constitute nearly half of Deutsche Annington's residential real estate units.

Demographic and Economic Overview

City	Population 2012 ⁽¹⁾ (in 1,000)	Population Development 2000/2010 ⁽²⁾ (in percent)	Projected Population Growth 2010/2025 ⁽²⁾ (in percent)	Projected Household Growth 2010/2025 ⁽²⁾ (in percent)	Projected 1 and 2 Person Household Growth 2010/2025 ⁽²⁾ (in percent)	Purchasing Power per Capita 2014 ⁽³⁾ (in €)	Unemployment Rate 2013 ⁽⁴⁾ (in percent)
Dortmund	572.1	(1.6)	(3.3)	1.5	6.6	19,694	13.2
Berlin.....	3,375.2	1.8	1.2	2.4	4.4	19,423	11.7
Frankfurt am Main.....	687.8	3.9	1.0	5.2	9.4	24,920	7.4
Essen	566.9	(3.6)	(4.7)	(0.0)	5.2	21,033	12.4
Bochum	362.2	(4.3)	(5.5)	(1.4)	2.9	20,217	10.4
Gelsenkirchen.....	257.6	(7.5)	(9.5)	(4.8)	0.4	17,564	14.4
Duisburg.....	486.8	(5.0)	(6.8)	(2.3)	2.6	18,272	12.9
Munich	1,388.3	10.6	5.6	9.8	13.5	28,920	5.2
Cologne	1024.4	3.9	4.0	7.8	11.7	23,236	9.6
Herne.....	154.6	(5.7)	(7.8)	(3.9)	0.5	17,534	13.7

(1) Source: Municipal Directory 2014, Results based on 2011 census data.

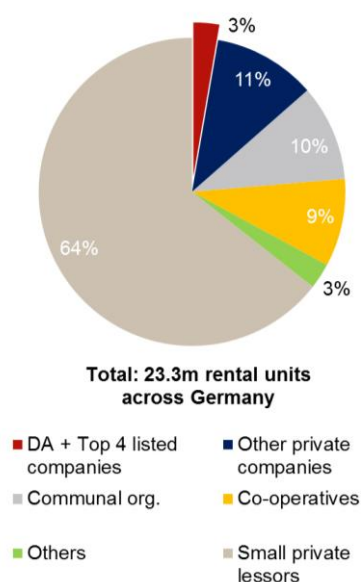
(2) Source: BBSR - Regional Planning 2030.

(3) Source: GfK Kaufkraft - Purchasing Power Germany 2014.

(4) Source: Regional Statistical Office, Unemployment.

Competition

The German residential real estate market is comprised of approximately 40.5 million residential units (based on May 2011 census, final preparation), approximately 17.3 million (or approximately 43%) of which are owner-occupied and approximately 23.3 million (or approximately 57%) of which are rental residential units. The rental residential unit market is highly fragmented, as is reflected by the pie chart below:



(Source: GdW Provider Structure, in addition to Gagfah, LEG, Deutsche Wohnen and TAG AG)

The majority of residential units are managed by many different small private or individual lessors. Large private companies, the market segment in which Deutsche Annington operates, only account for 3.2 million units or roughly 14% of the rental housing stock. In over 80% of the cases, cooperatives, communal organisations and small private lessors – oftentimes individuals – constitute the relevant local competition in the rental segment (Source: GdW Provider Structure).

In a few instances, Deutsche Annington competes with other large listed and privately held companies (presented in the overview below in order of portfolio size as of 31 December 2013 according to the respective company's 2013 annual report, unless noted otherwise), but competition with the following revolves primarily around capital and resources:

Company	Number of Units			Floor Area	Employees	Tenants	EBIT	Net Result	Net Asset Value
	Residential	Commercial	Other ⁽¹⁾						
Deutsche Wohnen AG..	150,219	Approx. 2,100	30,600	9.1	2,422	n/a	348.7	212.7	4,004.7 ⁽⁶⁾
Gagfah.....	143,196	1,600	Approx. 30,000	8.7	1,567	Approx. 300,000	335.1	3.3	2,813.3 ⁽⁶⁾
Vivawest Wohnen GmbH.....	Approx. 122,000	539 ⁽³⁾	Approx. 35,600	8.0 ⁽³⁾	1,991	Approx. 300,000	167.9 ⁽⁵⁾	n/a	4,109.0 ⁽³⁾
LEG Immobilien AG....	94,311	1,031	22,903	6.0	915	Approx. 260,000	285.5	136.9	2,571.9 ⁽⁶⁾
TAG Immobilien AG ...	69,806	675	106	4.3	519	Approx. 175,000 ⁽²⁾	127.6	27.0	1,240.8 ^(4,6)

(Source: Gagfah, Evonik, Vivawest, LEG, Deutsche Wohnen and TAG AG)

(1) Includes parking spaces and garages.

(2) Figures taken from 2012 annual report – 2013 annual report is not yet available or does not include these figures.

(3) Figures reflect Vivawest GmbH (formerly Evonik Immobilien) and THS GmbH residential real estate portfolios as of 31 December 2012 and are taken from and calculated on the basis of the Evonik Industries AG listing prospectus from 22 April 2013, unless noted otherwise.

(4) Calculated on the basis of the NAV per share and the number of shares.

(5) Figures calculated on the basis of EBIT as of 1 January 2013 through 31 March 2013 and EBIT as of 1 April 2013 to 31 December 2013.

(6) Refers to the NAV as determined in accordance with the definitions published by EPRA.

Business

Overview

Based on Deutsche Annington's internal market analysis, Deutsche Annington considers itself Germany's largest private-sector residential real estate company in terms of portfolio value and number of units owned. By the same measure, Deutsche Annington is also one of the top ten listed European real estate companies and the largest listed German residential real estate company. As of 30 September 2014, Deutsche Annington's real estate portfolio comprised 183,983 residential units, 45,682 garages and parking spaces as well as 1,261 commercial units and was valued at €11.4 billion. In April 2014, Deutsche Annington completed the acquisition of the real estate business managed by DeWAG and on 1 October 2014 closed the Vitus Group Takeover. Following the sale of parts of the portfolio acquired in the Vitus Group Takeover on 9 October 2014, the two transactions relate to an aggregate portfolio of about 31,700 units as of 31 December 2013 for an aggregate acquisition price of approximately €2.0 billion. While figures presented in the following as of and for the period ended 30 September 2014 reflect the integration of the real estate business managed by DeWAG, they do not reflect the impact of the integration of the Retained Vitus Portfolio. For information on the DeWAG portfolio and the Retained Vitus Portfolio, see "*—Acquisition Strategy – Growth through opportunistic acquisitions and integration of new portfolios—Acquisitions of DeWAG and the Retained Vitus Portfolio*". On 29 August 2014, Deutsche Annington entered into a sale and purchase agreement with various entities from CitCor Residential Group, a joint venture of Citigroup Property Investors and CORPUS SIREO ("**CitCor**") over the acquisition of around 5,000 residential units and around 210 commercial units in Berlin and East Germany, which was partly suspended in December 2014. In December 2014 the Guarantor and various entities from CitCor agreed on the purchase of 94.9% of certain portfolio holding companies of CitCor. Closing of both agreements is expected to occur on 1 April 2015. The purchase price for the transactions combined amounts to about €320 million.

All of Deutsche Annington's properties and business operations are located in Germany and benefit from the positive growth of the German economy in general and the growth of the real estate market, which have both been more resilient to adverse economic conditions than most other economies and industries. As of 30 September 2014, approximately 69% of Deutsche Annington's

portfolio (measured in residential units) was situated in German cities with more than 100,000 inhabitants and approximately 96% of such portfolio was located in the old German federal states (*Alte Bundesländer*) including Berlin. This overall geographic distribution of Deutsche Annington's portfolio is expected to remain substantially unchanged as a result of the acquisitions of DeWAG and the Retained Vitus Portfolio. Investments in real estate located in large cities, metropolitan areas and the more densely populated regions of Germany have shown a higher resilience to adverse economic conditions than similar investments in rural regions (*Source: CBRE, Special Report, Residential Market Germany, 2010/2011*) and properties located in the old German federal states (*Alte Bundesländer*) have a better track record and economic and demographic forecast than the German average (*Source: BMVBS Report on Residential and Construction Market 2011/2012*). Due to the size of its geographically diversified real estate portfolio and operations, however, Deutsche Annington expects that changes in single local markets will not have a material effect on Deutsche Annington's performance.

Deutsche Annington also benefits from the demographic trend towards one- and two-person households which is expected to be particularly strong in Germany's metropolitan areas (*Source: BBSR – Regional Planning 2030*) and an aging population. Given the national average size for rental residential units of 69.4 sqm and an average owner occupied unit size of 121.9 sqm in 2013, Deutsche Annington is well-positioned to meet the increasing demand for units tailored to smaller households with its average unit size of 64 sqm and 2-3 rooms per residential unit (*Source: Federal Statistical Office, Housing*). In addition, the German residential real estate market is characterised by low tenant mobility and the long-term nature of contractual relationships making residential rental business more stable. As of 30 September 2014, Deutsche Annington's vacancy rate was approximately 3.6%, and residential in-place rent amounted to €5.59 per sqm per month, including the DeWAG portfolio.

In managing its portfolio, Deutsche Annington follows a disciplined approach and has a track record in value creation. Deutsche Annington classifies its properties into five portfolios: (i) "Operate", (ii) "Upgrade Buildings" (energy efficiency measures carried out by the Group to increase the economic value of properties), (iii) "Optimise Apartments" (senior living/other major residential unit refurbishment), (iv) "Privatise", and (v) "Non-Core", for each of which Deutsche Annington follows a dedicated strategy. As of 30 September 2014, 97% of the portfolio in terms of Fair Value comprises core assets where Deutsche Annington believes that it can add value. Only 3% of the portfolio is considered as "Non-Core" with insufficient medium- to long-term growth prospects. Deutsche Annington aims to sell these "Non-Core" assets in the medium-term at prices around Fair Value. With respect to its core assets, Deutsche Annington intends to add value through three main levers:

- Operational value generation, such as rental growth, vacancy reduction, effective and sustainable maintenance spend and cost efficiencies through scaling;
- Additional value generation through a dedicated investment programme, which is mainly based on energy-efficient modernisations of buildings, the modernisation of individual apartments for senior living and high standard refurbishments in markets where fully refurbished apartments deliver a rental premium. From 2009 to 2012, Deutsche Annington invested more than €150 million and generated an average return of 7% on the invested capital. In 2013, Deutsche Annington invested €63 million with an expected return similar to the return achieved in the past. Going forward, Deutsche Annington has identified additional investment opportunities with a volume exceeding €800 million across 45% of the overall portfolio and intends to invest approximately €150 million per year from 2014 onwards. Deutsche Annington expects to be able to finance these investments partly through the use of debt finance some of which may be made available through publicly funded debt subsidy programmes; and
- Additional value generation through privatisation of condominium units and single-family houses at a premium. As of 30 September 2014, these units amount to 12% of the total portfolio. In the past three years, Deutsche Annington has sold about 2,500 apartments per year at average prices of more than 20% above Fair Value.

The cash generated from the sale of privatisation and “Non-Core” assets may be redeployed to fund investments in the residential units designated for building or apartment upgrades, to reduce debt, to fund dividend payments, or to finance acquisitions.

Using a well-balanced mix of local and centralised operational structures, Deutsche Annington manages its assets in an efficient, integrated and industrialised manner. While the processes that capture economies of scale are performed on a centralised basis, processes that require in-depth knowledge of an individual local market or that require close interaction with Deutsche Annington’s customers are performed through Deutsche Annington’s 30 local business units organised in four regional clusters, which are situated in proximity of its assets and customers throughout Germany.

The Group capitalises on its size in order to complement its property rental activities with selected value-add services to improve customer satisfaction. In cooperation with one of Germany’s biggest craftsmen companies, B&O Service & Messtechnik AG, as joint venture partner, Deutsche Annington has established a craftsmen organisation comprised of approximately 1,654 people as of 30 September 2014 who are solely dedicated to the performance of maintenance work related to Deutsche Annington’s portfolio, in addition to a caretaker organisation that performs services on site and employs approximately 381 people. Deutsche Annington’s rental-related services range from ancillary cost savings from bulk purchases of utilities, to providing fibre-optic television and internet access, to the negotiation of discounts on purchases from selected service providers.

Deutsche Annington is able to purchase relatively large attractive properties and real estate portfolios that are beyond the reach of smaller competitors, and it is positioned to successfully integrate such newly acquired units economically into its existing portfolio. In addition, Deutsche Annington has access to capital markets financing not available to smaller companies.

During the nine-month period ended 30 September 2014, the Group generated income from property letting of €823.5 million and Adjusted EBITDA of €400.2 million, with Adjusted EBITDA Rental contributing €364.5 million and Adjusted EBITDA Sales contributing €35.7 million. During the nine-month period ended 30 September 2014, the Group generated FFO I of €205.0 million and FFO II (including Adjusted EBITDA Sales) of €240.7 million. As of 30 September 2014, the Group’s NAV amounted to €5,094.8 million (as of 31 December 2013: €4,782.2 million) and the Group’s LTV-Ratio to 52.8% (each being adjusted for effects in combination with the Vitus Group Takeover).

In fiscal year 2013, the Group generated income from property letting of €1,048.3 million, Adjusted EBITDA of €470.4 million, with Adjusted EBITDA Rental of €442.7 million and Adjusted EBITDA Sales of €27.7 million.

For a reconciliation of Adjusted EBITDA, Adjusted EBITDA Rental, Adjusted EBITDA Sales, FFO I, FFO II, NAV and LTV-Ratio to the most nearly comparable IFRS figures, see “—*Selected Consolidated Financial Information for the Group—Additional Key Figures*”.

Strategy

Against the background of its successful de-levering, standardisation and integration efforts in recent years, Deutsche Annington believes that its current market position coupled with the strategic initiatives described below will continue to distinguish the Group from its competitors in the future, enabling the Group to satisfy customer demands and generate a comparably resilient cash flow that allows for attractive dividend yields. To further enhance customer satisfaction and drive growth in both FFO and NAV per share, Deutsche Annington applies the following five strategies:

Property management strategy – Long term focus on returns and customer satisfaction

Deutsche Annington has developed and implemented a sophisticated and well-functioning, yet balanced operating management platform which benefits from both customer-oriented local operations and cost-efficient industrialised processes.

The Group has divided its portfolio into 30 local business units, each responsible for an average of 6,000 apartments. At the local level, approximately 20 employees are assigned to each business unit and work in proximity to Deutsche Annington’s geographic portfolio concentrations. The

business units provide all services that Deutsche Annington offers on-site. The local teams collect and process local knowledge related to Deutsche Annington's central functions and source central services to the extent required for the best and most cost-efficient performance of their services on the ground. While the local teams have a large degree of autonomy, the performance of each business unit is centrally monitored on the basis of key performance indicators, such as the profitability of the individual portfolio and customer satisfaction.

Deutsche Annington offers standardised products based modernisation, which are in high demand, focusing on product standards driven by local market demand and trends (e.g., flats suitable for elderly people, energy-efficient housing). With a view to maintaining control over quality and efficiency, the Group implements these standards through its own craftsmen organisation.

Based on this operating management platform Deutsche Annington is able to manage the existing portfolio effectively, increase residential in-place rents and reduce vacancies. The platform also allows Deutsche Annington to control maintenance expenditures and to plan the release of capital for reinvestments in properties with a higher potential. In the last three years, the Group was able to increase its average in-place monthly residential rent per sqm from €5.05 as of 31 December 2010, to €5.17 as of 31 December 2011, to €5.28 as of 31 December 2012, to €5.40 as of 31 December 2013 and further to €5.59 as of 30 September 2014. At the same time, Deutsche Annington reduced vacancy rates from 4.8% as of 31 December 2010 to 3.6% as of 30 September 2014. While Deutsche Annington's vacancy rate may increase slightly in the near term as a result of the integration of the Retained Vitus Portfolio, Deutsche Annington believes that in the medium term it will be able to achieve a reduction of the vacancy rate for the combined portfolio as a result of property related improvements.

Deutsche Annington believes that its operating management platform supported by an integrated IT system is a valuable asset which allows the Group to operate efficiently on its current scale and will enable it to successfully integrate future acquisitions as well as to accommodate the growth of the Group. Due to the amount of time, knowledge, skills, personnel, and other resources invested in the development of its operating management platform, Deutsche Annington believes that the platform cannot be replicated by its competitors in the near future and will remain a Group-specific competitive advantage.

Certain Relationships and Related Party Transactions Financing Strategy – Maintain adequate liquidity at all times while optimising financing costs based on target maturity profile and rating

Deutsche Annington's current business model is based on leveraging its properties and, therefore, access to favourable term financing and a balanced structure of financial liabilities play a key role in the Group's success. Deutsche Annington utilises not only classical banking loans but also cheaper capital markets debt financing and low interest public loans.

The Group's finance and treasury department has undergone structural modernisation to ensure the timely and efficient management of financing activities. Within this department, Deutsche Annington has established its own capital markets team that has proven its ability to raise funds in large capital markets transactions. In July 2013, the Group refinanced the then outstanding obligations of around €2.3 billion under the so-called GRAND Securitisation, a commercial mortgage backed securities transaction, through the 2013 Term Loan which was fully repaid in October 2013 with proceeds from the USD Notes and the 2013 EMTN Notes. Furthermore, Deutsche Annington issued the July 2013 Notes, the April 2014 Hybrid, the 2014 EMTN Notes and entered into the 2014 Term Loan. Proceeds from the issuance of the April 2014 Hybrid, the 2014 EMTN Notes and the 2014 Term Loan were utilised to finance the acquisition of DeWAG and the Vitus Group Takeover. The 2014 Term Loan was fully repaid in October 2014. In connection with the issuance of the unsecured notes, Deutsche Annington obtained a long-term corporate credit rating of 'BBB' (investment grade) from S&P which was affirmed on 1 December 2014. For more information on the notes issued by Deutsche Annington, please see "*—Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results—Economic and Demographic Developments in Germany—Cost of Financing*".

The Group has made its energy and senior living modernisation programmes compliant with the requirements stipulated by KfW Bank in order to be in a position to potentially avail itself of additional opportunities relating to favourable terms of low interest public loans.

As of 30 September 2014, Deutsche Annington's financing structure represented a balanced mix of debt instruments that included unsecured capital market debt in a nominal amount of €3.7 billion, secured commercial loans in a nominal amount of €2.4 billion, secured subsidised loans in a nominal amount of €0.4 billion, an unsecured loan of €0.5 billion and an unsecured line of credit in the amount of €0.1 billion, mitigating the Group's dependence on a single type or source of financing.

Portfolio Management Strategy – Optimise portfolio of buildings by transforming investments, sales and tactical acquisitions

Based on the economic outlook at a micro level, demographic and rental developments, efficiency of operations and potential for value-enhancing measures, Deutsche Annington allocates its properties to five portfolios and follows a differentiated portfolio strategy with respect to each of them:

- In the “Operate” portfolio which represents 40% of the portfolio by Fair Value, Deutsche Annington sees no need of any larger medium-term portfolio measures and intends to create value mainly through continuous improvements of rent and vacancy levels;
- In the “Upgrade Buildings” portfolio which represents 26% of the portfolio by Fair Value, Deutsche Annington has identified investment opportunities in an amount of approximately €500 million, mainly relating to energy efficiency measures including facade insulation, roof insulation, new windows and heating systems;
- In the “Optimise Apartments” portfolio, which represents 19% of the portfolio by Fair Value, Deutsche Annington has identified investment opportunities in an amount of approximately €300 million, mainly relating to apartments suitable for senior living and to high-standard flat modernisations in strong markets;
- In the “Privatise” portfolio, which represents 12% of the portfolio by Fair Value, Deutsche Annington focuses on condominiums and single-family homes that have already been prepared for individual sales to homeowners and small capital investors and which are intended to be sold over the long-term at a premium to Fair Value; and
- In the “Non-Core” portfolio, which represents 3% of the portfolio by Fair Value, Deutsche Annington includes properties which are intended to be disposed of in the medium-term due to insufficient medium to long-term growth prospects. These assets are usually located in macro or micro locations with a negative future outlook, and structurally low rent levels or high vacancy rates.

The first three portfolios combined represent the “Rental Only” sub-portfolio. From 2011 through 30 September 2014, residential in-place rent for the “Rental Only” sub-portfolio increased on average by 2.4% per year and vacancy rates remained almost stable and amounted to 2.8% as of 31 December 2013 (3.0% as of 30 September 2014).

The identification of assets assigned to the “Non-Core” portfolio is for the most part based on the total return of an asset which is the sum of current return and expected value growth. While current return is easy to determine by actual data, reliable forecasts on growth are far more complex. Against this background, Deutsche Annington has developed its own innovative portfolio management approach to evaluate Germany's housing market, deriving growth forecasts from basic demographic data and internal know-how. Deutsche Annington's understanding of market imbalances provides it with opportunities for tactical sales and acquisitions. Specifically, Deutsche Annington has identified certain cities with a priority for tactical acquisitions.

Extension Strategy – Customer-centric business approach to deliver value-added services to tenants

Deutsche Annington has direct access to over 300,000 customers and uses this access to provide certain services that are closely related to, and have an impact on, its rental business, such as

maintenance and modernisation of properties, aimed at increasing the general attractiveness of Deutsche Annington's residential units, and customer satisfaction.

In 2011, the Group established its own caretaker organisation and, together with a partner, a craftsmen organisation, which performs functions such as painting, plumbing, masonry and glazing work. In total, the Group has employed more than 2,000 additional employees to staff these organisations. The insourcing of caretaker and craftsmen functions provides on-site presence of Deutsche Annington's employees at its property locations, allows the Group to improve the quality of repairs, shortens response times to customer complaints and generally increases the attractiveness of its residential properties.

Other service initiatives include Deutsche Annington's entry into a strategic partnership with Deutsche Telekom Group at the end of fiscal year 2011 in order to equip at least 145,000 housing units throughout Germany with modern fibre-optic technology and provide the tenants with a TV signal. As of 30 September 2014, more than 55,000 units had already been connected. The Group has also entered into smaller scale agreements with other cable providers to equip additional residential units with TV signal and plans to extend the cooperation with Deutsche Telekom Group to offer its customers mobile telephone offers at attractive rates. This initiative allows the Group to increase the attractiveness of its residential properties.

Deutsche Annington may also consider other opportunities to expand the scope of services delivered to Deutsche Annington tenants in the future, including energy services or elderly care services. These initiatives may also lead to future revenue growth for Deutsche Annington.

Acquisition Strategy – Growth through opportunistic acquisitions and integration of new portfolios

Since its foundation, Deutsche Annington has grown through a large number of acquisitions, including the purchase of Viterro AG in 2005 and the successful acquisition and integration of 34 portfolios totalling approximately 16,000 residential units in the period from 2006 to 2013. In 2014 to date, Deutsche Annington significantly increased its portfolio by acquiring about 11,500 residential units managed by DeWAG on 1 April 2014 and 30,000 residential units through the Vitus Group Takeover on 1 October 2014, approximately 9,600 of which were subsequently sold to a subsidiary of LEG Immobilien AG (see “—Material Agreements—Agreements Entered into in Connection with the Recent Acquisitions—Vitus Group Takeover”). In addition, at the end of August 2014, Deutsche Annington and CitCor agreed upon the purchase of around 5,000 residential units and 210 commercial units from CitCor in various locations throughout Germany with around 50% in Berlin and its metropolitan area. This contract was partly suspended in December 2014 and supplemented with a purchase agreement over 94.9% of certain portfolio holding companies of CitCor. Both agreements are expected to close on 1 April 2015. The combined purchase price for the transactions amounts to about €320 million.

Deutsche Annington estimates that its scalable operating management system allows the Group to realise economies of scale by fully integrating newly acquired companies and portfolios at marginal cost. Using this advantage and the know-how contained in its organisation, Deutsche Annington pursues and analyses potential acquisitions based on the selective expansion of its existing portfolio concentrations and the creation of new portfolio concentrations in attractive macro and micro locations. Each potential portfolio is structurally analysed considering its long-term rental generating performance, its potential for upgrade and further optimisation and, to a lesser extent, its privatisation potential, if appropriate.

As Deutsche Annington does not consider acquisitions as its only form of growth, acquisitions are pursued on an opportunistic basis and must be considered value-enhancing before being executed. Such value-enhancement is usually assessed in terms of strategic fit, FFO I accretion and impact on NAV, and may not jeopardize Deutsche Annington's stable BBB credit rating. The Group focuses on the full spectrum of deal sizes from small to large deals, while the creation of new concentrations may involve acquisitions of large corporations as well as takeovers of smaller companies, management platforms and residential portfolios. Deutsche Annington constantly closely monitors and evaluates deals on the German real estate market, seeking to identify portfolios with value creating potential, and

maintains its permanent position on the short list of selected potential buyers preserving its status as a widely accepted purchaser across all classes of sellers.

Acquisitions of DeWAG and the Retained Vitus Portfolio

Deutsche Annington further increased its portfolio through the acquisition of around 11,500 residential units managed by DeWAG in the second quarter of 2014 and the integration of 20,500 residential units of the Retained Vitus Portfolio.

Acquisition of the Real Estate Business Managed by DeWAG

On 28 February 2014, Deutsche Annington entered into a share purchase agreement through a subsidiary to acquire approximately 94% of the real estate business managed by DeWAG. This real estate business operates throughout Germany with housing stocks of about 11,500 residential units. The majority of these properties are located in the metropolitan areas of Munich, Frankfurt, Dusseldorf, Cologne and Hamburg. The portfolio almost exclusively comprises residential properties that have been further developed through professional property management as well as value-focused refurbishment and modernisation measures. The acquisition of the relevant property-holding companies and selected holding companies was completed on 1 April 2014 for a total investment of around €1.0 billion. For a detailed description of the agreements related to this acquisition, see “—Material Agreements—Agreements Entered into in Connection with Recent Acquisitions—Acquisition of DeWAG”.

Integration of the Real Estate Business of the Retained Vitus Portfolio

On 28 February 2014, Deutsche Annington entered into a contribution and investment agreement with shareholders of the Vitus Group with a view to integrating certain of the Vitus Group’s real estate business, including the relevant property holding companies of the Vitus Group. With over 30,000 residential units located in the Rhine-Ruhr conurbation and in the cities of Bremen and Kiel, the acquired entities formed one of the leading housing companies in northern and western Germany. On 17 April 2014, Deutsche Annington entered into a share purchase agreement for the transfer of the portfolio of the acquired entities, which closed on 1 October 2014. The consideration for this portfolio amounted to about €1.4 billion and included an assumption of certain liabilities and the repayment of third-party debt. For a detailed description of the agreements related to this transaction, see “—Material Agreements—Agreements Entered into in Connection with Recent Acquisitions—Vitus Group Takeover”. Shortly after the closing of the Vitus Group Takeover, on 9 October 2014, Deutsche Annington entered into a share purchase agreement regarding the sale to a subsidiary of LEG Immobilien AG of around 9,600 residential units from the newly-acquired portfolio of the Vitus Group located in North Rhine Westphalia. This was closed on 23 October 2014. The total volume of this divestment, including transaction costs, amounted to €484 million. The transaction costs include refinancing costs which were assumed proportionally. With the net proceeds from the transaction in the amount of approximately €475 million, Deutsche Annington repaid the Term Loan 2014 early. For a detailed description of the share purchase agreement, see “—Material Agreements—Agreements Entered into in Connection with Recent Acquisitions—Sale of the Leopard Portfolio”.

Impact on Deutsche Annington’s Current Portfolio

As of 30 September 2014, Deutsche Annington owned 183,983 residential units, 45,682 garages and parking spaces as well as 1,261 commercial units, and was valued at €11.4 billion. These figures include the DeWAG portfolio acquired in April 2014, but do not reflect the impact of the transactions integrating the Retained Vitus Portfolio. Together, these transactions relate to an aggregate portfolio of about 31,700 units as of 31 December 2013 for an aggregate acquisition price of approximately €2.0 billion.

Through the acquisitions of DeWAG and the Retained Vitus Portfolio Deutsche Annington considers it is adding two highly attractive portfolios, which are both accretive to Deutsche Annington’s strategy and allow for a significant increase in asset density and regional diversification.

In particular, the acquisition of the DeWAG managed real estate has strengthened Deutsche Annington's position in Berlin and Frankfurt as well as the Munich area, while the integration of the Retained Vitus Portfolio extends Deutsche Annington's presence to Bremen and Kiel. Deutsche Annington also believes that under its management and ownership there is significant synergy potential with respect to the DeWAG portfolio and the Retained Vitus Portfolio, relating in particular to property related improvements (catch-up on market rents, increase rental growth, vacancy reduction), administrative efficiency improvements (in terms of headcount and administrative cost) and financing improvements (lower refinancing costs due to Deutsche Annington's ability to refinance the current loans).

The following table sets forth key figures with respect to the DeWAG portfolio, the Retained Vitus Portfolio and Deutsche Annington as well as for the three portfolios combined as of 30 September 2014:

	DeWAG	Retained Vitus	DA	Combined
	As of 30 September 2014 (unaudited ^{*)})			
Key figures				
Number of residential units	11,067	20,494	172,916	204,477
Vacancy rate (in % of units)	4.4	4.2	3.6	3.7
Residential in-place rent (per month in € per sqm) ⁽¹⁾	6.78	5.02	5.51	5.54

*) With respect to the columns labelled DeWAG and Deutsche Annington, the numbers are taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively. With respect to the column labelled Retained Vitus, the numbers are taken or derived from the accounting records or internal management reporting systems of the sellers of the Vitus portfolio, respectively.

(1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of certain date before deducting non-transferable operating costs, divided by the residential floor area of rented residential units as of the same dates. Residential in-place rent is often also referred to as "net cold rent".

The following table shows a breakdown by year of construction for the Retained Vitus Portfolio and the portfolios of DeWAG and Deutsche Annington as well as for the three portfolios combined as of 30 September 2014:

	DeWAG		Retained Vitus		DA		Combined	
	Number of units	% of total	Number of units	% of total	Number of units	% of total	Number of units	% of total
	As of 30 September 2014 (unaudited ^{*)})							
Before 1949	1,317	12	2,858	14	26,583	15	30,758	15
1949 – 1960	2,892	26	5,006	24	67,473	39	75,371	37
1961 – 1975	5,299	48	7,562	37	57,644	33	70,505	34
After 1975	1,559	14	5,068	25	21,216	12	27,843	14
Total	11,067	100	20,494	100	172,916	100	204,477	100

*) With respect to the columns labelled DeWAG and Deutsche Annington, the numbers are taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively. With respect to the column labelled Retained Vitus, the numbers are taken or derived from the accounting records or internal management reporting systems of the sellers of the Vitus portfolio, respectively.

Deutsche Annington's Current Portfolio

Deutsche Annington's business focuses on its housing activities, and particularly on the management of its residential portfolio, which represents 96% of the Group's assets measured at Fair Value. The following description includes information on the portfolio recently acquired from DeWAG on 1 April 2014 but does not include the Retained Vitus Portfolio, which was acquired effective 1 October 2014.

Overview

As of 30 September 2014, the Group held a real estate portfolio comprised of 183,983 residential units, 45,682 garages and parking spaces as well as 1,261 commercial units, and it managed 26,719 apartments for other owners. Deutsche Annington's portfolio is dispersed throughout Germany and its locations are spread across approximately 547 cities and communities.

The majority of Deutsche Annington's portfolio consists of multi-family properties. Approximately 88% of these properties have eight or fewer residential units per property. Both prospective tenants and purchasers typically view residential units in smaller properties as more attractive than those in larger properties (*e.g.*, with 20 or more residential units per property).

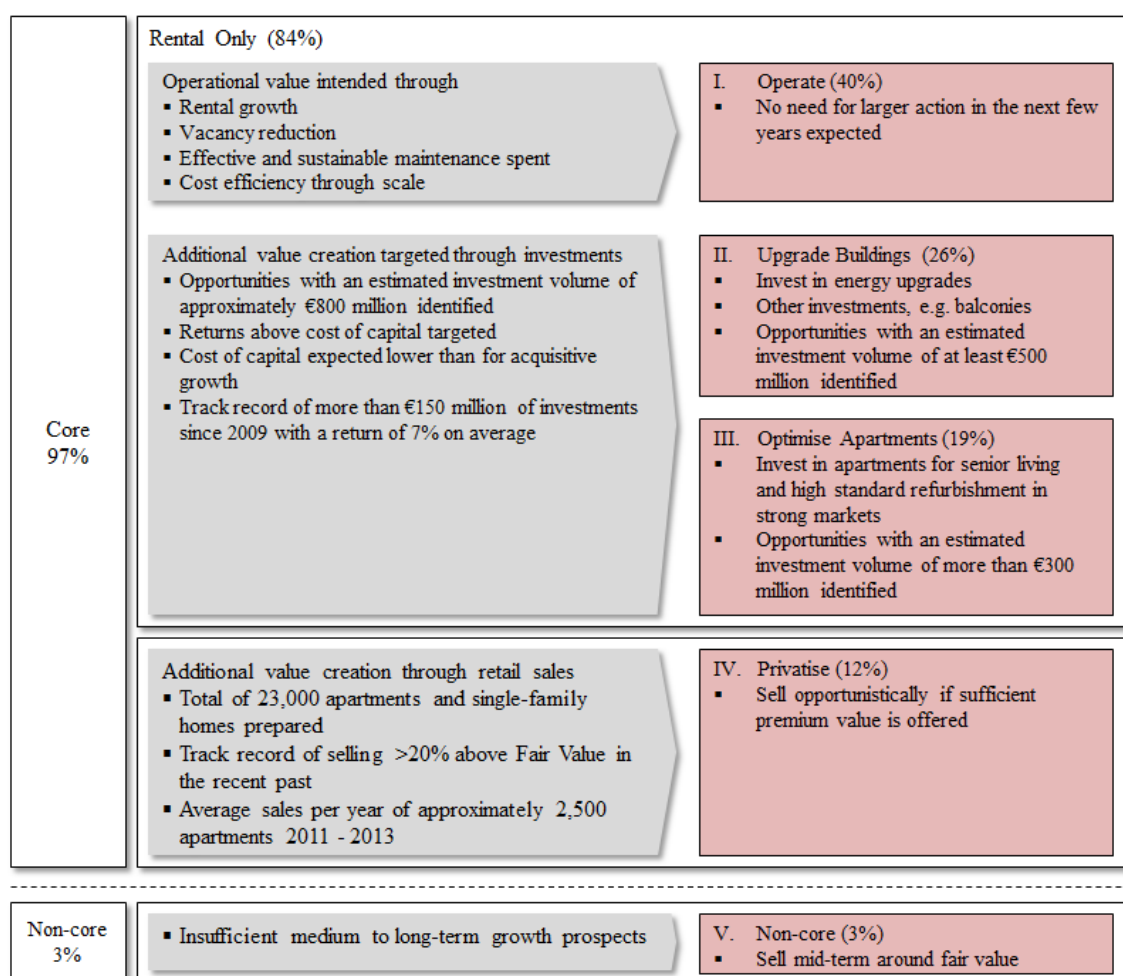
As of 30 September 2014, the aggregate living area of Deutsche Annington's portfolio amounted to 11,763,000 sqm, with an average unit size of 64 sqm. An average unit consists of two or three rooms plus kitchen and bathroom. As of 30 September 2014, Deutsche Annington had leased more than 96% of its residential units and generated an average residential in-place rent of €5.59 per sqm per month. The vacancy rate as of 30 September 2014 was 3.6%. For the entire portfolio, Deutsche Annington estimates that weighted for all existing rental contracts its tenants lease a residential unit for approximately 14 years on average.

Strategic Portfolios

Deutsche Annington has divided its portfolio into five strategic portfolios: (i) "Operate", (ii) "Upgrade Buildings", (iii) "Optimise Apartments", (iv) "Privatise", and (v) "Non-Core".

Each of the five strategic portfolios is subject to a set of specific strategic actions. Deutsche Annington allocates assets to these strategic portfolios based on the local knowledge of and individual economic assessments by Deutsche Annington's business unit managers and reviews this classification on an annual basis. The following main criteria are typically used to allocate units to one of the various strategic portfolios: (i) economic outlook for the properties on a micro level, (ii) long-term demographic and rental developments, (iii) efficiency of operations and (iv) potential for value-enhancing measures.

The following chart provides an overview of Deutsche Annington's strategic portfolios:



“Operate”. As of 30 September 2014, 72,776 of Deutsche Annington’s residential units with a residential in-place rent of €5.63 per sqm and a vacancy rate of 3.0% were allocated to the *“Operate”* portfolio. These are assets where, in Deutsche Annington’s view, no significant portfolio actions, such as large investments or disposals, are required in the medium-term. The strategic focus in this portfolio is on continuous improvement, for example balancing rent increase, vacancy reduction, well-prioritised maintenance spending as well as customer satisfaction increase. The portfolio also includes apartments that have been part of Deutsche Annington’s investment programme in the past. The investment programme consists of two major parts: (i) one part, *“Upgrade Buildings”*, that focuses on upgrading buildings in terms of energy efficiency and (ii) another part, *“Optimise Apartments”*, that aims to optimise units with respect to their interior configuration upon fluctuation. Both investment programmes are eligible for subsidised loans from KfW Bank. All of the Guarantor’s investments are geographically concentrated in Germany.

“Upgrade Buildings”. As of 30 September 2014, 47,965 of Deutsche Annington’s residential units with a residential in-place rent of €5.55 per sqm and a vacancy rate of 2.9% were classified as *“Upgrade Buildings”*. In this portfolio, Deutsche Annington includes the properties which have been earmarked for projects to improve energy efficiency, depending on the availability of sufficient capital.

Deutsche Annington believes that the investments in the earmarked buildings may require capital expenditures of at least €500 million. The investments in buildings, if pursued, are expected to be funded largely by public KfW Bank-loans; in addition thereto, Deutsche Annington plans to use cash generated by the Group’s business. When deciding upon an investment in buildings, the Group targets an average return of 7% on the invested capital. In addition, the Group expects the values of the properties to clearly benefit from the investments made. Typical measures are aimed at reducing energy consumption through better insulation and more efficient heating systems. Such investments usually also result in lower pass-through utility and ancillary charges (*Nebenkostenabrechnungen*) for Deutsche Annington’s customers.

“Optimise Apartments”. As of 30 September 2014, 33,527 of Deutsche Annington’s residential units with a residential in-place rent of €6.00 per sqm and a vacancy rate of 3.2% were classified as *“Optimise Apartments”*. In this portfolio, Deutsche Annington has included all apartments which have been earmarked for major apartment upgrades upon fluctuation. On the one hand, this includes refurbishments of units to facilitate low-barrier access for senior living in return for an increased new letting rent; on the other hand, it comprises value-enhancing refurbishments of apartments in markets that allow for additional rent increases. All these residential units are suitable for refurbishment from both a technical and an economic standpoint.

In order to implement Deutsche Annington’s strategy to optimise the assets allocated to the *“Optimise Apartments”* portfolio, an investment of more than €300 million is required. For these investments, Deutsche Annington targets an average return of 7% on the invested capital. In 2012, Deutsche Annington ran pilot projects that generated such returns. Over 1,100 apartment modernisations were completed in 2013. For 2014, Deutsche Annington plans to optimise more than 2,600 residential units. The investments are expected to be funded largely by KfW Bank-loans; in addition, Deutsche Annington plans to use cash generated by its business.

The first three strategic portfolios combined represent the *“Rental Only”* sub-portfolio and units may be allocated to different strategic portfolios within this sub-portfolio depending on the status of modernisation measures. Modernisation measures are mainly investments that trigger the statutory right to increase rents with respect to the modernised unit or building under the applicable legal framework. Deutsche Annington’s management believes that with an average investment return of approximately 7% from rent increases and vacancy reduction since 2009, it has an excellent investment track record.

The following table provides an overview of Deutsche Annington's investment programme in terms of amounts invested and units covered and its economic success measured in terms of yield:

Deutsche Annington's Investment Programme

Programme year ⁽¹⁾	Investment volume (€ million) ⁽²⁾	Units (No.) (unaudited ^{*)})	Yield ⁽³⁾ (%)
Ø 2009-2011.....	33.7	2,281	7.0%
2012.....	56.6	2,982	6.8%
2013 (forecast) ⁽⁴⁾	63.0	5,320	7.2%

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) "Programme year" is defined as the calendar year in which construction work on the respective measure started.

(2) "Total investment volume" includes all costs of the measures performed excluding internal personnel costs incurred (e.g., for programme coordination or for the site managers employed in the Group).

(3) "Yield" is the static net initial yield and is calculated for the "Upgrade Buildings" portfolio from the change in the property management income (i.e., changes in the rent and vacancy rate) in relation to the external planning and construction costs of the measure. The time of measurement is December of the calendar year following the programme year; in the "Optimise Apartments" portfolio, the difference between the last rent before the refurbishment and the re-letting rent achieved after refurbishment is completed is compared with construction costs of the project. The time of measurement is, in this case, the middle of the calendar year following the programme year.

(4) The 2013 figures are forecast numbers and therefore not finally determined. Deutsche Annington expects them to be final by the end of 2014.

Deutsche Annington applies strict criteria when selecting investment opportunities and concentrates primarily on those opportunities that promise a disproportionate increase in property value. This is generally achieved by balancing the following three factors:

- Tenant perspective: Affordability and fit-for-purpose measures;
- Technical perspective: Mix of necessary and value-creating measures; and
- Economic perspective: Adequate returns.

The entire investment process, from project selection through post completion audit, is supervised by a central portfolio controlling unit. All departments involved in the process contribute their expert knowledge in order to ensure the projects' successful completion, e.g., the modernisation function takes care of cost calculation and supervision of works.

For 2014, the Guarantor plans to invest approximately €160 million in buildings and apartments. In particular, Deutsche Annington plans to improve the energy efficiency of buildings with more than 9,000 units through heating system or façade insulation measures or a combination of both and to convert more than 2,600 units under the "Optimise Apartments" regime. The Group plans to fund the investment largely through subsidised loans from KfW Bank and the remainder through cash generated by Deutsche Annington's business operations. As of 30 September 2014, construction work for approximately 96% of all units identified for modernisation in 2014 has been initiated or completed.

"Privatise". As of 30 September 2014, 20,205 of Deutsche Annington's residential units with a residential in-place rent of €5.44 per sqm and a vacancy rate of 4.9% were classified as "Privatise". "Privatise" stock comprises condominium units and single-family homes that have already previously been prepared for sale to homeowners and small capital investors. Deutsche Annington aims to sell these units over the long-term at average prices of at least 20% above Fair Value and considers its privatisation strategy to be a sustainable element of value generation over this time span. In the first nine months of 2014, Deutsche Annington sold 1,778 units (nine-month period 2013: 2,001 units) in the course of its privatisation programme and realised a Fair Value step-up of 36.7% (nine-month period 2013: 23.3%).

"Non-Core". As of 30 September 2014, 9,510 of Deutsche Annington's residential units with a residential in-place rent of €4.30 per sqm and a vacancy rate of 11.5% were classified as "Non-Core". These buildings are located in cities or regions with a minimal Deutsche Annington presence, or are

situated in a macro or micro location with a negative future outlook and structurally low rent levels or high vacancy rates, or a combination thereof. In addition, this portfolio includes large commercial units, typically with a commercial floor area of more than 500 sqm, which Deutsche Annington considers to be non-core. Deutsche Annington seeks to sell these buildings at approximately Fair Value. In the first nine months of 2014, Deutsche Annington sold houses and commercial units with 873 residential units (nine-month period 2013: 1,414 residential units) in the course of its “Non-Core” divestiture programme and realised a Fair Value step-up of 6.6% (nine-month period 2013: 9.6%). The figures also include the disposal of plots of undeveloped land.

The following table summarises strategic portfolio and sub-portfolio data as of 30 September 2014:

	Operate	Upgrade Buildings	Optimise Apartments	Rental Only (unaudited ^{*)})	Privatise	Non-Core	Total ⁽¹⁾
Units							
Residential.....	72,776	47,965	33,527	154,268	20,205	9,510	183,983
Commercial.....	740	179	11	930	99	232	1,261
Total	73,516	48,144	33,538	155,198	20,304	9,742	185,244
Area (in thousand sqm)							
Residential.....	4,618.4	3,032.1	2,131.8	9,782.3	1,382.8	597.8	11,762.9
Commercial.....	95.9	18.5	1.1	115.4	11.7	116.4	243.5
Total	4,714.3	3,050.5	2,132.9	9,897.7	1,394.6	714.2	12,006.4
In-Place Rent⁽²⁾							
p.a. in € million							
Residential.....	302.7	195.9	148.5	647.2	86.0	27.3	760.4
Commercial.....	7.2	1.4	0.1	8.7	1.0	6.4	16.1
Other.....	12.1	0.7	0.0	12.7	1.2	0.4	14.3
Total.....	322.0	198.0	148.6	668.6	88.1	34.0	790.8
In € per sqm							
Residential.....	5.63	5.55	6.00	5.69	5.44	4.30	5.59
Commercial.....	7.22	7.35	7.65	7.25	9.51	4.95	6.19
Total.....	5.88	5.58	6.00	5.81	5.54	4.46	5.71
Fair Value⁽³⁾							
In € million.....	4,506.4	2,947.3	2,150.6	9,604.3	1,374.1	358.5	11,337.0
In € per sqm.....	956	966	1,008	970	985	502	945
Multiplier on total current in-place rent ⁽⁴⁾	14.0	14.9	14.5	14.4	15.6	10.5	14.4

*) Taken or derived from the Guarantor’s accounting records or internal management reporting systems, respectively.

(1) Includes special and large commercial buildings, but excludes land banks and leaseholds valued at €54.3 million.

(2) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 30 September 2014, before deducting non-transferable operating costs, divided by the residential floor area of rented residential units.

(3) Includes commercial real estate, parking and other units. Fair value based on Deutsche Annington’s internal property valuation as of 30 September 2014.

(4) The ratio of Fair Value of properties at period end to twelve times the total current in-place rent for the applicable month’s end, as of 30 September 2014.

Total Residential Portfolio Overview

Total Residential Portfolio by Strategic Portfolios and Sub-Portfolios

The following table sets forth key data relating to Deutsche Annington’s total residential portfolio.

	As of and for the nine-month period ended 30 September	As of and for the year ended 31 December		
	2014 (unaudited ^{*)})	2013	2012 (unaudited)	2011
I. OPERATE				
Number of residential units	72,776	67,932	67,926	67,929
Residential floor area at period end (in thousand sqm).....	4,618	4,290	4,288	4,288
Residential in-place rent (per month in € per sqm) ⁽¹⁾	5.63	5.48	5.39	5.28
Residential ERV (per month in € per sqm) ⁽²⁾	5.94	—	—	—

	As of and for the nine-month period ended 30 September	As of and for the year ended 31 December		
	2014 (unaudited ^{*)})	2013	2012 (unaudited)	2011
Vacancy rate (in % of units) ⁽³⁾	3.0	3.0	3.5	3.2
Fair Value of properties (in € million) ⁽⁴⁾	4,506	4,014	3,764	3,653
Fair Value of properties (in € per sqm) ⁽⁵⁾	956	919	861	836
Multiplier on total current in-place rent ⁽⁶⁾	14.0	13.8	13.2	13.2
II. UPGRADE BUILDINGS				
Number of residential units.....	47,965	45,647	45,723	45,726
Residential floor area (in thousand sqm).....	3,032	2,883	2,887	2,887
Residential in-place rent (per month in € per sqm) ⁽¹⁾	5.55	5.30	5.21	5.08
Residential ERV (per month in € per sqm) ⁽²⁾	6.17	—	—	—
Vacancy rate (in % of units) ⁽³⁾	2.9	2.6	2.4	2.3
Fair Value of properties (in € million) ⁽⁴⁾	2,947	2,600	2,386	2,302
Fair Value of properties (in € per sqm) ⁽⁵⁾	966	898	823	794
Multiplier on total current in-place rent ⁽⁶⁾	14.9	14.5	13.5	13.3
III. OPTIMISE APARTMENTS				
Number of residential units.....	33,527	31,945	31,952	31,952
Residential floor area (in thousand sqm).....	2,132	2,028	2,028	2,027
Residential in-place rent (per month in € per sqm) ⁽¹⁾	6.00	5.79	5.61	5.46
Residential ERV (per month in € per sqm) ⁽²⁾	6.31	—	—	—
Vacancy rate (in % of units) ⁽³⁾	3.2	2.7	2.2	2.3
Fair Value of properties (in € million).....	2,151	2,005	1,827	1,760
Fair Value of properties (in € per sqm) ⁽⁵⁾	1,008	989	901	868
Multiplier on total current in-place rent ⁽⁶⁾	14.5	14.6	13.7	13.6
RENTAL ONLY SUB-PORTFOLIO				
Number of residential units.....	154,268	145,524	145,601	145,607
Residential floor area (in thousand sqm).....	9,782	9,201	9,203	9,202
Residential in-place rent (per month in € per sqm) ⁽¹⁾	5.69	5.49	5.38	5.26
Residential ERV (per month in € per sqm) ⁽²⁾	6.09	—	—	—
Vacancy rate (in % of units) ⁽³⁾	3.0	2.8	2.8	2.7
Fair Value of properties (in € million).....	9,604	8,620	7,977	7,715
Fair Value of properties (in € per sqm) ⁽⁵⁾	970	927	858	830
Multiplier on total current in-place rent ⁽⁶⁾	14.4	14.2	13.4	13.3
IV. PRIVATISE				
Number of residential units.....	20,205	19,858	22,535	25,296
Residential floor area (in thousand sqm).....	1,383	1,359	1,543	1,732
Residential in-place rent (per month in € per sqm) ⁽¹⁾	5.44	5.30	5.23	5.18
Residential ERV (per month in € per sqm) ⁽²⁾	6.17	—	—	—
Vacancy rate (in % of units) ⁽³⁾	4.9	4.9	5.8	5.6
Fair Value of properties (in € million) ⁽⁴⁾	1,374	1,305	1,482	1,629
Fair Value of properties (in € per sqm) ⁽⁵⁾	985	953	954	934
Multiplier on total current in-place rent ⁽⁶⁾	15.6	15.5	15.9	15.7
V. NON-CORE				
Number of residential units.....	9,510	9,876	13,818	15,932
Residential floor area (in thousand sqm).....	598	622	867	995
Residential in-place rent (per month in € per sqm) ⁽¹⁾	4.30	4.17	4.22	4.19
Residential ERV (per month in € per sqm) ⁽²⁾	4.39	—	—	—
Vacancy rate (in % of units) ⁽³⁾	11.5	10.6	11.7	14.1
Fair Value of properties (in € million) ⁽⁴⁾	359	351	471	543
Fair Value of properties (in € per sqm) ⁽⁵⁾	502	477	480	478
Multiplier on total current in-place rent ⁽⁶⁾	10.5	10.2	10.4	11.0
TOTAL PORTFOLIO				
Number of residential units ⁽⁷⁾	183,983	175,258	181,954	186,835
Residential floor area (in thousand sqm) ⁽⁷⁾	11,763	11,182	11,612	11,929
Residential in-place rent (per month in € per sqm) ⁽¹⁾	5.59	5.40	5.28	5.17
Residential ERV (per month in € per sqm) ⁽²⁾	6.02	—	—	—
Vacancy rate (in % of units) ⁽³⁾	3.6	3.5	3.9	4.1
Fair Value of properties (in € million) ⁽⁴⁾	11,337	10,276	9,931	9,887
Fair Value of properties (in € per sqm) ⁽⁵⁾	945	901	839	812
Multiplier on total current in-place rent ⁽⁶⁾	14.4	14.2	13.5	13.5

^{*)} Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 31 December 2011, 2012 and 2013 and

30 September 2014, respectively, before deducting non-transferable operating costs, divided by the residential floor area of rented residential units as of the same dates. Residential in-place rent is often also referred to as “net cold rent”.

- (2) Residential ERV in € per month and sqm is defined as the estimated monthly gross market rental value (before deducting non-transferable operating costs) for all let residential units divided by their residential floor area as of 31 March 2014 for DeWAG and 31 May 2014 for the remaining Deutsche Annington portfolio. The gross market rental value is estimated by CBRE for the purposes of their valuations as of 31 March 2014 for the DeWAG portfolio and as of 30 June 2014 for the Deutsche Annington portfolio on the basis of an analysis of the local property market, recent rents agreed by Deutsche Annington in 2013/2014, CBRE’s market knowledge and other third-party information (such as asking rents), and is thus an indicator of an average rent value that could theoretically be achieved in the respective market. It does not imply, however, that an adjustment of in-place rents to the market rent would be feasible in all cases given that rent increases are subject to stringent legal and contractual restrictions. In some cases, demand for Deutsche Annington’s residential units could decline, if they were offered at the market rent on average. This effect has been taken into account in the valuation methodology through adequate vacancy rates.
- (3) Number of vacant residential units as of 30 September 2014 or 31 December 2013, 2012, 2011, respectively, divided by total residential units.
- (4) Fair Value (excluding land bank) as of 30 September 2014 and as of 31 December 2013, 2012, 2011, respectively, all evaluated by Deutsche Annington.
- (5) Average Fair Value per sqm of rentable area is defined as Fair Value of properties (excluding land banks) evaluated by Deutsche Annington divided by total rentable area at period end.
- (6) The ratio of Fair Value of properties (excluding land bank) at period end to twelve times the total current in-place rent for the applicable month’s end, either as of 30 September 2014 or 31 December 2013, 2012, 2011, respectively.
- (7) For portfolio data purposes, in 2012 and 2011 the Group classified approximately 300 units in students’ dormitories and housing for British armed forces as residential units; for accounting and controlling purposes, these are classified as commercial units.
- (8) In connection with the current division of the portfolios in the year 2014 the numbers for the years ended 31 December 2013, 2012 and 2011, were adjusted retroactively according to the new division, in order to assure comparability.

Total Portfolio by Federal States (Bundesländer)

The following table provides an overview of the geographical distribution of Deutsche Annington’s total portfolio split by federal states and sorted according to the number of Deutsche Annington residential units as of 30 September 2014:

	Residential					Total	
	Residential Units	Area	Vacancy	In-Place Rent ⁽¹⁾		Fair Value ⁽²⁾	
		(in thousand sqm)	(in %)	(in € million)	(in € per sqm)	(in € million)	(in € per sqm)
			(unaudited ^{*)})			(unaudited ^{*)})	
North Rhine Westphalia	94,786	5,928	3.9	359.1	5.25	4,920	815
Hesse	22,554	1,433	2.0	113.8	6.74	1,857	1,280
Bavaria	16,685	1,109	1.9	79.1	6.06	1,511	1,320
Berlin.....	13,604	881	1.5	61.1	5.87	973	1,069
Schleswig-Holstein.....	11,131	694	5.1	41.4	5.24	548	783
Lower Saxony	5,910	401	8.2	23.0	5.19	297	737
Baden-Wuerttemberg	5,700	394	3.4	26.2	5.74	401	1,006
Rhineland-Palatinate	5,019	355	3.4	22.0	5.35	314	876
Saxony.....	3,183	199	8.3	10.8	4.93	135	588
Hamburg.....	1,836	110	2.6	9.6	7.51	195	1,608
Saxony-Anhalt.....	1,263	87	18.6	3.9	4.54	40	456
Thuringia	1,017	65	7.8	3.9	5.37	53	813
Mecklenburg-Western Pomerania.....	642	49	2.8	3.3	5.72	44	874
Brandenburg	576	42	4.2	2.9	5.87	44	967
Bremen	63	5	6.3	0.3	5.98	5	860
Saarland.....	14	1	0.0	0.1	4.69	1	803
Total.....	183,983	11,763	3.6	760.4	5.59	11,337	945

*) Taken or derived from the Guarantor’s accounting records or internal management reporting systems, respectively.

- (1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 30 September 2014, before deducting non-transferable operating costs divided by the residential floor area of rented residential units; in-place rent is often also referred to as net cold rent.
- (2) Average Fair Value per sqm of rentable area is defined as Fair Value of properties (excluding land banks) evaluated by Deutsche Annington divided by total rentable area at period end.

Total Portfolio by 25 Largest Cities

The following table provides an overview of the geographical distribution of the total portfolio split into the 25 largest cities (in terms of Deutsche Annington residential units) as of 30 September 2014:

	Residential					Total	
	Residential Units	Area (in thousand sqm)	Vacancy (in %)	In-Place Rent ⁽¹⁾		Fair Value ⁽²⁾	
				(in € million)	(in € per sqm)	(in € million)	(in € per sqm)
			(unaudited ³⁾)			(unaudited ³⁾)	
Dortmund	17,443	1,066	2.9	60.8	4.90	801	748
Berlin.....	13,604	881	1.5	61.1	5.87	973	1,069
Frankfurt am Main.....	10,618	658	1.0	57.0	7.29	975	1,459
Essen	9,421	579	5.1	34.7	5.27	466	786
Bochum	7,550	434	2.5	26.3	5.19	330	755
Gelsenkirchen.....	7,420	454	6.0	24.2	4.73	289	618
Munich	4,894	295	4.1	17.1	5.05	220	715
Duisburg.....	4,861	322	1.1	25.3	6.61	631	1,886
Cologne	4,631	304	2.4	24.0	6.74	400	1,283
Herne	4,541	278	4.8	15.2	4.80	190	684
Bonn	4,170	292	1.8	21.6	6.26	348	1,177
Gladbeck	3,211	197	3.4	11.3	4.98	144	728
Dusseldorf	2,760	180	2.6	15.1	7.18	262	1,343
Herten	2,661	170	5.1	9.0	4.63	121	705
Wiesbaden	2,347	157	3.2	13.7	7.53	228	1,451
Aachen.....	2,284	151	3.3	9.7	5.55	146	953
Marl	2,092	138	6.2	7.9	5.09	105	757
Geesthacht.....	1,980	113	2.9	7.5	5.70	95	843
Bottrop.....	1,847	116	3.4	6.9	5.15	95	815
Bergkamen	1,845	120	5.0	6.2	4.59	74	607
Hamburg.....	1,836	110	2.6	9.6	7.51	195	1,608
Kassel	1,826	114	3.8	6.8	5.16	90	782
Augsburg	1,809	100	2.4	7.6	6.49	109	1,073
Castrop-Rauxel.....	1,744	102	3.5	6.1	5.14	72	703
Recklinghausen	1,644	108	3.2	6.2	4.90	79	725
Subtotal	119,039	7,439	3.1	490.9	5.68	7,437	980
Remaining	64,944	4,324	4.7	269.5	5.44	3,900	883
Total.....	183,983	11,763	3.6	760.4	5.59	11,337	945

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 30 September 2014, before deducting non-transferable operating costs divided by the residential floor area of rented residential units; in-place rent is often also referred to as net cold rent.

(2) Average Fair Value per sqm of rentable area is defined as Fair Value of properties (excluding land banks) evaluated by Deutsche Annington divided by total rentable area at period end.

Statistical Asset Profile Data for Total Portfolio

Unit Size

Because Deutsche Annington's residential units are proportionally smaller than average, they are primarily suitable for one- or two-person households (size of residential units ranging from 40 to 70 sqm). The following table shows the flat size of the residential units in Deutsche Annington's portfolio as of 30 September 2014:

Size of residential units in sqm	Number of units	% of total
	(unaudited ³⁾)	
< 40	9,163	5.0
40 – 59.....	67,841	36.9
60 – 79.....	81,122	44.1
80 – 99.....	22,054	12.0
100 – 119.....	3,073	1.7

Size of residential units in sqm	Number of units	% of total
	(unaudited*)	
> 120	730	0.4
Total	183,983	100.0

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

Construction Year

As of 30 September 2014, approximately 62% of Deutsche Annington's residential units are located in buildings constructed between 1949 and 1970. The following table shows the year of construction for the residential units in Deutsche Annington's full portfolio:

Year of construction	Number of units	% of total
	(unaudited*)	
Before 1949	27,900	15.2
1949 – 1959	66,451	36.1
1960 – 1970	48,507	26.4
1971 – 1980	24,899	13.5
1981 – 1990	8,107	4.4
After 1990	8,119	4.4
Total	183,983	100.0

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

Number of Storeys per Building

As of 30 September 2014, approximately 89.3% of Deutsche Annington's properties had five or fewer storeys (including the ground floor). The following table shows the number of storeys per building in Deutsche Annington's portfolio:

Number of storeys per building	Number of residential units	% of total
	(unaudited*)	
0 – 5	164,109	89.2
6 – 10	17,670	9.6
11 – 15	1,739	0.9
16 – 20	465	0.3
Total	183,983	100.0

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

Asset Type

As of 30 September 2014, approximately 96% of Deutsche Annington's portfolio was comprised of multi-family properties while the remaining 4% was comprised of single- and dual-family properties.

Subsidised Residential Units

In Germany, landlords may receive governmental subsidies in the form of low-interest rate loans and direct payments for the construction or modernisation of residential real estate. Subsidised residential real estate is subject to statutory occupancy restrictions as well as occupancy restrictions pursuant to the terms and conditions of public grants. There are two principal requirements applicable to subsidised residential real estate: (i) the tenant occupying the subsidised residential unit must provide a housing eligibility certificate (*Wohnberechtigungsschein*) and (ii) rents are limited to certain rent restrictions during the statutorily specified funding period (see “—Regulatory Environment—German Tenancy Law—Public Subsidy Restrictions”).

As of 30 September 2014, approximately 13% of Deutsche Annington's portfolio was subsidised. The following table shows the maturity of the restrictions:

Maturing in	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 et seq.	Rent restricted in %
						(unaudited ^{*)})					
Number of rent-restricted units.....	3,262	307	938	425	2,370	929	252	81	545	15,598	13

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

Rental Only Sub-Portfolio

Deutsche Annington combines the three strategic portfolios "Operate", "Upgrade Building" and "Optimise Apartments" in the Rental Only sub-portfolio. The following section provides an overview of certain key data related to this sub-portfolio.

Rental Only Sub-Portfolio by Federal States

The following table provides an overview of the geographical distribution of the Rental Only portfolio split by federal states and sorted according to the number of Deutsche Annington residential units as of 30 September 2014:

	Residential					Total	
	Residential Units	Area	Vacancy	In-Place Rent ⁽¹⁾		Fair Value ⁽²⁾	
		(in thousand sqm)	(in %) (unaudited ^{*)})	(in € million)	(in € per sqm)	(in € million) (unaudited ^{*)})	(in € per sqm)
North Rhine Westphalia	82,336	5,110	3.5	313.1	5.30	4,233	820
Hesse	18,901	1,195	1.7	95.8	6.80	1,543	1,278
Bavaria	13,221	855	1.4	59.5	5.88	938	1,083
Berlin	12,723	842	1.5	63.1	6.34	1,220	1,408
Schleswig-Holstein.....	9,363	571	4.8	34.2	5.25	454	789
Lower Saxony	4,474	312	3.2	21.5	5.93	332	1,052
Baden-Wuerttemberg	3,915	274	2.4	17.3	5.40	247	893
Rhineland-Palatinate	2,830	178	6.4	10.0	4.96	122	678
Saxony.....	2,271	164	2.8	11.7	6.14	179	1,092
Hamburg.....	1,813	108	2.5	9.5	7.52	180	1,643
Saxony-Anhalt.....	773	51	5.8	3.3	5.64	47	915
Thuringia	642	49	2.8	3.3	5.72	44	874
Mecklenburg-Western Pomerania	487	34	4.5	2.0	5.29	23	672
Brandenburg	469	34	0.9	2.5	6.09	39	1,103
Bremen	50	3	0.0	0.3	6.41	3	977
Saarland.....	154,268	9,782	3.0	647.2	5.69	9,604	970
Total.....	82,336	5,110	3.5	313.1	5.30	4,233	820

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 30 September 2014, before deducting non-transferable operating costs divided by the residential floor area of rented residential units; in-place rent is often also referred to as net cold rent.

(2) Average Fair Value per sqm of rentable area is defined as Fair Value of properties (excluding land banks) divided by total rentable area at period end.

Rental Only Sub-Portfolio by 25 Largest Cities

As of 30 September 2014, approximately 67% of Deutsche Annington's "Rental Only" sub-portfolio, measured by Fair Value, was located in 25 German cities. The remaining approximately 33% of this portfolio was dispersed throughout the rest of Germany. Although Deutsche Annington owns properties throughout Germany, 96% of its Rental Only sub-portfolio as measured by Fair Value is situated in the old German Federal States (*Alte Bundesländer*) including Berlin.

The following table provides an overview of the geographical distribution of the Rental Only portfolio split into the 25 largest cities (in terms of Deutsche Annington residential units) as of 30 September 2014:

	Residential					Total	
	Residential Units	Area (in thousand sqm)	Vacancy (in %) (unaudited ^{*)})	In-Place Rent ⁽¹⁾		Fair Value ⁽²⁾	
				(in € million)	(in € per sqm)	(in € million) (unaudited ^{*)})	(in € per sqm)
Dortmund	15,825	963	2.6	55.3	4.92	728	754
Berlin.....	13,221	855	1.4	59.5	5.88	938	1,083
Frankfurt am Main.....	9,174	560	0.9	49.3	7.39	826	1,454
Essen	8,090	490	4.7	29.6	5.31	392	783
Bochum	7,050	402	2.2	24.5	5.18	304	752
Gelsenkirchen.....	5,970	357	5.7	19.7	4.87	232	644
Munich	4,223	277	0.9	21.4	6.51	520	1,839
Herne	3,961	242	4.5	13.3	4.80	167	689
Bonn	3,808	267	1.7	19.6	6.22	313	1,167
Cologne	3,791	247	2.1	19.5	6.73	321	1,274
Duisburg.....	3,773	220	4.4	12.9	5.14	164	721
Gladbeck	2,726	165	2.8	9.9	5.14	122	734
Dusseldorf	2,505	164	2.4	13.7	7.13	224	1,316
Aachen.....	2,167	143	2.8	9.3	5.57	140	969
Herten	2,067	128	4.5	7.2	4.91	89	693
Wiesbaden.....	1,980	131	2.6	11.5	7.49	190	1,448
Marl	1,956	127	6.0	7.3	5.08	96	754
Hamburg.....	1,813	108	2.5	9.5	7.52	180	1,643
Bergkamen	1,748	113	4.7	5.9	4.58	69	608
Kassel	1,674	103	4.2	6.2	5.20	82	787
Geesthacht	1,668	94	2.8	6.2	5.70	79	841
Castrop-Rauxel.....	1,566	90	2.9	5.4	5.13	63	701
Augsburg	1,542	83	2.5	6.3	6.55	90	1,069
Recklinghausen	1,526	100	2.8	5.8	4.96	73	727
Kiel.....	1,492	89	2.3	5.4	5.22	69	780
Subtotal	105,316	6,519	2.8	434.1	5.71	6,471	982
Remaining	48,952	3,264	3.4	213.0	5.63	3,133	947
Total.....	154,268	9,782	3.0	647.2	5.69	9,604	970

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

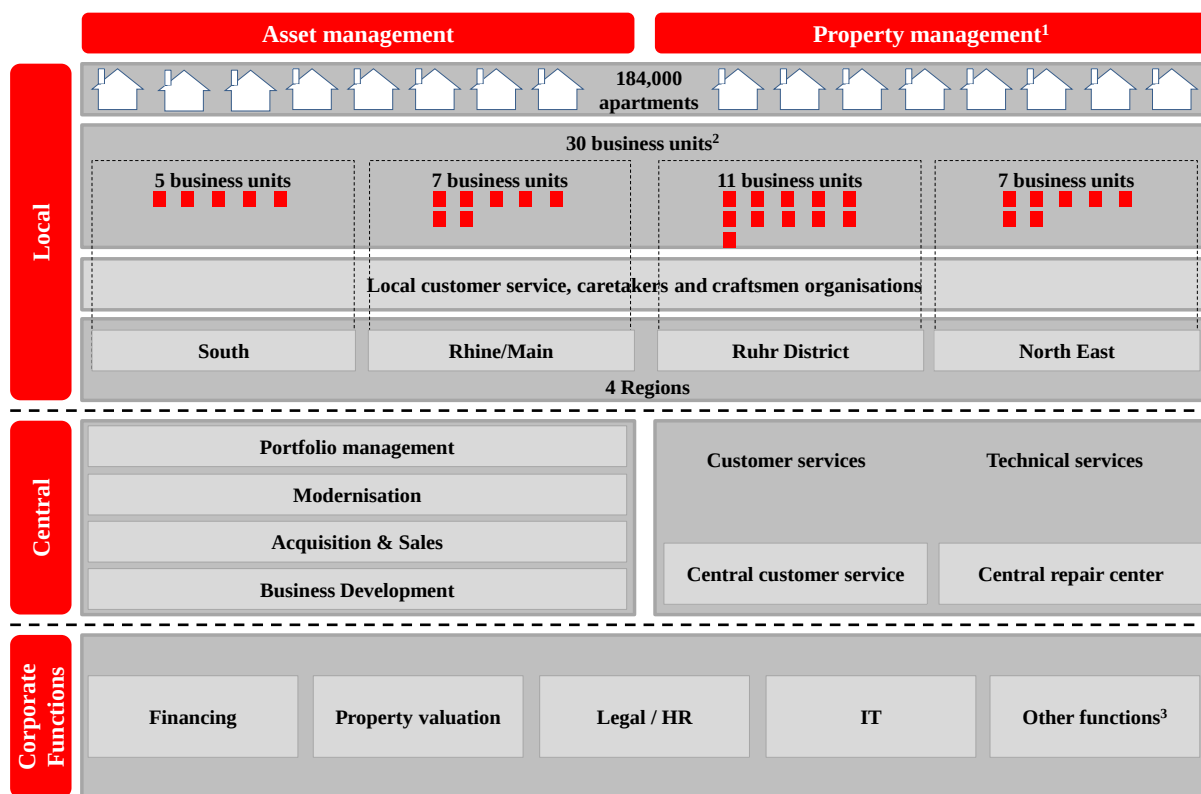
(1) Residential in-place rent (per month in € per sqm) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of 30 September 2014, before deducting non-transferable operating costs divided by the residential floor area of rented residential units; in-place rent is often also referred to as net cold rent.

(2) Average Fair Value per sqm of rentable area is defined as Fair Value of properties (excluding land banks) evaluated by Deutsche Annington divided by total rentable area at period end.

Business Operations

Deutsche Annington considers residential real estate to be a decisively local business, which requires strong local market intelligence and an in-depth knowledge about its own assets and customers. Therefore, Deutsche Annington manages its core operating business through 30 local business units in four regions.

The following chart provides a functional overview of the Deutsche Annington operating model.



(1) Also includes external management of condominiumised apartments, environment, health & safety.

(2) Number of units as of 30 September 2014; in addition, approximately 27,000 units administered on behalf of third parties.

(3) Other corporate functions include accounting, capital markets, communications, controlling, insurance, procurement, PR, tax and internal audit.

While, as a matter of principle, Deutsche Annington delivers its services locally, it has centralised all tasks that can be performed more cost-efficiently on a national level, *e.g.*, the billing of utility and ancillary costs as well as the administrative management of rental contracts.

In accordance with this general principle, Deutsche Annington has divided its portfolio into 30 local business units, each responsible for an average of approximately 6,000 residential units. On the local level, approximately 20 employees are assigned to each business unit and work out of eleven branches that are located near Deutsche Annington's geographic portfolio concentrations. The local teams collect and process local knowledge related to Deutsche Annington's central functions and source central services to the extent required for the best and most cost-efficient performance of their services on the ground. While the local teams have a large degree of autonomy, the performance of each individual business unit is regularly monitored centrally on the basis of key performance indicators, such as customer satisfaction and the profitability of the individual portfolio.

The following table provides an overview of the organisation, responsibilities and performance indicators of a typical local team, which consists of both asset and property management functions:

	Asset and property management	Technical service
Team	1 Regional head 1 deputy regional head ~ 1 Technician ~ 1 Property administrator ~ 1 Letting staff ~ 10 Caretakers	Craftsmen (no fixed assignment, total of 16 locations)
Responsibilities	- Rent management (target rent / sales prices / rent incentives) - Investments - Sales – privatisations - Maintenance decisions - Face to local politics / administration - Business planning	- Local customer service - Letting process (tenant change) - Complaint management - Coordination of maintenance measures - Surveillance of 3rd party services - Maintenance - Increasing customer satisfaction - Innovative materials logistics - Experienced team and standardised processes
KPIs	- Contribution margin of portfolio - Fair value step-up in sales - Customer satisfaction	

Deutsche Annington's business processes are characterised by their high level of industrialisation and full integration. In order to illustrate the interplay between asset and property management functions, as well as between central and local units, two core residential processes, rent management and maintenance, are described below:

Rent management process. Based on their knowledge of local micro-markets and the condition of their apartments, and taking into account current vacancy rates and maintenance requirements, the regional managers periodically update the target rent for new lettings in the SAP system. The new letting rent automatically appears in all customer-facing marketing materials (e.g., exposés). The local rent index is calculated by the SAP system based on the physical configuration of the flat which in turn is updated each time a Deutsche Annington employee is inside the flat and is prompted for an update through his tablet PC. Based on this information, the SAP system is also able to automatically generate the monthly rent increase potential within the applicable legal framework. Based on this information, approximately 50,000 individual rent increase notifications are automatically sent per year to customers in accordance with their individual lease agreements; in the past, approximately 85% of these rent increases were accepted without further negotiations. Remaining questions or objections to the rent increases are handled by personnel within the central customer service unit who have all relevant data on their screens.

Maintenance process. Customers calling the central customer service with regard to required repairs are transferred to the central repair centre. Below a threshold of between €500 and €1,000, depending on the type of maintenance, repairs are commissioned directly to the local craftsmen organisation if Deutsche Annington is responsible for the repairs. Above that threshold, a local customer service agent verifies the need for repairs on-site and enters the required measures via his tablet PC in a "car configurator" type application which includes all flat configuration data and the required bills of material to execute the work. It then appears in the regional manager's inbox for approval and subsequently is commissioned to the local craftsmen organisation.

Product Management

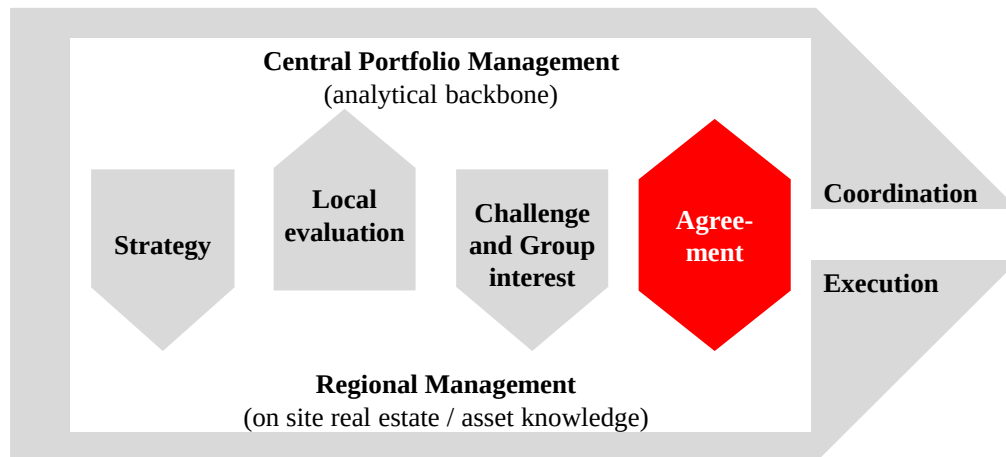
The product management function comprises two major functions: portfolio management and development of new business.

Portfolio Management

Portfolio management is responsible for the implementation of investment and sales programmes and portfolio operations. It is based on the interplay between the central portfolio

management unit and the local business unit organisation. It follows the principle that all tasks that can be performed using standardised and scalable procedures should be carried out centrally, by the portfolio management unit, while all tasks that require local knowledge, or that cannot be handled efficiently on a central basis, should be performed locally by regional managers at the business unit level.

The following chart describes the decision-making process both for setting the overall product strategy and for individual portfolio decisions:



For a description of the tasks and responsibilities of the local business unit organisation see below.

Portfolio development. Deutsche Annington considers its portfolio development efforts an important part of its strategy. To this end, Deutsche Annington capitalises on major societal trends to guide its portfolio development efforts. The trends that Deutsche Annington has identified are climate change and energy efficiency, on the one hand, and demographic trends such as the expected increase in one- to two-person households and the aging population, on the other hand. All of Deutsche Annington's major investment programmes are designed to respond to demand generated by these trends. In co-operation with the German Energy Agency (*Deutsche Energie Agentur*) (dena), Deutsche Annington developed a long-term energy efficiency roadmap towards meeting the German Federal Government's climate goals by 2050, which will serve as a strategic blueprint for Deutsche Annington's energy efficiency programme in the future.

Portfolio operations. The main responsibilities of portfolio operations include the business management of Deutsche Annington's undeveloped plots of land and its large commercial properties, decision support for the whole asset management organisation and process improvements.

A dedicated team is responsible for the business management of Deutsche Annington's undeveloped land and commercial properties. Deutsche Annington's strategy is to sell these assets on economically reasonable terms where possible and to maintain and develop them profitably in those cases where a sale is less advantageous. Therefore, Deutsche Annington continuously improves the quality of these assets and applies for the relevant building permits in advance in order to enhance their attractiveness and value.

Business Development

Over the past years Deutsche Annington has steadily extended its core business. The most important examples of successful business development initiatives are the development of the craftsmen's organization Deutsche TGS and the partnership with Deutsche Telekom to supply residential units with digital radio and TV reception. Both projects have met or exceeded Deutsche Annington's expectations. In addition, in 2012 Deutsche Annington started to build an in-house caretaker organization to be able to provide tenants with an integrated own service offering. Tenant

responses to this caretaker service offering is highly positive and fully meets Deutsche Annington's expectations.

Deutsche Annington continues to see great growth potential for the craftsmen's organisation Deutsche TGS. Since the beginning of 2013, Deutsche TGS has expanded their capabilities across all regions. At the end of September 2014, Deutsche TGS employed 1,348 craftsmen. As of the date of this Prospectus, Deutsche TGS handles almost all repair and maintenance work formerly carried out by third parties and large parts of the optimise apartments programme. For further details see "*—Property Management—Local Craftsmen Organisation*" below.

The contract with Deutsche Telekom was signed in 2011. The joint objective is to equip 145,000 apartments with modern fibre-optic technology to be able to offer Deutsche Annington's tenants the entire spectrum of Deutsche Telekom services on favourable conditions. As of 30 September 2014, over 55,000 apartments had already been connected with Deutsche Telekom's TV signal.

Acquisitions & Sales

Deutsche Annington targets profitable growth through selective acquisitions and avails itself of market opportunities to dispose of residential units from its "Privatise" and "Non-Core" portfolios in accordance with its overall portfolio strategy.

According to Deutsche Annington's business strategy, Deutsche Annington intends to grow its property portfolio via acquisitions of additional property portfolios and real estate companies. Therefore, Deutsche Annington constantly evaluates opportunities to identify suitable targets for its existing property portfolio and specific opportunities for value creation and growth. Deutsche Annington's constant analysis of the relevant real estate markets may lead to prompt and significant further acquisitions of property portfolios and real estate companies in the near future.

In 2014 to date, Deutsche Annington seized new opportunities for growth of its portfolio by acquiring about 11,500 residential units managed by DeWAG on 1 April 2014 and 30,000 residential units through the Vitus Group Takeover on 1 October 2014, 9,600 of which were subsequently resold to a subsidiary of LEG Immobilien AG.

Acquisitions

Deutsche Annington's acquisition team consists of a small number of experienced professionals, dedicated to profitably growing Deutsche Annington's business through acquisitions. This team analyses, underwrites, and competes for almost all large as well as select small- to medium-sized deals in Germany. In addition to the expertise available within the corporate functions, particularly Finance, Legal, Tax, Human Resources and Accounting the acquisition team's analysis and underwriting processes make extensive use of the know-how and local knowledge available within the 30 business units that are spread nationally.

The local business unit assesses portfolios based on local market information and market trends. As a result of their analysis, target portfolios can be classified into the strategic portfolio descriptions utilised by portfolio management: "Operate", "Upgrade Buildings", "Optimise Apartments", "Privatise", and "Non-Core". The acquisition team aims to expand its existing portfolio concentrations via medium to large deals and to potentially create new portfolio concentrations through the acquisition of large corporations as well as via the takeover of smaller companies and management platforms or residential portfolios. Additionally, the Guarantor considers smaller portfolio purchase opportunities if they could enhance its current portfolio in attractive micro locations.

Acquisitions follow a standard process. After initial screening, the Acquisition team analyses the offered portfolio in depth, preparing an indicative offer which is sent to the seller subject to approval by the Management Board. Provided this offer is accepted, a binding offer stage is normally initiated involving confirmatory due diligence as well as negotiations on financing, if appropriate. Between 2006 and 2013, Deutsche Annington screened portfolios consisting in total of 2.5 million

residential units and analysed in detail portfolios with around 810,000 residential units. The Guarantor issued indicative offers on around 435,000 units and binding bids on approximately 165,000 units.

From 2006 to 2013, Deutsche Annington acquired and integrated new portfolios totalling approximately 16,000 residential units. The individual portfolios ranged from 50 to 4,500 units in size and were located mainly within Deutsche Annington's defined business hubs to strengthen operational efficiency. In addition, as mentioned above, Deutsche Annington increased its portfolio in 2014 by acquiring approximately 11,300 units managed by DeWAG, approximately 100 units in the Dusseldorf area and is integrating approximately 20,500 additional units from the Retained Vitus Portfolio at the time being. Deutsche Annington aims to realise economies of scale by fully integrating newly acquired companies at marginal cost and to benefit from synergies, in particular by utilising Deutsche Annington's craftsmen's organisation.

Also, it is expected that on 1 April 2015 the Group will close the purchase of further assets from CitCor. For further information, see "*—Material Agreements—Agreements Entered into in Connection with Recent Acquisitions—Franconia Transaction*".

Sales

Deutsche Annington uses different sales channels for privatisations and non-core divestitures. Depending on the characteristics of the unit earmarked for sale, the targeted sales channels are identified and appropriate marketing measures implemented. The sales management team is divided into seven regions (Westphalia, North, East, South, Southwest, and Ruhr and Rhineland) and operates from eight offices. The lean-staffed sales management team is responsible for managing the approximately 90 independent real estate brokers working in the local sales organisation. The entire contract management for the real estate purchase agreements is handled centrally by the back office. A strong focus on mass processes and standardised contract forms enables the sales back office to deliver high-quality contracts in an efficient manner.

The central functions are supported by the local sales organisation. Ninety self-employed and independent real estate brokers working under the Deutsche Annington brand with access to Deutsche Annington's IT platform and latest sales data run Deutsche Annington's residential unit sales efforts. Each real estate broker is allocated to a certain portfolio and works on a non-exclusive basis for Deutsche Annington. The minimum prices for the residential units earmarked for sale are set by the local business management team, who can draw from their local expertise. The real estate brokers receive an incentive fee based on the list price of the residential unit upon the successful completion of a transaction. The incentive fee structure of the brokers is controlled by the sales management team.

Deutsche Annington believes that its local sales force is not only highly cost efficient but also scalable. In past years, Deutsche Annington was able to take advantage of favourable market opportunities by increasing its unit sales by 160% from 2010 to 2013, while costs associated with these sales only increased by 14% during the same period.

Regional Management Organisation

Deutsche Annington is organised in four regions, which are further divided into 30 business units. In each business unit, the responsible regional manager, who reports to the region's managing director, acts as the asset owner of the local portfolio (totalling approximately 6,000 units on average) and bears responsibility for the profitability of the local portfolio. In addition to this asset management function, the local management also carries out the decentralised tasks of Deutsche Annington's property management, e.g. the local customer service. For further details see "*—Property Management*" below.

A major focus of the regional managers is on operational decisions, such as setting target rents, rental incentives, and rental deposits for each individual rental unit, as well as deciding on individual maintenance measures that exceed certain thresholds (usually over €1,000). To this end, the regional managers closely monitor market prices and customer demand to optimise successful re-letting of the properties for which they are responsible.

Another major focus is supporting strategic decisions on investments and disposals. Based on their in-depth knowledge of their respective local portfolios, asset conditions and tenant structures, the regional managers prepare detailed investment and sales proposals on a house-by-house basis within the framework of Deutsche Annington's overall strategy. Furthermore, the regional managers are responsible for budgeting and medium-term planning for their respective local portfolios and their performance is measured on the basis of customer satisfaction and the financial performance of their portfolios. In addition, the regional managers represent Deutsche Annington *vis-à-vis* local stakeholders, *e.g.*, local politicians or administrative bodies, and also participate in assemblies of local homeowners' associations (*Wohnungseigentümergeinschaften*) as Deutsche Annington's representative.

Property Management

The property management function includes the tenancy-related administrative functions within the Group. It is steered by highly integrated interdisciplinary processes comprising local and central organisational units. Deutsche Annington's property management function manages Deutsche Annington's (i) customer services, encompassing the letting process and customer requests management and (ii) technical services, including the central repair centre, the modernisation team, environmental, health and safety ("EHS") compliance.

Customer Services

Central Customer Service

Central customer service is divided into four geographic regions, each of which is managed by its own management team. Deutsche Annington's employees are permanently assigned to one of these four geographic regions (North/East, Ruhr district, Rhine/Main and South), mirroring the structure of the asset management organisation. 150 service centre staff members are employed by tariff-free companies.

Central customer service gives Deutsche Annington's customers the opportunity to contact Deutsche Annington via a low-cost regional phone number, e-mail, fax or mail. It is the back office for all customer requests and complaints, *e.g.* contract cancellations, viewing appointments for new tenants, contract management, problems with neighbours and customer requests. The customer service is tailored towards the individual customer's needs, where tailoring includes, amongst other things, the use of English- or Turkish-speaking telephone operators. Tenants can furthermore utilise its online platform, which provides access to contract details and additional functions 24-hours a day and has been in use since 2011. Deutsche Annington's customer service settles approximately 86% of all incoming phone enquiries directly.

Service Centre

The service centre handles all lease agreement-related tasks centrally. It is responsible for all mass processes, including:

- Pass through utility and ancillary cost billing
- Operational execution of rent management
- Dunning
- Accounts receivable management

Ancillary Cost Billing. Deutsche Annington has made various efforts to enhance the transparency of its ancillary costs (*Betriebskosten*) statements. Since 2010, the Group was able to reduce the number of customer complaints relating to ancillary cost bills by more than half. These efforts have also been met with outside recognition. In 2011, Deutsche Annington was awarded the Geislinger Convention quality seal and ISO 9001:2008 certification by TÜV Rheinland.

Furthermore, Deutsche Annington aims to reduce ancillary costs (*Betriebskosten*) for its entire real estate portfolio to minimise tenants' overall expenses. To this end, Deutsche Annington negotiated group discounts with leading utility providers for its large customer base.

Operational execution of rent management. The operational execution of rent management tasks is handled centrally by the service centre. Deutsche Annington's computer system notifies the service centre immediately if the potential to raise rents for residential units arises in accordance with the applicable rent indices (*Mietspiegel*). The realisation of economies of scale is achieved, among other things, through the use of standardised contracts, letters and processes.

Dunning. Similar to rent management, Deutsche Annington's dunning process is executed centrally. The computer-based dunning system allows for a highly standardised and therefore efficient procedure.

Accounts Receivable Management. The Group strictly monitors its overdue rent. Deutsche Annington established a consequent arrears management process including specified dunning letters, outbound calls, SMS, email and on-site visits. Apart from this, Deutsche Soziale Wohnen GmbH contacts defaulting tenants seeking to act in a socially responsible manner. Given the fact that some of Deutsche Annington's tenants are low income earners or social welfare recipients, account managers may give tenants the option of a deferred payment and/or refer tenants to Deutsche Annington's debt counselling, which may include the provision of assistance in applying for social security benefits. In addition to such services, the Group also provides special counselling to tenants who are facing eviction after falling behind with rent payments. To provide this service, Deutsche Annington employed approximately 110 on-site social managers in 2013 who gave tenants expert advice and who can negotiate individually tailored solutions in order to avoid costly eviction proceedings for all parties involved. In 2013, Deutsche Annington's on-site social managers were able to ward off approximately 480 evictions.

Local Customer Service

Local customer service is provided by the 30 local business units. The Group's local operations are an important tool for the re-letting of residential units. As of 30 September 2014, Deutsche Annington operated 66 rental points (*Vermietungspunkte*) that are dispersed throughout all local business units. These rental points may be opened and closed on a highly flexible basis in response to changing needs for local marketing.

Deutsche Annington has set up a caretaker organisation to insource its on-site support as opposed to relying on external third-party service providers. This gives Deutsche Annington proximity to its clients and improves the quality of its customer service. Furthermore, the insourcing of services through tariff-free subsidiaries allows Deutsche Annington to save the VAT on all personnel services delivered to its customers.

Deutsche Annington's caretakers each service approximately 500 units and deal with tenant inquiries and requests which the central customer service is unable to address on the phone. As of 30 September 2014, Deutsche Annington had 381 caretakers responsible for 183,983 of Deutsche Annington's residential units, working at 194 locations throughout Germany. Deutsche Annington's caretakers are charged with various day-to-day tasks, e.g. customer management, small maintenance works and to a certain degree service provider supervision. Deutsche Annington's customers are given the address and phone number of the caretaker responsible for their residential unit. Based on local demand, a caretaker offers an on-site service hour (*Kundensprechstunde*) on a weekly to monthly basis that allows customers to discuss and resolve any matter in person at the office. While there are smaller maintenance problems the caretaker may be able to solve on his own, he forwards more complicated repair work to the local craftsmen organisation.

Deutsche Annington has also engaged Alba Facility Services as its major contractor for the provision of more than 90% of the additional services, such as gardening work, winter service, street, pavement and house cleaning. Deutsche Annington currently considers it the most suitable solution to have these services performed by companies specialised in the provision of such services.

DASG (Management of Homeowners' Associations). Deutsche Annington also offers customers condominium administration services through its wholly owned subsidiary Deutsche Annington Service GmbH (“**DASG**”), which operates in six regional teams in 13 office locations throughout Germany. The condominium accounting team is located in Bochum. Additional technical advisors are located in Bochum and offer expertise on technical projects to homeowners.

DASG is one of the largest condominium managers in Germany. DASG has also begun to service third-party condominiums by managing common property in accordance with the Condominium Act as well as by offering full management service for separate properties. In addition to these services, Deutsche Annington provides its customers with access to nationwide framework agreements for craftsmen and other services on special conditions. Furthermore, Deutsche Annington offers these third-party owners technical building evaluation services. The evaluation it performs is designed to give an overview of the measures that are necessary or recommended for saving energy effectively and maintaining or increasing the value of a given property.

As of 30 September 2014, DASG supervised 1,129 homeowners' associations (*Wohnungseigentümergeinschaften*) with 37,501 residential and commercial units, of which 24,936 units were owned by Deutsche Annington. In the first nine months of 2014, DASG generated revenues of €7.2 million (nine-month period 2013: €7.2 million) through condominium administration services.

Technical Services

Deutsche Annington's technical services are primarily comprised of four central functions: (i) central repair centre, (ii) modernisation team, (iii) EHS and (iv) mining team. The central functions are complemented by the craftsmen organisation on a local level.

Central Repair Centre

The repair centre reacts to customer requests that it receives from central customer service. It decides whether to send its own craftsmen to the site, or whether to contract a third-party expert if special expertise is required. The repair centre manages the process of scheduling the on-site visits of the respective local craftsmen. It inspects the work delivered by third-party service providers, ensures that all work is done on a timely basis and determines whether contractual claims may exist.

Modernisation Team

Deutsche Annington's modernisation team consists of a group of highly specialised architects who are tasked with the planning of modernisation work as well as construction supervision. The modernisation team is specifically in charge of operationally delivering the Group's annual energy efficiency investment programme. Deutsche Annington believes that its internal modernisation team has acquired a unique set of planning and supervision skills specifically tailored to the type of modernisation projects that Deutsche Annington conducts, and that its management team can therefore handle modernisation tasks more efficiently than external service providers.

EHS

Furthermore, Deutsche Annington's technical services department is responsible for ensuring that Deutsche Annington complies with environmental, health and safety regulations by scheduling regular safety inspections conducted by external service providers at all of its units every two years and implementing remedial measures where necessary. It also actively monitors changes in the EHS-related legal environment and immediately plans the implementation of new measures to the extent required.

Mining Team

A dedicated mining team monitors Deutsche Annington's buildings with regards to potential damages and hazards arising from, and in connection with, former mining activities, particularly in the Ruhr area. In accordance with a mining action plan which was first introduced in 2003, the mining team supervises external experts who inspect the respective properties on an annual or bi-annual basis.

Furthermore, the mining team drafts a comprehensive mining risk management report on an annual basis.

Local Craftsmen Organisation

Deutsche Annington started its own local craftsmen organisation in 2011. Since then, it has successively taken over almost all repair and maintenance work formerly carried out by third parties and furthermore handles large parts of the optimise apartments programme.

All repair processes are structured in a paperless way. Customers may sign contracts delivered to the local craftsman by the repair centre on the craftsman's tablet PC. Through electronic notification, the central repair centre instantly receives the message that the job has been performed and may assign the respective craftsman to his next assignment. The craftsmen do not have their own offices. They are equipped with a corporate van instead. The craftsmen's vans are refilled over night with the necessary materials for the centrally scheduled assignments which are mailed by the central repair centre directly on the craftsman's tablet PC, thus combining elements of the just-in-time and Kanban principles, a management tool that is designed to prevent bottlenecks.

The implementation of the local craftsmen organisation is aimed at saving costs, while further increasing the quality of Deutsche Annington's customer service. On the cost side, Deutsche Annington's craftsmen organisation saves Deutsche Annington the VAT on personnel costs and creates full cost transparency for Deutsche Annington's management. Furthermore, purchasing advantages through bundling and standardisation may be realised. Additionally, from a customer satisfaction point of view, Deutsche Annington's direct grasp on quality and time awareness may also improve the customer experience.

The Group founded two joint ventures with a leading residential unit service provider, B&O Service & Messtechnik AG, in each of which Deutsche Annington holds 51%. These joint ventures provide Deutsche Annington's customers with on-site repair and maintenance services. In 2013, Deutsche Annington's craftsmen organisation performed roughly 195,000 (for the year ended 2012: 198,000) minor repairs and renovated some 5,000 (for the year ended 2012: 4,000) vacant residential units. As of 30 September 2014, approximately 1,348 (for the year ended 2013: 970) craftsmen worked at 16 locations throughout Germany and were responsible for 183,983 of Deutsche Annington's residential units.

Procurement

Deutsche Annington's procurement functions use Deutsche Annington's bargaining power to achieve economies of scale by procuring amongst other things Deutsche Annington's maintenance and repair supplies. To this end, Deutsche Annington's procurement functions have developed a catalogue with standard prices for approximately 11,000 products and services needed for performing repairs and maintenance jobs as well as for executing modernisation projects. Central procurement sets the strategy for sourcing each service and material and aims to ensure best prices and highest standards through bundling and industry knowledge. Deutsche Annington's management believes that its strategy to procure third-party supplies centrally and to deliver these products through overnight-refill amongst the other local craftsmen, rather than instructing Deutsche Annington's local service staff to buy their supplies separately in local stores, results in cost savings, both with regards to material costs as well as personnel costs and ensures that repair work in all of Deutsche Annington's residential units is performed using the same materials.

Furthermore, Deutsche Annington's procurement functions take advantage of Deutsche Annington's size by purchasing third-party services centrally and by bundling Deutsche Annington's purchase orders with select suppliers. For example, together with its partner RWE AG, Deutsche Annington was able to offer its customers an attractive electricity tariff in 2012.

Corporate Functions

The corporate functions serve as the Group's logistical backbone for its operations and handle the financing, property valuation, legal and human resources, IT and procurement functions of the Group.

Financing

The in-house finance and treasury department is structured and oriented along the lines of a large industrial corporation and is characterised by standardised and highly integrated processes. At the end of fiscal year 2013, the finance and treasury department introduced significant organisational changes, which are already partially operational, such as the newly integrated front-, middle- and back-office structure, whereby the back-office function is part of the accounting department. The reorganisation aims to ensure the industrialised management of a steady flow of refinancing activities over the next years and the execution of refinancing activities within approximately six to nine months after initiation of the respective process as well as the administration of all existing financings including the respective reporting requirements. In addition, the finance and treasury department is also responsible for the Group's rating activities.

Following a conservative approach, Deutsche Annington's finance and treasury department has a track record of refinancing its outstanding debt six to nine months prior to maturity.

The finance and treasury department makes use of a whole variety of refinancing structures, including various unsecured bond products, covered bonds (*Pfandbriefe*), eligible mortgage loans, subsidised KfW Bank-loans and classic loans granted by banks as well as innovative funding sources, such as insurance companies and pension funds (*Versorgungswerke*). Counterparts in these transactions are a variety of global and local debt lenders, including commercial banks, covered bond banks (*Pfandbriefbanken*), local saving banks (*Sparkassen*) and insurance companies.

Property Valuation

The property valuation team assesses the Fair Value of Deutsche Annington's properties on an annual basis with quarterly updates. For that purpose the team collects, processes and assures the quality of relevant market data. Furthermore, the local regional managers provide detailed and specific information regarding the individual residential units, which is collected, processed and stored by the property valuation team. Changes relevant for valuation purposes are adapted and reflected in the internal valuations. The valuation processes and results are examined and checked by Deutsche Annington's external auditor. In addition, the property valuation team is responsible for the management of external property valuations conducted by third parties (*e.g.*, banks and real property appraisers).

Legal & Human Resources

Legal

Deutsche Annington's legal functions consist of an in-house legal team with 11 lawyers, which handles large parts of Deutsche Annington's legal work and supervises third-party legal service providers.

Human Resources

Deutsche Annington's human resources department is responsible for hiring and integrating new employees and the development of existing employees.

Human Resources Development. Deutsche Annington offers a wide range of training programmes for its staff. These are designed to maintain and improve the quality of Deutsche Annington's services and particularly include special communication training for the staff at the customer centre. Furthermore, Deutsche Annington gives high-potential employees at all levels numerous opportunities to develop their personal skills and professional competencies. The

possibilities range from targeted individual programmes, including the Annington Summer School, to training courses and the participation in network programmes.

These efforts have been met with outside recognition. In 2012, Deutsche Annington's human resources team won the employer award "Best Apprentice Training Company" (AGV *Wohnungswirtschaft*), the ABSOLVENTA prize of the nationwide distributed newspaper *Süddeutsche Zeitung* in the category trainee programmes and the silver human resources award of the Federal Association of HR-Managers (*Bundesverband der Personalmanager*) and *Süddeutsche Zeitung* for Deutsche Annington's education programme "Annington Summer School".

Health & Social Affairs Department. The Health & Social Affairs department, which was established in 2012, is responsible for active health and social management. All measures intended to promote health-conscious behaviour are pooled under the title Balance Body & Mind. Deutsche Annington is also a member of the network "Success Factor Family", which aims to facilitate the reconciliation of work and family life in Germany.

Information Technology

Deutsche Annington's IT department operates Germany's largest SAP-based real estate information system which is, to Deutsche Annington's knowledge, the only "SAP Customer Centre of Expertise (CCoE)" for real estate worldwide. Deutsche Annington's IT system facilitates the integration of other IT systems used by acquired companies.

Deutsche Annington runs an online portal for prospective tenants with appointment options and runs an up-to-date customer relationship management system. It also employs system-guided identification tools for prospects and customer quality. The systematic use of high tech equipment such as tablets, digital pens and handwriting recognition facilitates more efficient viewing appointments.

Deutsche Annington believes that it runs a technologically advanced and highly integrated IT platform which assures highly efficient mass processes. These IT processes are inextricably linked to Deutsche Annington's almost fully automated letting activities, *e.g.* once a termination notice goes into the system, other processes are automatically activated, including automatic advertisements on real estate websites. This way, Deutsche Annington handles approximately two million flat huntings and approximately 68,000 viewing appointments leading to more than 20,000 lettings per year. The advanced IT support allows Deutsche Annington to further offer available apartments for letting within one day and to start a rental on any given day.

Other Functions

Deutsche Annington's other corporate functions include accounting, investor relations, communications, controlling, insurance, tax and internal audit.

Employees

Headcount

The following table provides a breakdown of the number of Group employees, in terms of headcount and in terms of full-time employees, for the periods presented (in each case as of the end of period). Since the end of fiscal year 2013, employee numbers have been calculated based on a different calculation method as had previously been the case. The comparative data for 2012 was restated accordingly. The data for 2011 presented below continues to be based on the former calculation method and is therefore not directly comparable to the 2014, 2013 and 2012 data presented. The present calculation method additionally includes several categories of employees such as employees on a fixed-term mini job contract, students, interns, temporary personnel and persons on permanent sick leave in the headcount that were not counted under the former calculation method. Members of the Management and Supervisory Boards are not counted under the present calculation method. Overall, the change in the calculation method has led to significantly higher employee numbers.

As of 30 September

As of 31 December

	2014		2013		2012		2011	
	Head-count	Full-time employees	Head-count	Full-time employees	Head-count	Full-time employees	Head-count	Full-time employees
Total	3,436 ^{*)}	3,294.4 ^{**)}	2,935 ^{***)}	2,811.1 ^{**)}	2,407 ^{***)}	2,280.6 ^{**)}	1,279 ^{***)}	1,229.5 ^{**)}

*) Taken from the Guarantor's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2014.

**) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

***) Audited.

As of the date of this Prospectus, the total headcount increased to around 3,850 and the total number of FTEs increased to around 3,660, taking into account the sale of the Leopard Portfolio on 9 October 2014.

In order to implement its insourcing initiatives, the Group sharply increased its headcount beginning in late fiscal year 2011, which led to a corresponding increase in personnel expenses in fiscal years 2012 and 2013. This increase was mainly attributable to the local caretaker and craftsmen organisations which were set up in fiscal year 2011. In light of the acquisitions of DeWAG and the Retained Vitus Portfolio and Deutsche Annington's strategy to expand the scope of services provided by its caretaker and craftsmen organisations, the headcount of the caretaker and craftsmen organisations is expected to increase further in coming years.

Compensation

Employees' efforts to contribute to Deutsche Annington's success are, depending on their position at Deutsche Annington, reflected in their compensation. The remuneration of the first two employee levels below the Management Board contains three different components: a fixed payment, a variable payment based on a short-term incentive programme ("STIP") and, in certain cases, a variable payment based on a long-term incentive Plan ("LTIP"). The STIP and LTIP payments depend on meeting individual targets and company performance goals and the LTIP, additionally, on the Guarantor's stock price. The remuneration of the third employee level below the Management Board consists of two components, a fixed payment and a variable payment based on the STIP.

For non-pay-scale employees, there is also a fringe benefit package, which covers special benefits, including in certain cases a company car.

Approximately half of the employees participate in the Guarantor's business success up to a maximum amount of €1,600 due to the group works agreement "employee profit-sharing" (*Arbeitnehmererfolgsbeteiligung*). The calculation was based on FFO 1, in the year 2014.

Furthermore, the Group has set up a special stock programme for all of its employees unless they are employed by a TGS company. As of 30 September 2014, the average annual remuneration per employee was €37,339 (gross).

Pensions

In the past, Deutsche Annington and its predecessor companies made pension commitments to their employees and built up provisions for these commitments. The corresponding pension plans were discontinued gradually until 2003. Currently, only a deferred compensation plan has continued in its 2003 form. Since 2003, pension commitments financed through such pension provisions are only made to non-pay-scale employees by way of deferred compensation.

As of 31 December 2013, Deutsche Annington serviced a total of 2,253 commitments, of which, however, only 301 related to current employees. The remaining commitments related to 1,952 former employees, 1,361 of which had already received pensions as of 31 December 2013, and did not include 263 commitments for which a former subsidiary, Raab Karcher Baustoffe, has assumed joint liability (*Schuldbeitritt*). The settlement and performance of these commitments was assumed by Raab Karcher Baustoffe's acquirer, the Saint Gobain Group. Nonetheless, these commitments are accounted for on the Guarantor's balance sheet.

As of 31 December 2013, the defined benefit obligation ("DBO") for commitments of pensions amounted to €309.1 million, of which €11.5 million referred to commitments to current and

former members of the Management Board and €1.2 million to commitments to the Senior Management (as defined below). The DBO was calculated by using the discount rate of 3.3%. The DBO amounts to €348.6 million using the discount rate of 2.3% as of 30 September 2014 but being based on the number of commitments outstanding as of 31 December 2013. Recognised provisions after off-setting against the plan assets amounted to €331.5 million as of 30 September 2014. No pension provisions are recognised for members of the Supervisory Board.

Since 2003, employer funded commitments of pension are only offered through external service providers. Such plans included, in the case of Deutsche Annington, a reinsured support fund (*rückgedeckte Unterstützungskasse*) with salary based premiums and, in the case of Viterra AG, a fixed premium paid to a pension fund with a monthly contribution amounting to €51 for full time employees. Following the acquisition of Viterra AG in 2005, this arrangement has applied to the entire Group since 2007, but extends only to pay scale employees. Since 2007, non-pay scale employees can only acquire entitlements to a company pension under the model “pension benefits instead of cash”. As of 31 December 2013, 248 current and former employees were entitled to commitments amounting to €32.3 million under this plan.

Intellectual Property, Trademarks and Domains

Deutsche Annington Group does not hold any patents. The following trademarks are currently registered in favour of the Group at the German Patent and Trademark Office in Munich:

- a word/mark logo “*DEUTSCHE ANNINGTON IMMOBILIEN GMBH*”, registered on 10 April 2002;
- a word logo “*DAIG*”, registered on 2 April 2002;
- a word logo “*Schön hier zu wohnen. Deutsche Annington*”, registered on 7 January 2004;
- a word/mark logo “*DEUTSCHE ANNINGTON*”, registered on 22 September 2004;
- a word mark “*VITUS*”, registered on 20 June 2008;
- a word logo “*Annington Wohnen Plus*”, registered on 30 July 2008;
- a word logo “*Deutsche TGS*”, registered on 7 October 2011;
- a word/mark logo “*Deutsche Wohn-Inkasso GmbH*”, registered on 2 November 2011; and
- a word/mark logo “*lotal*”, registered on 4 April 2014.

The Group’s most significant internet domain is: <http://www.deutsche-annington.com>.

Apart from the intellectual property rights mentioned above, and not taking into consideration Deutsche Annington’s information technology systems, Deutsche Annington holds no significant intellectual property rights and does not depend on patents or license materials for conducting its business.

Insurance Coverage

Deutsche Annington has purchased various operating insurance policies, which include, among others: business and environmental liability coverage, electronic data processing equipment insurance, motor vehicle insurance, General Equal Treatment Act insurance, employee accident insurance, employee fraud insurance, and property damage and third-party liability insurance, that covers fire, lightning and explosion, water damage, damage from storms and hail, natural hazards including, e.g. floods and earthquakes, broken glass and vandalism as well as statutory liability as a property owner.

Deutsche Annington has taken out a directors and officers (“**D&O**”) insurance policy for the members of its Management and Supervisory Boards and managing directors, and the equivalent

corporate bodies of its significant subsidiaries, with a total coverage of up to €100 million annually and per claim; the D&O insurance policy was entered into with a consortium of three insurance companies. The D&O insurance contracts provide for a deductible for all of the Management Board and Supervisory Board members in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*). The D&O insurance policies cover financial losses arising from a breach of duty by Management Board and Supervisory Board members in the course of their duties.

Legal Proceedings

During the ordinary course of its business activities, Deutsche Annington is regularly involved in legal proceedings, both as a claimant and as a defendant. These proceedings are routine matters of tenancy and other laws, and do not have a significant impact on the Group's business.

The Group companies are not and were not party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous 12 months, which may have, or have had, significant effects on the Guarantor's or the Group's financial position or profitability.

As of the date of this Prospectus, there are no legal and regulatory proceedings and claims pending that Deutsche Annington currently believes could have a material adverse effect on its business, net assets, financial condition, cash flow, and results of operations.

Certain Relationships and Related Party Transactions

In addition to the subsidiaries included in the consolidated financial statements, the Group maintains relationships with related parties. Parties are related if one party has the ability to affect the financial and operating policies of the other party (definition in accordance with IAS 24).

Until 20 May 2014, related parties with which the Group maintained business relationships comprised funds advised by Terra Firma and funds advised by Citigroup, including subsidiaries of the Guarantor and its parent company Monterey.

The transactions between the Group and the above-mentioned companies are set forth in the following table:

	As of and for the nine-month period ended 30 September 2014 (unaudited ^{*)} (in € million)	As of and for the year ended 31 December 2013 ⁽¹⁾	As of and for the year ended 31 December 2012 ⁽¹⁾ (audited) (in € million)	As of and for the year ended 31 December 2011 ⁽¹⁾
Income from related parties ⁽²⁾	–	0	0	0
Income from investees	–	–	–	–
Expenses for related parties	–	–	–	–
Expenses for unconsolidated companies ⁽³⁾	–	0	0.1	0.1
Receivables from investees	–	–	–	–
Receivables from unconsolidated companies	–	–	–	–
Receivables from related parties ⁽⁴⁾	–	3.0	15.0	6.1
Liabilities to related parties	–	–	–	–
Liabilities to investees	–	–	–	–
Liabilities to unconsolidated companies ⁽³⁾	–	–	–	–
Liabilities to associates	–	–	–	–

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Figures extracted from the Guarantor's 2013, 2012 and 2011 audited consolidated financial statements prepared in accordance with IFRS.

(2) Refers to Monterey. These figures refer to the *pro rata* pass on of costs for Monterey's D&O insurance, since Deutsche Annington is prepaying these costs.

(3) Refers to Terra Firma Capital Partners Limited and terrafirma GmbH.

- (4) Refers to Monterey. The receivables of the Group from Monterey arise from the existing obligations towards the former members of Deutsche Annington's management for payments under the long-term incentive plan (LTIP).

Since 20 May 2014, Monterey is no longer the controlling shareholder of the Guarantor. On 20 May 2014 Monterey distributed in specie shares in the Guarantor previously held by it to the limited partners of the partnerships holding shares in Monterey. Monterey on behalf of some of its indirect investors together with funds advised by CPI Capital Partners Europe GP LLC transferred 30 million shares of the Guarantor following a book-build offering to investors on 22 May 2014.

In an accelerated book-build offering, the Guarantor placed and issued 16.0 million new shares to investors on 4/5 March 2014. In the context of the settlement of this book-build offering on 11 March 2014, the Guarantor entered into a short-term share lending agreement with Monterey on 9 March 2014. The shares borrowed by the Guarantor in the context of the settlement of this book-build offering were returned to Monterey on 11 March 2014. In addition to the new shares issued and placed by the Guarantor, funds advised by Citigroup sold 11 million shares in the accelerated book-build offering.

On the basis of the shareholder's resolutions of 1 October 2012 and 20 December 2012, Monterey contributed a total of €334.1 million to the capital reserves in 2012. On 23 January 2013, Monterey contributed a subordinated loan (S-Notes) amounting to €239.1 million as a non-cash contribution to the capital reserves.

Related parties also include key management personnel, that is, persons having authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the relevant entity, including any executive or non-executive director, and close members of the key management personnel's families. With respect to the Guarantor, these parties include:

- the Management Board and Supervisory Board, and
- prior to 21 June 2012, the management board and supervisory board of Deutsche Annington Immobilien AG, and
- the managing directors of Deutsche Annington Immobilien GmbH (*i.e.*, the Guarantor, prior to changes in its legal form and name) (for more information on the Guarantor's corporate history see "*—General Information on the Guarantor and the Group—Formation, Incorporation, Commercial Name, Fiscal Year and Registered Office*").

The remuneration paid to such related parties is set forth in the following table:

	Management Board			Supervisory Board		
	2013	2012	2011 ⁽¹⁾	2013	2012	2011
	(audited, unless otherwise specified)			(audited, unless otherwise specified)		
	(in € million)			(in € million)		
Fixed remuneration.....	1.9	2.1	2.3	0.6	—	—
One-year variable remuneration	0.8	1.6	0.9	—	—	—
Fringe benefit	0.4	—	—	—	0.2	0.2
Termination benefits.....	0	1.5	—	—	—	—
Present value of pension obligations with respect to former members as of 31 December	10.7	12.0	6.1	—	—	—
Present value of pension obligations with respect to members active as of 31 December	0.8	0.5	2.1 ^{*)}	—	—	—

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

(1) Refers to the managing directors of Deutsche Annington Immobilien GmbH.

In compliance with all applicable laws, the Guarantor's business dealings with Monterey, its former controlling shareholder, were conducted on a strict arm-length basis. In accordance with the requirements of the Stock Corporation Act (*Aktiengesetz*), the Guarantor established procedural safeguards to prevent any undue exercise of the controlling shareholders' influence. Any transactions with, on the request of, or in the interest of Monterey, as well as all corresponding omitted transactions

are listed in the Guarantor's dependency report (*Abhängigkeitsbericht*) that was last issued by the Management Board on 27 February 2014. With regard to its accuracy, the Guarantor's dependency report was audited by external auditors, among others, in order to confirm the fact that the consideration paid by the Guarantor for the transactions specified in the report was not unreasonably high and that any disadvantages incurred have been compensated for.

On 18 June 2013, Monterey and the Guarantor entered into an agreement regarding their cooperation in preparing the IPO. As required by law, Monterey reimbursed the Guarantor for all external costs that were incurred in connection with the preparation and the execution of the IPO pursuant to this agreement on a *pro rata* basis calculated according to the ratio of the number of shares then existing and the aggregate number of shares placed in the offering. The costs to be reimbursed on such basis included, in particular, legal, auditor and other advisor fees, underwriters' commissions and costs of the offering. As required by law, the Selling Shareholder further agreed to indemnify the Guarantor from all liability risks in connection with the IPO on a *pro rata* basis, including the *pro rata* share of all reasonable legal costs. In addition, the Guarantor has agreed, upon indemnification by Monterey and to the extent legally permissible, to assign certain claims that the Guarantor may have against board members of the Guarantor or third parties to Monterey.

Apart from the relationships stated above, Deutsche Annington did not have any other significant business relationships with related parties.

Material Agreements

The following section provides a summary of material agreements to which any member of the Group is a party.

Agreements Entered into in Connection with Recent Acquisitions

Acquisition of DeWAG

The DeWAG portfolio consists of approximately 11,500 residential and commercial units located predominantly in the metropolitan areas of Munich, Frankfurt, Dusseldorf, Cologne and Hamburg. Prior to its acquisition by Deutsche Annington, DeWAG's real estate portfolio was immediately owned by several German legal entities whose ultimate holding companies are DeWAG Holdings S.à r.l. and DeWAG LT Holdings S.à r.l. (together "**DeWAG's Ultimate Holding Companies**").

On 26 February 2014, the Guarantor, MAKAB Grundstücks-Verwaltungsgesellschaft mbH ("**MAKAB**") and the Guarantor's subsidiary Deutsche Annington Acquisition Holding GmbH ("**Deutsche Annington Acquisition**") entered into a share purchase agreement with the shareholders of DeWAG. According to this share purchase agreement MAKAB and Deutsche Annington Acquisition acquired 6% and 94%, respectively, in DeWAG's Ultimate Holding Companies. Furthermore, MAKAB and Deutsche Annington Acquisition entered into several agreements with respect to the acquisition and transfer of various minority shareholdings (between 5 and 6%) in companies forming part of the DeWAG Group.

The selling shareholders of DeWAG have given customary representations as to their legal capacity to enter into the share purchase agreement, unencumbered ownership of the shares in DeWAG, the corporate status of the DeWAG target companies, unencumbered ownership of the sold DeWAG real estate portfolio (unless otherwise disclosed), employment issues and further points.

The total investment for the acquisition of DeWAG amounted to around €1.0 billion. €10.0 million were paid as consideration for the acquisition of the shares for cash and cash equivalents and a contingent purchase price obligation was agreed that, as of 30 September 2014, was recognised at the then expected present value of €6.5 million. In addition, Deutsche Annington took over loans from DeWAG. Future purchase price adjustments will apply (i) in case of lower than expected refinancing costs, (ii) in case of net profits from the disposal of certain development projects, (iii) in case of divestments of certain undeveloped real estate properties and (iv) depending on the date of the

entering into force of German legislation that would effectively limit rent increases and establish maximum rent levels (*Mietpreisbremse*).

The DeWAG acquisition closed on 1 April 2014.

Deutsche Annington financed the acquisition of DeWAG through the assumption of liabilities and through equity and debt instruments. The equity financing was provided through the net proceeds of €301.3 million from the issuance of 16.0 million new shares by the Guarantor in March 2014, the debt financing was achieved by issuing the April 2014 Hybrid with a volume of €700 million the month thereafter.

In order to facilitate the full organizational integration of the DeWAG portfolios into Deutsche Annington's existing portfolio, the Guarantor has entered into a transitional services agreement with DeWAG Management GmbH which provides that DeWAG Management GmbH shall procure certain services during a determined transitional period for its former real estate portfolio.

Vitus Group Takeover

The portfolio acquired from the Vitus Group consisted of approximately 30,000 residential units located in the Rhine-Ruhr conurbation and in the cities of Bremen, Kiel and Wuppertal and is held by a group of real estate companies. On 28 February 2014, Deutsche Annington and Lion Residential as the Vitus Group's parent company entered into a contribution and investment agreement that was amended and restated on 17 April 2014. The subject of this agreement is the sale of certain of the Vitus Group's real estate business against various consideration components.

The contribution and investment agreement sets forth closing conditions (for instance, the approval by the Federal Cartel Office (*Bundeskartellamt*) and security release documentation). The Federal Cartel Office approved the envisaged transaction on 25 April 2014.

Pursuant to the contribution and investment agreement, Lion Residential and another holding company transferred (most) shares in the portfolio companies as well as intra-group loans and receivables to Deutsche Annington against (i) issuance of 11,780,000 shares by Deutsche Annington to Lion Residential and entities affiliated with it, (ii) payment of €252.6 million cash and (iii) payment of a variable purchase price (earn-out) which depends on the growth of the annual net rent in the five-year period ending on 31 December 2018 and is limited to a certain maximum amount. Further, Deutsche Annington assumed intra-group liabilities of Lion Residential. Moreover, Deutsche Annington funded the repayment of obligations of commercial mortgage backed securities (CMBS) secured by the portfolio through the extension of loans and repaid certain other third-party loans of the group. Apart from the issuance of the 11,780,000 shares to Lion Residential and entities affiliated with it, Deutsche Annington financed the consideration through the proceeds from the issuance of the 2014 EMTN Notes and the 2014 Term Loan.

Lion Residential has given customary representations on corporate relations, free ownership of the properties (subject to the security release), contractual rent, no leakage, employment issues and further points. Damages for the breach of some of these representations are capped.

Until the closing of the acquisition, Lion Residential was obliged to conduct its business in the ordinary course and substantially in the same manner as before. Furthermore, certain of the residential units of the Vitus portfolio were previously acquired from public sector entities. The related acquisition agreements stipulate restrictions that Deutsche Annington is required to comply with.

Lion Residential and the other transferor have undertaken to abstain from marketing, transferring or otherwise disposing of any of the 11,780,000 shares in the Guarantor issued to it or any of its affiliates until 1 January 2015. Subject to contractual penalty payments, Deutsche Annington undertook to apply for the admission of the consideration shares and to arrange for their introduction to trading on the Frankfurt Stock Exchange prior to the expiration of this lock-up period.

The Vitus Group Takeover closed on 1 October 2014.

Sale of the Leopard Portfolio

On 9 October 2014, Deutsche Annington, as seller, and a subsidiary of LEG Immobilien AG, as buyer, signed an agreement regarding a portfolio transaction of around 9,600 residential units. The transaction closed on 23 October 2014. The sold portfolio constitutes a part of the portfolio of the newly acquired Vitus Group and comprises those parts of the portfolio located in North Rhine Westphalia.

The total volume of this transaction, including transaction costs, amounted to €484 million. The transaction costs include refinancing costs which were assumed proportionally.

Deutsche Annington has made representations on taxes, corporate relations and shareholder loans, free ownership of the properties (subject to the security release), contractual rent, no leakage, employment issues and further points. Damages for the breach of some of these representations are capped.

Following merger clearance, the closing of the transaction took place on 23 October 2014.

Franconia Transaction

On 29 August 2014, Deutsche Annington entered into a sale and purchase agreement with various entities from CitCor Residential Group over the acquisition of around 5,000 residential units and around 210 commercial units in Berlin and Eastern Germany. In December 2014, the parties agreed to partly rescind the purchase agreement. Also in December 2014 the Guarantor and various entities from CitCor agreed on the purchase of 94.9% of certain asset holding entities of CitCor. The closing of both the non-rescinded parts of the purchase agreement from 29 August 2014, as well as the purchase of the asset holding entities of CitCor are supposed to occur on 1 April 2015. The purchase price for the transactions combined amounts to about €320 million.

Business Combination Agreement

On 1 December 2014 the Management Board and the board of directors of the Target entered into the Business Combination Agreement regarding the combination of the two companies. For further details on the Business Combination Agreement, see “*Overview of the Takeover Offer—Business Combination Agreement*”.

Financing Arrangements

As of 30 September 2014, the Guarantor and its subsidiaries have (nominal) financial indebtedness in the amount of €7.1 billion, partly under notes and partly under various loan agreements; the notes and the larger credit agreements (in a nominal amount of more than €30 million) are described in the following sections. In addition to the larger loans, Deutsche Annington has senior loans outstanding in an aggregate amount of approximately €0.7 billion under around 1,750 loan agreements (which comprise commercial loans in an aggregate amount of approximately €0.3 billion and subsidised loans in an aggregate amount of approximately €0.4 billion, as of 30 September 2014, respectively).

In the second quarter of 2013, the Group changed its financing strategy; it has since issued unsecured corporate notes and bonds in seven tranches. Deutsche Annington has obtained a long-term corporate credit rating of ‘BBB’ (investment grade) from S&P. This rating was affirmed on 1 December 2014.

The then outstanding obligations under the GRAND Securitisation, a commercial mortgage-backed securities transaction through which Deutsche Annington borrowed a total of €5.8 billion in 2006, were fully repaid on 18 July 2013. Parts of the funds required for the repayment of the GRAND notes were lent to the Guarantor by J.P. Morgan Limited and Morgan Stanley under the €2.5 billion 2013 Term Loan. The obligations under the 2013 Term Loan have been fully repaid in the meantime by the proceeds from the bonds issued in 2013 (described below).

Notes/Bonds

July 2013 Notes

On 25 July 2013, the Issuer placed notes (the “**July 2013 Notes**”) (with a denomination of €100,000 each) in two tranches:

- The first tranche with an aggregate nominal volume of €700 million had a term of three years and a coupon of 2.125% p.a.
- The second tranche with an aggregate nominal volume of €600 million had a six-year term and a coupon of 3.125% p.a.

These notes are unsecured and unsubordinated and guaranteed by the Guarantor. The proceeds have been on-lent to other Group entities.

The notes may be redeemed at the Issuer’s option (in whole, but not in part) prior to their final repayment date at the sum of the principal, accrued interest and a premium (such premium being the difference between (i) the present value of the principal and all remaining interest payments at the redemption date (discounted at the respective Bund rates plus a margin of 0.35%) and (ii) the principal amount of the redeemed notes).

The notes are redeemable at the Issuer’s option (in whole, but not in part) at the principal amount plus accrued and unpaid interest at any time prior to their maturity if, due to a change in tax law, the Issuer has, or would, become obligated to pay any additional tax amounts to the noteholders and such obligation cannot be avoided by taking reasonable measures.

If 80% or more of the aggregate principal amount of the notes have been redeemed or purchased by the Issuer, the Guarantor or any of their direct or indirect subsidiaries, the Issuer may redeem, at its option, the remaining notes as a whole at the principal amount plus accrued interest.

Interest has to be paid in arrears on 25 July of each year. The first interest payment was made on 25 July 2014.

Under the terms and conditions of the notes, Deutsche Annington is subject to the following financial covenants:

- No new financial indebtedness may be incurred if (simplified) after incurring such additional indebtedness and the application of the net proceeds (i) the consolidated financial indebtedness of the Group exceeds 60% of the value of the total consolidated assets (also considering newly acquired properties and proceeds from new indebtedness) or (ii) the consolidated financial indebtedness of the Group secured by liens on the properties or other assets exceeds 45% of the value of the total consolidated assets (also considering newly acquired properties and proceeds from new indebtedness).
- The consolidated interest coverage ratio (being the ratio of the consolidated adjusted EBITDA (as in the financial statements) to the net cash interest for the respective most recent four consecutive quarters) must be at least 1.8 (this ratio to be maintained and tested quarterly).
- The total unencumbered assets (being the value of real estate properties and all other assets that are not subject to a lien) must be at least 125% of the unsecured financial indebtedness (this ratio to be maintained and tested quarterly).

The terms and conditions of the notes set out certain events of default (subject to cure periods and other exceptions), including, without limitation, non-payment of due amounts, failure to comply with other obligations and covenants and cross-defaults. If an event of default has occurred and is continuing (for certain events of default subject to thresholds), the noteholders may terminate the notes and declare amounts outstanding under the notes immediately due and payable. In case of a change of

control, the noteholders may require the Issuer to redeem or repurchase the notes at the principal amount plus accrued interest.

US\$ 1.0 Billion USD Notes

On 2 October 2013, the Issuer placed notes (the “**USD Notes**”) (in denominations of US\$50,000 and in integral multiples of US\$1,000 in excess thereof) under an indenture (governed by the laws of the state of New York) among itself, the Guarantor and certain material subsidiaries as guarantors, and Deutsche Bank Trust Company Americas as trustee in two tranches:

- The first tranche with an aggregate nominal volume of US\$750 million had a term of ten years and a coupon of 3.20% p.a.
- The second tranche with an aggregate nominal volume of US\$250 million had a term of ten years and a coupon of 5.00% p.a.

These notes are unsecured and unsubordinated. The proceeds have been on-lent to other Group entities.

The notes may be redeemed at the Issuer’s option (in whole, but not in part) prior to their final repayment date at the sum of the principal, accrued interest and a premium (such premium being the difference between (i) the present value of the principal and all remaining interest payments at the redemption date (discounted at the respective Treasury Rate plus a margin of 30 basis points in case of the 2017 Notes and 40 basis points in case of the 2023 Notes) and (ii) the principal amount of the redeemed notes).

The notes are redeemable at the Issuer’s option (in whole, but not in part) at the principal amount plus accrued and unpaid interest at any time prior to their maturity if, due to a change in tax law, the Issuer has, or would, become obligated to pay any additional tax amounts to the noteholders and such obligation cannot be avoided by taking reasonable measures.

If 90% or more of the aggregate principal amount of the notes have been redeemed or purchased by the Issuer, the Guarantor or any of their direct or indirect subsidiaries, the Issuer may redeem, at its option, the remaining notes as a whole at the principal amount thereof plus accrued interest.

Interest shall be paid semi-annually in arrears on 2 April and 2 October of each year. The first interest payment was made on 2 April 2014.

Under the indenture, Deutsche Annington is subject to the same financial covenants on financial indebtedness, interest coverage and unencumbered assets as for the USD Notes (described above).

The indenture sets out certain events of default (subject to cure periods and other exceptions), including, without limitation, non-payment of due amounts, failure to comply with other obligations and covenants and cross-defaults. In the case of an event of default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, any material subsidiary of the Issuer, all outstanding notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, the trustee or the noteholders of at least 25% in aggregate principal amount of the then outstanding notes may declare all the notes to be due and payable immediately. Subject to certain limitations, the noteholders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power.

In case of a change of control, the noteholders may require the Issuer to redeem or repurchase the notes at the principal amount plus accrued interest.

The US\$/€ currency risk deriving from (re)payment obligations under the notes has been fully hedged (for interest and principal) by entering into cross currency swaps with the Manager and Morgan Stanley & Co. International plc. This resulted in a reduction of the financing cost; as a

consequence, the interest rate on the four-year tranche is 2.97% p.a. and the interest rate on the ten-year tranche is 4.68% p.a.

€1.0 Billion Notes under the EMTN Programme

In September 2013, Deutsche Annington set up the EMTN Programme under which, following an update in June 2014, debt instruments of up to €5 billion may be issued by the Issuer from time to time until the expiry of 12 months after the date of approval of the base prospectus on 30 June 2014 through J.P. Morgan, Morgan Stanley & Co. International plc or any additional dealer appointed. Notes may be distributed by way of public offer or private placement and, in each case, on a syndicated or non-syndicated basis. A separate set of terms and conditions will apply to each type of notes; the final terms provide for the Issuer to choose between (i) terms and conditions for notes with fixed interest rates and (ii) terms and conditions for notes with floating interest rates. The notes under the EMTN Programme shall be unsecured and unsubordinated; they shall be guaranteed by the Guarantor.

On 8 October 2013, the Issuer issued the 2013 EMTN Notes in an aggregate amount of €500 million under the EMTN Programme. The 2013 EMTN Notes had a term of eight years and a fixed coupon of 3.625% p.a. Interest shall be paid annually in arrears on 8 October, beginning in 2014. The proceeds have been on-lent to other Group entities.

On 9 July 2014, the Issuer issued the 2014 EMTN Notes in an aggregate amount of €500 million under the EMTN Programme. The 2014 EMTN Notes had a term of eight years and a fixed coupon of 2.125% p.a. Interest shall be paid annually in arrears on 9 July, beginning in 2015. The proceeds have been on-lent to other Group entities.

The notes may be redeemed at the Issuer's option (in whole, but not in part) prior to their final repayment date at the sum of the principal, accrued interest and a premium (such premium being the difference between (i) the present value of the principal and all remaining interest payments at the redemption date (discounted at the respective Bund rates plus a margin of 0.35%) and (ii) the principal amount of the redeemed notes).

The notes are redeemable at the Issuer's option (in whole, but not in part) at the principal amount plus accrued and unpaid interest at any time prior to their maturity if, due to a change in tax law, the Issuer has, or would, become obligated to pay any additional tax amounts to the noteholders and such obligation cannot be avoided by taking reasonable measures.

If 80% or more of the aggregate principal amount of the notes have been redeemed or purchased by the Issuer, the Guarantor or any of their direct or indirect subsidiaries, the Issuer may redeem, at its option, the remaining notes as a whole at the principal amount thereof plus accrued interest.

Deutsche Annington is subject to the same financial covenants on financial indebtedness, interest coverage and unencumbered assets as for the July 2013 Notes (described above).

The terms and conditions set out certain events of default (subject to cure periods and other exceptions), including, without limitation, non-payment of due amounts, failure to comply with other obligations and covenants and cross-defaults. If an event of default has occurred and is continuing (for certain events of default subject to thresholds), the noteholders may terminate the notes and declare amounts outstanding under the notes immediately due and payable. In case of a change of control, the noteholders may require the Issuer to redeem or repurchase the notes at the principal amount plus accrued interest.

April 2014 Hybrid

On 8 April 2014, the Issuer placed the April 2014 Hybrid principal amount of €700 million (with a denomination of €100,000 each). The April 2014 Hybrid are unsecured and subordinated; they are guaranteed on a subordinated basis by the Guarantor. The proceeds have been on-lent to other Group entities.

The April 2014 Hybrid bear interest at a rate of 4.625% p.a. from 8 April 2014 to 8 April 2019. Thereafter the interest rate will be fixed every five years for a next five-year period; it will be the sum of the annual Euro five-year swap rate (determined two days prior to the start of each five-year period) and a margin that will be (i) 3.696% until 8 April 2024, (ii) 3.946% from 8 April 2024 until 8 April 2039 and (iii) 4.696% from 8 April 2039 until 8 April 2074.

Interest shall be payable annually in arrears on 8 April. The Issuer may elect (at its discretion) to defer interest payments (without incurring an obligation to pay interest on the interest arrears). The Issuer may pay such interest arrears at any time, but will be obliged to do so under certain conditions, in particular if (i) dividends or other distributions under junior obligations or obligations ranking equally to the obligations under the bond are resolved on, (ii) junior or parity obligations are redeemed, repurchased or otherwise acquired, (iii) the April 2014 Hybrid are redeemed, (iv) other interest payments are made or (v) an order for a winding-up, dissolution or liquidation is made, provided that there is no obligation to pay the interest arrears in the cases of (i) and (ii), if a payment obligation exists according to the terms of the respective obligations and further in case of (ii) the purchase price for the repurchase or other acquisition is lower than the principal amount of the respective obligation.

The April 2014 Hybrid shall be redeemed at their principal amount on 8 April 2074. The Issuer has certain options to redeem the bonds early:

- The Issuer may redeem the April 2014 Hybrid (in whole, but not in part) at the principal amount plus any accrued interest after prior notice with effect as of the interest reset dates (occurring every five years, beginning in April 2019).
- The Issuer may call the bonds (in whole, but not in part) for early redemption at 101% of the principal amount plus any accrued interest if (i) S&P (or any other rating agency from which the Guarantor is assigned solicited ratings) determines to no longer grant the same or higher category of “equity credit” to the April 2014 Hybrid as a result of an amendment, clarification or change to the “equity credit” criteria of such rating agency; (ii) an accountancy firm has stated that as a result of a change in accounting principles (or the application thereof), the bonds may not or may no longer be recorded as “liability” in the audited annual or the semi-annual consolidated financial statements of the Guarantor; or (iii) an opinion of a recognised law firm or accounting firm has stated that, by reason of a change in German or Dutch law or any change in the official application or interpretation of such law, the tax regime of any payments made on the bonds is modified and such modification results in payments of interest payable by the Issuer or the Guarantor in respect of the bonds being no longer deductible for corporate income tax purposes in whole or in part, and such risk cannot be avoided by the use of reasonable measures.
- The Issuer may call the April 2014 Hybrid (in whole, but not in part) for early redemption at the principal amount plus any interest accrued if (i) an opinion of a recognised law firm or accounting firm has stated that, by reason of any change in the law or the official application or interpretation of the relevant taxing jurisdiction, the Issuer or the Guarantor is required to pay additional amounts on the succeeding interest payment dates and this obligation cannot be avoided by the use of reasonable measures; or (ii) 80% or more of the aggregate principal amount of the bonds then outstanding have been redeemed or purchased and cancelled by the Issuer, the Guarantor or any of their direct or indirect subsidiaries.
- In case of a change of control of the Guarantor, the Issuer may call the April 2014 Hybrid (in whole, but not in part) for early redemption at the principal amount plus any accrued interest; if the Issuer does not redeem the April 2014 Hybrid in whole, the interest rate will be subject to an additional interest of 5% p.a. above the otherwise applicable interest rate.

The April 2014 Hybrid are treated as debt for accounting purposes. Due to the long maturity, the option to defer interest payments and the fact that early redemption options may be exercised

solely by the Issuer, the bonds have equity-like qualities, but without the corresponding dilution effect. S&P qualifies 50% of the issue volume of the April 2014 Hybrid as equity for rating purposes.

Large Bank Loans

Syndicated Bridge Facilities Agreement

On 1 December 2014, the Issuer as borrower has entered into the DA Credit Agreement with J.P. Morgan Limited as arranger, JP Morgan Chase Bank, N.A. as original lender and J.P. Morgan Europe Limited as agent.

The DA Credit Agreement consists of a Facility A which, together with the proceeds from the issuance of the Notes, exceeds the cash component arising from the Takeover Offer and Facility B to be used for refinancing liabilities of Gagfah. Facility A, in particular, serves for the payment of the cash component of the Takeover Offer in the approximate amount of €2,048.7 million in cash as well as the payment of any costs incurred with regards to the preparation and implementation of the Takeover Offer. Facility B serves, in particular, for the refinancing of any Gagfah Financial Instruments. The DA Credit Agreement is subject to variable interest rates in the amount of the one or three month(s) EURIBOR interest rate plus the applicable interest margin. In the first six months after conclusion of the DA Credit Agreement, the interest margin is 0.55% and the interest margin increases throughout the duration of the DA Credit Agreement depending on the credit rating of the Guarantor, but only up to a maximum amount of 3.45% p.a.

According to the DA Credit Agreement, the Issuer has to repay the loans within twelve months after the first drawdown under the respective facility or, from that date onwards, within six months after conclusion of the DA Credit Agreement, depending on which date occurs earlier. Under certain conditions, the Issuer has the right to demand an extension of the repayment period of up to twelve months. The Guarantor guarantees all payments due under the DA Credit Agreement that have not been paid by the Issuer and to pay and indemnify all financing parties from all costs, losses or liabilities in connection with the DA Credit Agreement.

Disbursement of Facility A under the DA Credit Agreement may be demanded by the Issuer, in particular, to ensure full fulfilment of the cash obligations of the Guarantor under the Takeover Offer, but no later than 1 December 2015. Disbursement of Facility B under the DA Credit Agreement may be demanded by the Issuer, in particular, for refinancing the Gagfah Financial Instruments, but no later than 30 June 2016.

The DA Credit Agreement includes warranties and covenants, especially regarding certain notification obligations as well as financial and general operational covenants, as are common for such credit agreements. Rights of termination exist, among other, if the Guarantor or the Issuer fail to make due payments on the DA Credit Agreement, disregard financial covenants, breach essential contractual obligations, misrepresentations were made or if the Guarantor, the Issuer or any material entity of the Group become insolvent or does not fulfil its respective financial liabilities to other creditors.

The Issuer may make use of Facility A or Facility B, if the documentation requirements are met (or the requirements were waived by the lender), none of the causes for termination mentioned in the DA Credit Agreement occurred, certain other conditions described in the DA Credit Agreement are met and if, at the time the credit is drawn, the material representations stated in the DA Credit Agreement are true and accurate. Deutsche Annington has no reason to believe that the requirements for drawdown of the DA Credit Agreement are not met in time. The DA Credit Agreement has not been terminated and, to the Guarantor's best knowledge, no cause for termination exists as of the date of this Prospectus.

Term Loan

On 16 September 2014, the Issuer as borrower and the Guarantor as guarantor entered into the €475 million 2014 Term Loan with Barclays Bank PLC and J.P. Morgan Limited. The 2014 Term Loan has been used to partially finance the cash consideration to be paid by Deutsche Annington to the

sellers of the entities acquired as a part of the Vitus Group Takeover and to finance the repayment of financial indebtedness of such entities. The 2014 Term Loan was fully repaid in October 2014.

Working Capital Facility

On 4 March 2014, Deutsche Annington entered into a credit agreement for a revolving working capital facility of €130 million with Commerzbank Aktiengesellschaft. The entities to which the facility has been allocated are jointly and severally liable for liabilities under this credit agreement. As of 30 September 2014, €124.7 million of the total had been allocated as loan facility and €5.3 million had been utilised for guarantees (*Avalkredit*). The loan was paid back in October 2014. As of the date of this Prospectus, guarantees still existed in the amount of €4.7 million.

The term of the credit agreement is two years. The agreement provides for annual extensions; however, there is no obligation of Commerzbank Aktiengesellschaft to agree to such extensions.

Interest on utilised amounts accrues at a rate of EURIBOR plus 0.7% p.a., and fees of 0.65% p.a. on the nominal value shall be applicable for bank guarantees. In addition, the following fees shall apply: (i) a commitment fee of 0.28% p.a. on the unutilised portion of the total amount; and (ii) a credit fee of 0.2% p.a. on the utilised amount if more than 50% and equal to, or less than, 80% of the total loan amount are utilised in form of loans and of 0.6% p.a. on the utilised amount if more than 80% of the total loan amount are utilised in form of loans.

The agreement provides for extraordinary termination rights of the bank, *inter alia*, in case Deutsche Annington no longer receives an investment grade corporate rating or in case that more than the funds from operations of the previous fiscal year (adjusted for non-capitalised maintenance expense and before profits from property disposals) are distributed to the shareholders.

Large Secured Loans

Other debt financing was granted by way of bank loans for the purpose of property (re)financing where the (re)financed property portfolios are used as collateral (in form of individual and comprehensive land charges) for the individual loans. Some of the loans were used in accordance with the contractual purpose for acquisitions; others are utilised for capital expenditures on the property portfolios.

The table below provides an overview of debt financings with a volume of more than €30 million that are summarised in the subsequent sections:

	Banks	Borrowing Group Entities	Contractual loan amount (in € million, rounded)	Nominal loan amount outstanding plus accrued interest as of 30 September 2014 (in € million, rounded) (unaudited ⁹)	Final maturity (year)
1)	Landesbank Hessen-Thüringen Girozentrale/SEB AG	(i) Deutsche Annington Holdings Zwei GmbH; (ii) Deutsche Annington WOGÉ Fünf Bestands GmbH & Co. KG; (iii) Deutsche Annington WOGÉ Fünf Bewirtschaftungs GmbH & Co. KG; (iv) DA DMB Netherlands B.V.; and (v) Deutsche Annington DMB Eins GmbH	300	fully repaid	
2)	Corealcredit Bank AG	FSG Immobilien GmbH & Co. KG	178.4	159.2	2018
3)	Norddeutsche Landesbank Girozentrale	PRIMA Wohnbauten Privatisierungs-Management GmbH	111.0	111.0	2018
4)	Norddeutsche Landesbank Girozentrale	PRIMA Wohnbauten Privatisierungs-Management GmbH	39.3	31.6	2018

	Banks	Borrowing Group Entities	Contractual loan amount (in € million, rounded)	Nominal loan amount outstanding plus accrued interest as of 30 September 2014 (in € million, rounded) (unaudited⁹)	Final maturity (year)
5)	Berlin-Hannoversche Hypothekenbank AG	(i) Eisenbahn-Wohnungsbaugesellschaft Köln mbH; (ii) Baugesellschaft Bayern mbH; and (iii) Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	88.8	77.6	2018
6)	Berlin-Hannoversche Hypothekenbank AG and members of the association of the German savings banks (Sparkassenfinanzgruppe) ⁽¹⁾	(i) Eisenbahn-Wohnungsbaugesellschaft Köln mbH; (ii) Baugesellschaft Bayern mbH; and (iii) Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	270.8 ⁽²⁾	266.7	2018
7)	Berlin-Hannoversche Hypothekenbank AG and members of the association of the German savings banks (Sparkassenfinanzgruppe) ⁽¹⁾	MIRA Grundstücksgesellschaft mbH	296.9 ⁽²⁾	253.1	2018
8)	Nordrheinische Ärzteversorgung	Deutsche Annington DEWG GmbH & Co. KG	39.5	37.1	2022
9)	Deutsche Pfandbriefbank AG	Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	113 ⁽³⁾	98.2	2018
10)	Deutsche Pfandbriefbank AG	“Siege” Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	95 ⁽⁴⁾	83.1	2018
11)	Syndicated Loan ⁽⁵⁾ (i) Berlin-Hannoversche Hypothekenbank AG (40%); (ii) Landesbank Berlin AG (10%); and (iii) Landesbank Baden-Wuerttemberg (50%)	(i) BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH; (ii) Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen; (iii) Bundes-Wohnungsbaugesellschaft Regensburg mbH; and (iv) Eisenbahn-Wohnungsbaugesellschaft Nürnberg mbH	288.2	275.2	2020
12)	Syndicated Loan ⁽⁶⁾ (i) Berlin-Hannoversche Hypothekenbank AG (40%); (ii) Landesbank Berlin AG (10%); and (iii) Landesbank Baden-Württemberg (50%)	(i) BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH; (ii) Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen; (iii) Bundes-Wohnungsbaugesellschaft Regensburg mbH; and (iv) Eisenbahn-Wohnungsbaugesellschaft Nürnberg mbH	201.9	165.4	2020
13)	Norddeutsche Landesbank Girozentrale	Deutsche Annington McKinley Eins GmbH & Co. KG	94	85.4	2023
14)	Norddeutsche Landesbank Girozentrale	Deutsche Annington McKinley Eins GmbH & Co. KG	45.5	41.9	2020
15)	AXA S.A. (Société Générale)	Deutsche Annington Wohnungsgesellschaft I mbH	75	67.2	2018
16)	AXA S.A. (Société Générale)	Deutsche Annington Rhein - Ruhr GmbH & Co. KG (additional guarantors: (i) Deutsche Annington Zweite Beteiligungsgesellschaft mbH, (ii) Deutsche Annington Rheinland Immobiliengesellschaft mbH and (iii) Deutsche Annington Fundus Immobiliengesellschaft mbH)	104	97.0	2018

	Banks	Borrowing Group Entities	Contractual loan amount (in € million, rounded)	Nominal loan amount outstanding plus accrued interest as of 30 September 2014 (in € million, rounded) (unaudited ^{*)}	Final maturity (year)
17)	Syndicated Loan: (i) Deutsche Hypothekenbank (Actien-Gesellschaft); (ii) R+V Allgemeine Versicherung AG; (iii) Münchener Hypothekenbank AG and (iv) WL Bank AG	(i) DAIG 1. Objektgesellschaft mbH; (ii) DAIG 2. Objektgesellschaft mbH; (iii) DAIG 3. Objektgesellschaft mbH; and (iv) DAIG 4. Objektgesellschaft mbH ⁽⁷⁾	208	185.3	2021
18)	HSH Nordbank AG	(i) DAIG 1. Objektgesellschaft mbH; (ii) DAIG 2. Objektgesellschaft mbH; (iii) DAIG 3. Objektgesellschaft mbH; and (iv) DAIG 4. Objektgesellschaft mbH ⁽⁷⁾	131.5	fully repaid	2015
19)	Syndicated Loan: (i) JPMorgan Chase Bank, N.A. (ii) Barclays Bank plc	Deutsche Annington Finance B.V.	475.0	475.0	2016
20)	Commerzbank AG	Deutsche Annington Immobilien SE	130.0	124.7	2016

*) Taken or derived from the Guarantor's accounting records or internal management reporting systems, respectively.

- (1) Berlin-Hannoversche Hypothekenbank AG as lender may assign and transfer up to 49.9% of the loan to members of the association of the German savings banks (Sparkassenfinanzgruppe). Berlin-Hannoversche Hypothekenbank AG acts as loan manager also for the assigned and transferred lender tranches.
- (2) These loans are split into two tranches, respectively, one for secured claims that are eligible for the cover-pool (*deckungsstockfähige*) of German covered bonds (Pfandbriefe) and one for secured loan claims that are not eligible for these bonds.
- (3) This facility consists of two tranches: €103,000,000 as senior term facility and €10,000,000 as capex facility.
- (4) This facility consists of two tranches: €90,500,000 as senior term facility and €4,500,000 as capex facility.
- (5) Properties from the financed portfolio shall be sold only under extraordinary circumstances (hold-on portfolio).
- (6) Regular amortisation payments shall be made from disposal proceeds (privatisation portfolio).
- (7) These four borrowing entities (formerly named DeWAG 1. Objektgesellschaft mbH, DeWAG 2. Objektgesellschaft mbH, DeWAG 3. Objektgesellschaft mbH and DeWAG 4. Objektgesellschaft mbH) became part of the Group (only) after closing of the acquisition of DeWAG in April 2014 (see “—Material Agreements—Agreements Entered into in Connection with Recent and Planned Acquisitions—Acquisition of DeWAG”).

The following sections summarise the large bank loans (figures as of 30 September 2014 do reflect the loans borrowed by former DeWAG entities (now DAIG 1. Objektgesellschaft mbH, DAIG 2. Objektgesellschaft mbH, DAIG 3. Objektgesellschaft mbH and DAIG 4. Objektgesellschaft mbH) which have been acquired (see “—Agreements Entered into in Connection with Recent Acquisitions—Acquisition of DeWAG”):

Joint Liability of Several Borrowers/Guarantees

If a loan is provided to several borrowers, either the borrowing entities are jointly liable for the obligations under the loan (with limitations due to statutory capital maintenance provisions) or a joint parent guarantees their obligations.

Interest/Interest Rate Hedging

The listed loans bear interest at fixed rates from 3.14¹% to 4.22¹% p.a. or at variable rates of three- or six-month EURIBOR plus margin. The margins (on EURIBOR or cost of interest payable by the bank) depend, among other things, on the quality of the financed portfolio, the market conditions at

¹ In case of different rates for loans of the same date between the same lenders and the same borrowing entity/ies secured by different sub-portfolios, only the volume-weighted average rates are reflected herein.

the time the loan was raised, the term and the leverage (LTV-Ratio), and range from approximately 60 basis points to approximately 240 basis points with a volume-weighted average margin of approximately 126 basis points (as of 30 September 2014; including the funding cost of the bank, respectively). The margins can increase if extraordinary events occur.

With respect to variable interest-rate loans, the borrowers have entered into interest rate hedging agreements (fixed-for-floating swaps) to offset most of the interest rate risks from the variable EURIBOR rates (total outstanding amount of EURIBOR bank loans: €1,456.0 million as of 30 September 2014; amount of related hedged items: €715.5 million). All of the hedging instruments have been concluded with the respective lenders (or their affiliates). In line with certain trigger points, the borrowers reduce (and are obliged to do so) the hedging volume as the outstanding loan amounts decrease.

Regular Amortisation

The terms of the aforementioned loans provide for regular repayments of the loan amounts during their terms. The loan agreements contain different repayment provisions including straight-line fixed amortisation rates, amortisation in accordance with set schedules, amortisation from assumed disposal proceeds (with a set minimum, irrespective of disposals) and amortisation that leads to (decreasing) LTV-Ratios scheduled over the loan term. Remaining loan balances have to be repaid at the end of the fixed terms (as shown in the table above).

Prepayment

Most loan agreements allow (partial) voluntary prepayments and provide for a mandatory (partial) prepayment of the loan amounts in certain cases.

Most of the loan agreements explicitly allow the sale of the financed properties. In this event, the loan documents usually require that the borrowing entity repay certain amounts of the loan from the sales proceeds; in some loan agreements, each financed property is allocated a loan amount and the loan agreements set forth a certain percentage of such allocated loan amounts (>100%) that has to be prepaid if the property is sold against collateral release before the final maturity.

If properties are destroyed or damaged, insurance proceeds have to be used for the reconstruction of the units or the partial prepayment of the loan.

If financial thresholds in the loan agreements are breached, the borrowers are obligated to (partially) repay the respective loan in order to cure the breach and, thus, to avoid termination rights of the bank (see “—*Financial Covenants*”).

The borrower is responsible for paying compensation for the interest damages until the end of the (current) fixed-interest period (and, in some cases, a prepayment fee) as well as close-out costs for the interest hedges.

Collateral

Land charges have been granted over the (re)financed properties as security and are (fully or partly) enforceable without an additional enforcement order.

In addition to the land charges, the loans are typically secured by pledges or assignments of the claims under interest hedging instruments relating to the respective loan and assignments of portfolio-related rent revenues, claims from the sale of properties and insurance claims.

Most of the loan agreements also provide for pledges of the rent collection accounts as well as of special purpose accounts (for instance for the collection of sales proceeds, see “—*Prepayment*”; or for reserve accounts in cash trap events, see “—*Financial Covenants*”).

Many of the listed loan agreements require that the shares or the partnership interests in the borrowing companies be pledged to the bank as security. Some loan agreements also require the subordination of other group companies' claims against certain borrowers.

Further contractual arrangements serve as security: Certain loan agreements require that the borrower has to be a member of a Deutsche Annington cash pool over the term of the loan. The provision of new security interests by the individual borrower to other lenders or creditors is usually not allowed.

Financial Covenants

The loan agreements contain various financial covenants customary for residential real estate borrowing, with respect to loan-to-value ratio, debt-service-cover ratio, interest-cover ratio and debt-to-rent ratio.

Most loan agreements require certain maximum LTV-Ratios, calculated as the quotient of the outstanding loan amount (including senior-ranking loans) and the value of the borrowers' properties (or a comparable ratio). The value of the individual portfolios was determined before the first utilisation and, in most cases, may be determined again later at the bank's request. The maximum LTVs allowed depend on the quality and size of the financed portfolio, the market conditions at the time the loan was provided and the lender, and range from 55% to 82% unless extraordinary events occur.

The majority of the loan agreements also contain liquidity-related financial covenants: The interest (service) cover ratio is the quotient of net rental and lease income of borrowing companies (after deduction of operating cost as defined in the respective loan agreement) and the interest payable by these companies (also considering payments from interest hedges and interest on other senior or equally-ranking debt as well as, in one case, the scheduled amortisation of senior or equally-ranking debt) ("**ICR**"). The debt service cover ratio is the quotient of the net rental and lease income of the borrowing companies (after deduction of operating cost as defined in the respective loan agreement) and the debt service for the loan and senior and equally-ranking loans ("**DSCR**"). Both ratios must reach a certain level: the required minimum ICRs range from 120% to 180%; the required DSCRs range from 108% to 130%.

Two loan agreements require a maximum debt-to-rent ratio ("**DRR**") of 9.0, being the quotient of all financial indebtedness of the borrowers and the annual actual net rents (as defined in the respective loan agreement).

The breach of financial covenants usually allows the bank to terminate the respective loan and claim early repayment of the entire loan unless the breach is cured by a voluntary (partial) repayment or a cash injection for a liquidity shortage within a short cure period (see "*—Termination Rights*").

Some of the loan agreements (Coreal, Deutsche Pfandbriefbank and Société Générale) contain a second set of financial covenants which would be breached more easily and the breach of which does not result in a bank's termination right, but only in cash restrictions. In such case, the rental income has to be collected on an account pledged in favour of the financing bank (cash trap) and used for prepayment of the loan (cash sweep) until the financial covenants are met again in which case the restrictions no longer apply (see "*—Prepayment*").

At this stage, no financial covenants are breached.

Representation/Warranties

The loan agreements contain several customary representations given at signing and at each drawdown. There is no indication that any representations or warranties have been breached.

Termination Rights

The loan agreements contain customary rights of the banks to terminate loan facilities early. In particular, termination rights exist if (interest, amortisation or other) payments are not made when due, financial covenants are not complied with, the borrower becomes insolvent or defaults on other financial liabilities, representations or warranties turn out to have been incorrect, information obligations are violated by the borrower, a change-of-control has occurred or (other) material

contractual obligations are not complied with (unless the respective violation can be and is cured within a contractually specified period) or (other) specified adverse events have occurred.

In some cases, loan agreements also incorporate the respective bank's general terms and conditions that contain very broad termination rights, in particular the right to terminate the loan if there is or threatens to be a substantial deterioration in the financial circumstances of the respective borrower or in the value of a security granted as a result of which the repayment of the loan is jeopardised even if the security is realised.

Change of Control Provisions

Almost all larger loan agreements contain change-of-control clauses. These clauses stipulate consent requirements or renegotiation obligations if the current majority holdings in the borrowing group companies (or the majority of voting rights) change. The change-of-control clauses have different forms: Holding always refers to direct holdings of its respective shareholders and, for some loan agreements, also to indirect holdings by other group companies. In one case, a change-of-control event could also occur if holdings in the Guarantor change, namely if the ownership structure materially changes (Coreal). The respective lender has an extraordinary termination right if there is no lender consent to or agreement on the change of control.

Additional Undertakings

The loan agreements listed above include maintenance obligations for the property portfolio securing the respective loan where the borrower generally has to keep its property portfolio in good condition. Some loan agreements contain quantified average maintenance and/or modernisation obligations (ranging for various portfolios from €7 to €12 per sqm and year); if these sums are not spent, the differences have to be transferred to a bank account pledged to the lender and used for maintenance and/or modernisation at a later stage. In one case the loan agreement requires a maximum vacancy rate of 5%.

Pursuant to the loan agreements, the borrowing entities have undertaken to insure the financed properties against standard risks (for instance fire and common natural hazards).

The borrowers have to provide financial and other information to the respective lenders periodically and at the banks' request.

Some of the loan agreements listed require that a Deutsche Annington group company be responsible for the property management of the respective borrowing entity.

There is no indication that any of these or further contractual undertakings have been violated in the past.

Regulatory Environment

Deutsche Annington's residential real estate portfolio is subject to a variety of laws and regulations in Germany. If Deutsche Annington fails to comply with any of these laws and regulations, it may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

The following provides a brief overview of select federal regulations and the state regulations of North Rhine Westphalia, Hesse, Baden-Wuerttemberg, Bavaria, Berlin, Bremen and Schleswig-Holstein that are applicable to Deutsche Annington's business operations.

German Tenancy Law

Deutsche Annington's real estate portfolio primarily consists of German residential real estate. The business is, therefore, subject to German residential tenancy law, which largely favours tenants through social safeguards. In particular, it imposes restrictions on the Group with regard to rent increases; the allocation of ancillary costs (*Erlöse aus Betriebskosten*), including costs for repairs and maintenance; the termination of leases and the eviction of tenants. Further, the sale of residential real estate can be restricted.

Statutory Protection against Termination of Residential Leases and Eviction

Generally, a landlord may terminate an unlimited residential lease only if the landlord has a legitimate interest in ending the lease. A legitimate interest in ending the lease may arise, *inter alia*, (i) if the tenant has culpably and non-trivially breached the lease agreement, (ii) if the landlord can lawfully claim that he, his family members or members of his household require the property for living purposes, or (iii) if the continuation of the lease agreement would otherwise hinder the landlord's reasonable economic use of the property, resulting in a material disadvantage to the landlord. Such a disadvantage may arise if the landlord can only realise a significantly lower purchase price upon the sale of the property or is required to pay expenses that significantly exceed the income from the property.

Even if the landlord terminates a residential lease on the basis of a legitimate interest, the tenant is protected under German tenancy law. Consequently, even when the landlord has effectively terminated the lease, the tenant may not have to vacate the rental space if the court grants the tenant an appropriate interim period (with a maximum delay of one year). 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 Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) which entered into force on 1 May 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 eviction procedures will no longer be tediously delayed because of a right of possession of a third party that is not covered by the enforcement order/executory title (*Vollstreckungstitel*); a further title against such third person may be obtained by way of an injunction (*einstweiliger Rechtsschutz*). Furthermore judges must prioritise actions of eviction.

In the case of a conversion of real estate into condominiums, personal use and reasonable economic use are not deemed legitimate interests for terminating a lease agreement under the German Civil Code (*Bürgerliches Gesetzbuch*) for a period three years following the transfer of title/the hand-over of the leased real estate to the tenant and the subsequent sale of the condominium. The aforementioned restrictions on terminating lease agreements also apply in the event that during the course of a continuing lease, the leased premises are sold to a partnership or to several purchasers who then proceed to transform the building into condominiums. In regions where the supply of housing at reasonable conditions is particularly scarce, the German respective federal state governments are authorised to specify territories in which they may legally extend this termination prohibition for a period of up to ten years following the purchase of the property. North Rhine Westphalia, Hesse, Bavaria and Berlin have made use of this option. Pursuant to an ordinance dated 24 January 2012, the prohibition on termination in North Rhine Westphalia was extended to eight years for residential units located in Bonn and Cologne and to five years for residential units located in 33 other municipalities, including Dortmund, Aachen and Bottrop. Pursuant to an ordinance of Berlin dated 13 August 2013 and of Bavaria dated 15 May 2012, the prohibition on termination in both federal states was extended to ten years for residential units located in Berlin and for 145 municipalities located in Bavaria, including Munich. Pursuant to an ordinance of Hesse dated 18 December 2009 the prohibition on termination was extended to 5 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.

Statutory Limits on Rent Increases

The ability of landlords to increase rent unilaterally 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 wilful or reckless (*leichtfertig*) letting of rooms for living at unconscionably high rents however constitutes an administrative offense (*Ordnungswidrigkeit*). A rent is unconscionably high in case it exceeds the locally prevailing comparative rent level in a municipality during the last four years by more than 20% due to an abuse of the limited availability of

comparable rooms. In the prior legislative period, a draft bill was introduced into the German parliament that rents exceeding 20% of the prevailing comparative rent level in a municipality or a district of a municipality shall constitute an administrative offense (*Ordnungswidrigkeit*) without it being required that this is “due to an abuse of the limited availability of comparable room”. The draft bill period has elapsed but it is not excluded that a new draft bill will be presented. In addition, according to 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 the existing tenancy agreements 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.

With respect to lease agreements that are not subject to rent controls, the landlord is – subject to contractual restrictions – entitled to demand the adjustment of the contractual rent up to locally prevailing comparative rent levels if the rent was constant for the preceding 15 months. As a general matter, the rent may not be increased by more than 20% in a three-year period (capping limit). Pursuant to the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) which entered into force on 1 May 2013, the capping limit may be reduced to 15% by the German state governments for certain municipalities if the supply of affordable housing is deemed insufficient or scarce. So far eight state governments (Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine Westphalia and Schleswig-Holstein) introduced such regulations on capping limits. Also, the state governments of Baden-Wuerttemberg and Rhineland-Palatinate are reported to be contemplating following suit.

Moreover, there are current political efforts to further restrict rent increases. The German Federal Cabinet passed a draft bill on 1 October 2014 (draft for a bill to curb rental increases on tight housing markets and to strengthen the orderer principle with respect to the business of rental agents – tenancy law amendment act (*Entwurf eines Gesetzes zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*)) that would practically limit rent increases and establish maximum rent levels (*Mietpreisbremse*). The draft bill 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 modernised buildings may be excluded from the restriction on rent increase at their first lease. The federal states will have the right to name regions in which maximum rent levels shall apply, until five years after the law was enacted, and may pass decrees, to denominate such regions up until 2020.

In addition, the draft bill contains provisions regarding the payment of a real estate agent. Currently, the tenant has to pay the agent’s commission even if the landlord hires the real estate agent. Under the proposed law, a landlord is required to pay the commission if the owner hires the agent. Tenants still would have to pay if they hire 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 modernisation measures (see “—*Landlord’s Modernisation and Maintenance Measures*”) are not taken into account for determining the prevailing comparative rent levels. Whether residential space is comparable is determined by taking into account the type, size, furnishings, quality, location and energy-related equipment of the residential space. 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 recognised by the municipality or by the landlord and tenant representatives. If the rent index is produced in accordance with recognised scientific principles, it is recognised 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 recognised by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice.

For certain modernisation measures, the landlord may, subject to statutory or contractual requirements, increase the annual rent by 11% of the total cost of the modernisation measures. Following the rent increase, the tenants may have the right to terminate the lease (*Sonderkündigungsrecht*) (see “—Landlord’s Modernisation and Maintenance Measures”).

Statutory Restrictions on Selling Residential Real Estate

If rented residential units have been converted into condominiums or such conversion is planned, the tenant has a statutory pre-emptive right under the German Civil Code (*Bürgerliches Gesetzbuch*) to purchase the unit on the same terms as a third-party buyer. No such pre-emptive right exists, however, in instances where the unit was already a condominium at the time the lease commenced or where, in the case of a planned conversion, the seller is not contractually obliged to divide the property into residential units.

Statutory Restrictions on the Usage 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 authorised 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 passed similar laws in 2013, among others, for example, the federal states of Berlin, Baden-Wuerttemberg and Hamburg. These laws 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’s Modernisation and Maintenance Measures

The Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) that entered into force on 1 May 2013 aims to reduce Germany’s primary energy demand (*Primärenergiebedarf*) by 80% (from 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 (*Mietrechtsänderungsgesetz*) requires that tenants tolerate maintenance measures (*Erhaltungsmaßnahmen*) and modernisation measures (*Modernisierungsmaßnahmen*). In the latter case, the tenant must receive a written notification from the landlord, which includes information regarding the nature, extent, length and rent increase resulting from the modernisation measure, three months prior to the commencement of the modernisation measure. If the tenant can, however, prove that the modernisation measure constitutes undue hardship for himself, a family member or a member of his household, he does not have to tolerate the modernisation measure. Following the announcement of modernisation measures, tenants will be entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months after the month in which the tenant received written notification. For modernisation measures which sustainably reduce the final energy consumption (energy-related modernisation measures)

(*energetische Modernisierung*) tenants will not be entitled to rent reductions for a period of up to three months. For such energy-related modernisation measures, and for those modernisation measures through which water consumption is sustainably reduced, the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing conditions are enhanced permanently, as well as for those measures that are the result of circumstances that the landlord is not responsible for, and which are not maintenance measures, the landlord is entitled to transfer costs to tenants by way of an annual rent increase of 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. Following a rent increase, tenants may have a special termination right.

Landlord's Modernisation and Maintenance Obligations

Under German law, the landlord of a property must maintain the condition, including the structure, façade and roof, of the building and the interior of any residential units. In general, the landlord cannot transfer this maintenance obligation to the tenant.

Transferring Utility Costs to the Tenant

German tenancy law allows landlords to transfer the building's utility costs to the tenant by way of contract. According to the German Utility Costs Ordinance (*Betriebskostenverordnung*), which defines the types of costs transferable by contract, utility costs include, for example, the cost of water supply, waste disposal and building insurance. In 2012, Deutsche Annington entered into a contract with TDG, which grants TDG exclusive rights for the provision of broadband television for all buildings Deutsche Annington owns (see “—Business—Strategy—Extension Strategy – Customer-centric business approach to deliver value-added services to tenants”). This requires tenants to enter into contractual relationships with TDG and to pay for running expenses, even if they do not wish to make use of broadband communication. Under the Utility Costs Ordinance (*Betriebskostenverordnung*), the landlord is generally allowed to transfer the running basic expenses for broadband network access (*laufenden Grundgebühren*) to the tenant. The costs for the initial installation are not considered utility costs but are still transferable to the tenant, in case no broadband network access existed until then, because the upgrade to broadband connection qualifies as a modernisation measure pursuant to German tenancy law.

As from 1 July 2013, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) will allow landlords to outsource the supply of heating (*Wärmelieferung*) to a commercial contractor (Heat Contracting) and to transfer the utility costs (*Betriebskosten*) associated with this heat contracting to the tenant. This transfer is however subject to the condition that the outsourcing procedure provides for an increase in heating supply efficiency and does not result in increased utility costs for tenants.

Obligations under Federal Law

Subject to compliance with certain statutory limitations, landlords may also assign decorative repairs and certain maintenance obligations for a residential unit's interior to a tenant. If the landlord assigns such obligations pursuant to a standard form contract, the terms of the contract governing the transfer of costs to the tenant must comply with the strict requirements applicable to standard business terms (*Allgemeine Geschäftsbedingungen*). If these requirements are not met, the assignment of any obligation to the tenant is void. For example, in a number of decisions, the German Federal Court of Justice (*Bundesgerichtshof*) ruled that standard clauses in lease agreements are void if they require the tenant to make decorative repairs (*Schönheitsreparaturen*) on a fixed schedule, or require the tenant to fully renovate the flat at the end of the lease (*Endrenovierung*). If the tenant carries out these repairs and renovation work without actually being required to do so, the landlord may be required to reimburse the tenant for the corresponding costs.

Obligations under State Laws

The Renewable Energies Heat Act (*Erneuerbare-Energien-Wärmegesetz*), which furthers Germany's goal of reducing its primary energy demand (*Primärenergiebedarf*), requires only newly constructed buildings to use renewable energy to partially cover their heat energy demand. Only the

federal state of Baden-Wuerttemberg, with its Act on Usage of Renewable Heat Energies of Baden-Wuerttemberg (*Gesetz zur Nutzung erneuerbarer Wärmeenergien in Baden-Württemberg*), requires owners of existing buildings to cover 10% of their heat energy demand with renewable energy if a new heating system is installed.

Furthermore, for several years, the majority of federal states require the owner of a building to install smoke detectors in certain rooms, such as bedrooms and children's rooms. In all these federal states, this obligation applies to new constructions. In most of the federal states, the obligation applies also, subject to differing grandfathering rules, to existing apartments. The installation of smoke detectors in existing buildings qualifies as a modernisation measure under German tenancy law if it is mandatory due to 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 of Energy Certificates

As of 1 May 2014, prior to entering into a purchase contract or new lease agreement, potential buyers or tenants are to be given 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. An energy certificate is generally valid for ten years. The Energy Savings Ordinance (*Energieeinsparverordnung*) of 18 December 2013 also requires structural alterations for energy conservation. Those include the replacement of certain types of old heating systems, the insulation of top storey ceilings as well as of heat conducting systems. For example, landlords of buildings with heating boilers that were installed prior to 1 January 1985 and that are used with liquid or gaseous fuel need to be exchanged before 2015. Being affected by those requirements of the Energy Savings Ordinance, Deutsche Annington has already set up a separate budget. Failure to comply with the rules can result in administrative fines.

Public Subsidy Restrictions

The German federal government, federal states and municipalities are required by law to subsidise housing construction, particularly construction of affordable residential units that are intended and suitable for lower income segments of the population. Housing construction financed with public subsidies, which generally take the form of low-interest construction loans, is subject to two significant restrictions: (i) subsidised housing may be occupied only by tenants who hold housing eligibility certificates (*Wohnberechtigungsschein*) and (ii) there are limits on the amount of rent that may be charged for subsidised housing.

Restrictions Imposed on the Federal Level

German housing construction law (*Wohnungsbaurecht*) was significantly reformed in 2001. The previous "cost-covering rent" concept under the German Act on Safeguarding the Specific Purpose of Subsidised Housing (*Gesetz zur Sicherung der Zweckbestimmung von Sozialwohnungen*) pursuant to which recipients of public housing subsidies were permitted to charge only the amount of rent necessary to cover all expenses of the property, including a return on equity capital, was phased out. Under the German Housing Development Act (*Wohnraumförderungsgesetz*) the previous system was replaced by a new "maximum rent" concept that is based on the market value of the residential unit in question. The landlord is informed of the maximum rent he may charge at the time the subsidy is first approved. Under certain conditions, the maximum rent may also be subject to change throughout the duration of the subsidy (e.g., if the property is modernised). The subsidy recipient may only rent to tenants who hold a housing eligibility certificate for publicly subsidised housing.

Once the public subsidy has been repaid, the landlord is generally free to select tenants without restriction. The landlord may increase the rent in increments up to prevailing market rates (but only in accordance with the limits set by the rules of German tenancy law described above) starting in the first year after repayment of all public subsidies. If the subsidies are repaid early, an extension

period of up to ten years may apply, but in each case no longer than the original term of the subsidised loans, during which the “cost-covering rent” concept and the “maximum rent” principle, respectively, continue to apply.

In some cases, sales of publicly subsidised housing require the approval of the authority that provided the subsidies. Moreover, if a property is converted into a condominium that is subsequently sold to the tenant for continued use by him or to a third party, all subsidies must be repaid.

Restrictions Imposed on the State Level

In the wake of a constitutional reform in Germany in 2006, the German federal states were given the legislative power to subsidise social housing. Accordingly, each federal state may enact its own subsidised social housing act. However, in federal states that have not enacted their own subsidised social housing act, the WoFG still applies. The following states, among others, have enacted their own subsidised housing acts: (i) North Rhine Westphalia - Act on Promotion and Utilisation 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 1 January 2010, (ii) Hesse - Act on Promotion of Housing (*Hessisches Wohnraumförderungsgesetz*), which came into effect on 1 January 2013, (iii) Baden-Wuerttemberg - State Act on Promotion of Housing and Stabilisation of District Structures (*Landesgesetz zur Förderung von Wohnraum und Stabilisierung von Quartiersstrukturen*), which came into effect on 1 January 2008, (iv) Bavaria - Act on Promotion of Housing in Bavaria (*Gesetz über die Wohnraumförderung in Bayern*), which came into effect on 1 May 2007 and (v) Schleswig-Holstein - Act on Promotion of Housing (*Schleswig-Holsteinisches Wohnraumförderungsgesetz*), which came into effect on 1 July 2009. These federal state laws essentially provide for the same restrictions and obligations regarding public subsidised housing as the preceding WoFG described above.

Restrictions Applicable to Deutsche Annington

Given Deutsche Annington’s rental activities throughout Germany, the Group’s business is affected by State and Federal public subsidy restrictions.

As of 30 September 2014, 22,853 of the residential units owned by the Group fall within the scope of the old “cost-covering rent” concept of the WoBindG. This concept imposes amongst others preferential occupancy rights (*Belegungsbindungen*) and restrictions on rent increases.

Further, two of the residential units owned by the Group (as of 30 September 2014) are regulated under the “maximum rent” concept. These units are subject to preferential occupancy rights (*Belegungsbindungen*) and to certain restrictions regarding, amongst others, rent increases.

In addition, as of 30 September 2014, 3,418 residential units are subject to contractual restrictions arising out of public loans and subsidies which were granted under the Federal Act on the Promotion of Housing Construction and Family Homes (*Wohnungsbau- und Familienheimgesetz*). These restrictions include rent restrictions and preferential occupancy rights (*Belegungsbindungen*). Several of Deutsche Annington’s residential units are subject to more than one restriction. In the aggregate, 27,686 units were bound by restrictions as of 30 September 2014.

Restrictions on Properties Governed by Historic Preservation and/or Special Urban Planning Laws: Restrictions Due to Copyrights on Architectural Services

Some of the Group’s properties are located in urban renewal and urban preservation areas. Additionally, some buildings are registered as historic sites. The statutory rules of the German Zoning Act (*Baugesetzbuch*) and German federal states legislation for the preservation of monuments (*Landesdenkmalschutzgesetze*) apply to these properties. These laws generally place restrictions on structural changes and the use of property, and require the landlord to maintain the protected structure and its surroundings. Landlords of properties located within an urban renewal area must obtain specific governmental approval for demolishing or structurally altering a building, entering into lease agreements running for more than one year, selling the properties, and granting liens and mortgages.

Landlords of properties located in an officially defined urban renewal area must also contribute financially to the funding of the redevelopment in an amount equal to the increase of the land value resulting from the redevelopment.

Landlords of properties located in a preservation area must obtain specific government approval for demolishing, structurally altering, or changing the use of a building, and must comply with ordinances that may require approval for converting residential units into condominiums. Landlords 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 government agency. Any change to the structure or use of such building requires specific administrative approval. The landlords of structures governed by historic preservation laws must also notify the relevant agency of any intended sale of such structure. Noncompliance with any of the aforementioned requirements may result in administrative fines of up to €0.5 million for each violation.

As of 30 September 2014, a single-digit percentage of Deutsche Annington's buildings was listed as historic sites and, as a result, must be for the most part be maintained in an unchanged state due to historic, artistic, scientific, or urban renewal concerns.

Provisions of the German Condominium Act

Under the provisions of the German Condominium Act (*Wohnungseigentumsgesetz*), every owner of a condominium within a particular building (*Hausgrundstück*) is a member of the respective homeowners association (*Wohnungseigentümergeinschaft*). The association does not deal with any tenancy matters, but is responsible for the general administration of the building, including the introduction of house rules (*Hausordnung*), the execution of maintenance measures for commonly used parts of the building as well as the preparation of a budget (*Wirtschaftsplan*). In many cases, the administration is, due to its complexity, transferred to a third-party service provider by way of contract. The maximum duration of such agreement is limited by law to three years for the first appointment of the administrator (*Verwalter*), and five years for re-appointments. Certain indispensable rights and duties of an appointed administrator, such as the execution of the owners' resolutions as well as maintenance measures, are set forth in the Condominium Act.

For homeowners associations, there are two possible ways of decision-making: first, the owners may agree unanimously upon standing rules (*Gemeinschaftsordnung*), which may include, *inter alia*, regulations on the owners' internal affairs, the house order, the administration of the building and restrictions for the use of the apartments. The standing rules also apply to the owners' legal successors and can be amended, except for certain cases of undue hardship, only upon unanimous consent of all owners. Second, the association's assembly (*Wohnungseigentümersammlung*) may pass resolutions with a simple majority. An assembly must be convened by the administrator at least once a year. The owners may resolve on any matter delegated to them by statute or the association's standing rules. The number of votes that every owner may cast is thereby subject to the applicable standing rules. The standing rules may, e.g. tie the voting power to the value of the condominium owned. Resolutions of the association can be contested by any member at a civil court within one month.

Regulation Relating to Environmental Damage, Contamination and Property Maintenance

In addition to German tenancy law, Deutsche Annington's residential real estate portfolio is subject to various rules and regulations relating to the remediation of environmental damage and Contamination.

Soil Contamination

Pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the responsibility for residual pollution and harmful changes to soil ("**Contamination**") lies with, among 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, if the title was transferred after March 1999, the previous owner of the property, if he knew or must have known about the Contamination.

There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the relevant local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work on a *pro rata* basis, regardless of which party is held liable by the relevant local authority. The indemnity obligation can be waived or transferred by way of an express contractual agreement. Furthermore, liability is not based on fault; thus the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorise 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 Regulation

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibres into the air as it ages or is broken, and non-friable asbestos, from which asbestos fibres are not usually released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines.

Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out criteria used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. In the case of asbestos contamination, a tenant may also assert a right of rent reduction. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be excluded. Accordingly, the courts have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also claim compensatory damages if the defect was present at the time the contract was concluded and they may claim compensation for personal suffering (*Schmerzensgeld*). Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

Regulation Relating to PCB, DDT, PCP and Lindane

Since PCB may cause foetal damage in pregnant women and is suspected to have carcinogenic effects, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings, such as in wood preservatives, synthetic materials, insulations or joints. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and be genotoxic, while Lindane is suspected to harm the nervous system and may cause cancer. PCP was used as a fungicide against mould and is also suspected to negatively affect human health.

Under various legal provisions, the owner of a building may be required to remedy PCB sources through the elimination or sealing of construction elements that contain PCB. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanogram per 1 cubic metre of air. The existence of DDT, PCP and Lindane in buildings may, under certain circumstances, entitle the tenant to reduce the rent or to claim damages. Moreover, the remediation of rooms or buildings may be required where DDT, PCP or Lindane concentrations exceed certain thresholds.

Civil Law Liability

Civil law liability for residual pollution can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the perpetrator of the Contamination can be held liable for damages or for the remediation of the Contamination and its consequences. Deutsche Annington could be subject to such liability if a property that the Group currently owns or formerly owned is detrimentally affecting the property of one or more third parties. This civil liability exists independent of official action taken under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Protection of Groundwater and Maintenance of Sewage Systems

Regulation at the Federal Level

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*) authorises the German Federal Government, with approval of the Second Chamber of the German Parliament (*Bundesrat*), to enact an Ordinance specifying the above-mentioned obligations concerning sewage systems. On 3 January 2012, the German Federal Government announced that no set date can currently be foreseen for the enactment of such an Ordinance. Until the German Federal Government Ordinance is enacted, the federal state governments may enact their own ordinances regarding the aforementioned obligations.

Regulation at the State Level

North Rhine Westphalia. Effective from 16 March 2013, the State Parliament of North Rhine Westphalia amended the Water Act of the State of North Rhine Westphalia (*Wassergesetz für das Land Nordrhein-Westfalen*), which previously required property owners to hire qualified persons to check the tightness of the sewage systems located on their property by 31 December 2015 at the latest and to repeat this check once every 20 years. Pursuant to the new provisions of the Water Act of the State of North Rhine Westphalia, the relevant state authority is authorised to enact an Ordinance, with the approval of the State Parliament of North Rhine Westphalia, that determines the property owner's duties with respect to checking the condition and operability of the sewage systems located on their property. On the basis of this authorisation, the State Parliament of North Rhine Westphalia enacted a Self-Monitoring of Sewer Systems Ordinance (*Selbstüberwachungsverordnung Abwasser*) dated 17 October 2013. The Ordinance restricts the requirement of private sewage systems checks to all buildings in drinking water protection areas. Private sewage systems in buildings in drinking water protection areas that were built after 1965 need to be tested by 31 December 2020 at the latest. All other private sewage systems in drinking water protection areas need to be tested by 31 December 2015 at the latest. The checks have to be performed once every 30 years. Nevertheless, the new provisions of the Water Act of the State of North Rhine Westphalia authorise municipalities to require sewage system tests outside of drinking water protection areas. Furthermore, the Ordinance categorises different types of damages and specify time periods for their repair.

Hesse. Pursuant to the Sewage System Self-Monitoring Ordinance of the State of Hesse (*Abwassereigenkontrollverordnung*) property owners of buildings built before 1 January 1996 are required to check for the tightness of private sewage systems located on their property by 31 December 2024 at the latest. Private sewage systems of buildings built or permanently refurbished after 1 January 1996 must be checked by 31 December 2039 at the latest. Municipalities may determine whether a qualified person *commissioned* by the property owner shall examine the private sewage systems, or whether the municipal authorities can examine the private sewage systems

themselves and charge the property owner for these costs. Municipalities may reduce these timeframes and are planning to do so for water protection areas. However, the Ministry of Environment, Energy, Agriculture and Consumer Protection of the State of Hesse (*Hessisches Ministerium für Umwelt, Energie, Landwirtschaft und Verbraucherschutz*) decided on 23 March 2012 to suspend the aforementioned requirements and to consider their effectiveness based on an evaluation of the effort and expenses associated with the examination of the private sewage systems with respect to the benefits associated therewith. No further public announcements regarding the outcome of this evaluation have since been made.

Bavaria, Baden-Wuerttemberg, Bremen and Schleswig-Holstein. Bavaria, Baden-Wuerttemberg, Bremen and Schleswig-Holstein have no state ordinances in place determining the exact deadlines for examining private sewage systems. Nevertheless, all private sewage systems must be checked regularly pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz*), as outlined above. Therefore, *municipalities* hold the right to institute regulations/rules and mandatory time periods for the examination of private sewage systems. The Bavarian State Ministry of the Interior (*Bayrisches Staatsministerium des Inneren*) recommends that municipalities require examinations by 31 December 2015 at the latest, and that re-examinations are performed every 30 years. Munich has, for example, enacted Municipal Drainage Rules of the Munich Drainage System (*Entwässerungssatzung der Münchner Stadtentwässerung*) in accordance with these recommendations.

Berlin. 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 Testing

Pursuant to the Federal Drinking Water Ordinance (*Trinkwasserverordnung – TrinkwV 2001*) as last amended on 5 December 2012, the owners of specified centralised heated water supply facilities for use in *commercially* used multi-family buildings were required to analyse stored heated water for the concentration of legionella (a pathogenic bacterium) by 31 December 2013 at the latest, and to repeat this test at least once every three years, or once every year depending on the size of the used facilities. Competent authorities may order additional testing.

The analysis must be carried out by laboratories specified by the respective federal state. The existence of appropriate sample extraction points (*Probeentnahmestellen*) must be ensured by the owner of the building. If *specific* limits are exceeded, the competent authority will regularly adopt measures to improve the water quality.

German Law on Property Purchases

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 RETT. RETT in North Rhine Westphalia, Baden-Wuerttemberg 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 to 3.5% in Bavaria. On 1 January 2015, the RETT in North Rhine Westphalia will be increased to 6.5%. 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. While the RETT tax rate is determined on the State level, the statutory RETT framework falls within the competency of the Federal lawmakers.

Under the current tax laws, the acquisition of a participation in an entity that owns German real estate exceeding 95% is subject to RETT. Before 6 June 2013, the tax could be avoided by way of a share deal in which up to 94.9% of shares in a property-owning entity 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 6 June 2013, the First Chamber of the German Federal Parliament (*Bundestag*) resolved on the Act for the Implementation of the EU-Directive on Mutual Assistance (*Amtshilferichtlinie-Umsetzungsgesetz*) which is effective from the same day onwards. The act was approved by the

Second Chamber of the German Federal Parliament (*Bundesrat*) on the following day. 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 Investments Act (*Kapitalanlagegesetzbuch*)

The German Capital Investment Code (*Kapitalanlagegesetzbuch*) was passed on 16 May 2013, by the German Federal Parliament (*Bundestag*) and enacted on 22 July 2013. It replaces the German Investment Act (*Investmentgesetz*) and transposes the European Directive 2011/61/EU on the administration of alternative investment funds. 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 Capital Investment Code. 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 German Federal Financial Supervisory Authority (“**BaFin**”) published an interpretative letter specifying the bill's scope. According to this letter, only funds that, amongst others, follow a fixed investment strategy (*festgelegte Anlagestrategie*) opposed to a general business strategy (*Unternehmensstrategie*), will be subject to the new regulation. According to the BaFin, such a fixed investment strategy is characterised by the detailed regulation of the investment criteria and a restriction of the investment discretion in the by-laws, statutes or other binding documentation. Given that the Guarantor's statutory purpose leaves the Management Board with wide entrepreneurial discretion and full managerial flexibility, Deutsche Annington believes that under this preliminary guidance, neither the Guarantor nor any of its current asset-holding subsidiaries qualify as an alternative investment fund.

Description of the Governing Bodies of the Guarantor

Overview

The Guarantor's governing bodies are the Management Board, the Supervisory Board and the general shareholders' meeting (*Hauptversammlung*). The Guarantor has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers of these governing bodies are determined by the SE-Regulation and the German Act on the SE-Implementation (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the internal rules of procedure of both the Supervisory Board and Management Board.

The Management Board is responsible for managing the Guarantor in accordance with applicable law, the Articles of Association and its internal rules of procedure, including the schedule of responsibilities. The Management Board represents the Guarantor in dealings with third parties.

Simultaneous management and supervisory board membership in a European company (*Societas Europaea*) is not permitted under the SE-Regulation; however, simultaneous membership of a member of the supervisory board taking a vacant seat on the management board of the same European company (*Societas Europaea*) is temporarily permissible. During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year if the SE is domiciled in Germany.

The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Management Board comprises at least two members and the Supervisory Board determines the exact number of the members of the Management Board. The

Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in Article 40 of the SE-Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises on, and oversees, the Management Board's administration of the Guarantor, but is not itself authorised to manage the Guarantor. The articles of association of a SE and the supervisory board may, however, designate the types of transactions that may only be made with the approval of the Supervisory Board. In addition, the Supervisory Board may itself make certain types of transactions subject to its consent. Matters subject to the prior consent of the Supervisory Board or of a committee of the Supervisory Board pursuant to Section 8.5 of the Articles of Association and Section 8.1 of the internal rules of procedure of the Management Board currently include, in particular (matters listed not only in Section 8.1 of the internal rules of procedure of the Management Board but also in Section 8.5 of the Articles of Association are denoted with an “*”):

- the adoption of the business plan (including capital expenditures, personnel and finance plan) for Deutsche Annington for the next business year (budget)*;
- other investments (including maintenance and modernisation) which are not included in the Guarantor's business plan and which exceed an amount of €5 million per transaction;
- the establishment or liquidation of companies and the acquisition or sale of participation in companies or business operations, if the value (including the assumption of liabilities) exceeds an amount of €20 million per transaction*;
- the conclusion, amendment or termination of affiliation agreements pursuant to Sections 291, 292 of the German Stock Corporation Act (*Aktiengesetz*)*;
- measures under the German Transformation Act (*Umwandlungsgesetz*) as well as significant recapitalisation, reorganisation, restructuring as well as merging of significant business areas of the Guarantor or its subsidiaries which have – compared to the consolidated financial statements of the Guarantor – earnings before taxes of more than 10% or a balance sheet total of more than 10%;
- the commencement of significant new, and the abandonment of significant existing, areas of activity;
- the purchase or sale of land, the creation, acquisition or divestment of hereditary building rights or rights equivalent to title rights in real estate (or the incurrance of a respective obligation), if the amount of investment or divestment exceeds an amount of €20 million per transaction;
- the acquisition and divestiture of material corporate premises with a value per transaction exceeding an amount of €5 million;
- the requesting, extension or termination of credit facilities or loans exceeding a nominal value of €100 million per transaction;
- the provision of collateral or securities of any kind or the assumption of contractual liabilities of third parties exceeding €20 million per transaction;
- approval of investments or divestments with the Group per transaction, for each transaction exceeding €20 million;
- the trading of speculative financial instruments of any kind and derivative transactions outside of the ordinary course of business; the trading of financial instruments is considered speculative if it is not based on respective operating business and thus does not serve the reasonable hedging of existing risks; financial investments in funds rated lower than “Investment Grade” are considered speculative financial instruments;

- the initiation of litigation – including pre- and non-procedural dispute resolution – of fundamental importance for the Guarantor, in particular, but not limited to, litigation and disputes with major customers with an amount in dispute of more than €5 million;
- the establishment of, or the material amendment of existing employee-participation programmes, profit sharing or similar incentive programmes;
- any fundamental change of the valuation methods used in the context of the financial reporting of the Guarantor;
- approval of contracts with auditors concerning additional advisory services, if the cumulative fees for these services exceed or are expected to exceed 50% of the remuneration for the annual audit; and
- conclusion of or amendment to consulting, advisory or other service agreements, if the costs or obligations associated with the agreement exceed €2 million per year.

In addition to the thresholds for individual transactions as stated above, Section 8.1 of the internal rules of procedure of the Management Board and Section 8.5 of the Articles of Association also provide for aggregate thresholds for series of linked transactions in a fiscal year (this also applies to Section 11.4 of the internal rules of procedure for the Guarantor's Supervisory Board).

The Management Board is also required to obtain prior approval of the Supervisory Board (or of a committee which might have been appointed for these purposes), if it becomes involved in transactions substantially similar to those described above at affiliated companies through instructions, approvals, votes, or in any other manner. The Management Board is also required to ensure, to the extent legally permissible, that most of the aforementioned measures in affiliated companies require the Management Board's prior approval and may be granted after having obtained the approval by the Supervisory Board. The Supervisory Board may issue a general authorisation for a specific type of business in the event that the individual type of business meets certain requirements in advance.

Each member of the Management Board and Supervisory Board owes a duty of loyalty and due care to the Guarantor. Each member of these bodies must consider a broad spectrum of interests, particularly those of the Guarantor and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Guarantor for damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board if he believes they have breached their duties to the Guarantor. In general, only the Guarantor has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Guarantor is represented by the Management Board, and with respect to claims against Management Board members, the Guarantor is represented by the Supervisory Board. Under a decision of the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is required to assert damage claims against the Management Board if they are likely to succeed, unless significant interests of the Guarantor conflict with the pursuit of such claims and outweigh the reasons for bringing such claims. If the governing body authorised to represent the Guarantor decides not to pursue a claim, the Guarantor's claims for damages against members of the Management Board or Supervisory Board must nevertheless be asserted if the general shareholders' meeting adopts a resolution to this effect by a simple majority. The general shareholders' meeting may appoint a special representative (*besonderer Vertreter*) to assert the claims. Shareholders whose shares cumulatively make up 10% of the share capital, or a *pro rata* share of €1 million may also petition the court to appoint a special representative. In addition, the general shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit matters relating to the formation of a company or its management by simple majority vote. If the general shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of

€100,000, if facts exist that justify the suspicion that the transaction was accompanied by dishonesty or gross violations of the law or the articles of association. If the general shareholders' meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of €100,000 if this appears necessary due to the identity of the special auditor who was appointed.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a general shareholders' meeting or exercise voting rights in a general shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*). If there are facts that justify the suspicion that the Guarantor was harmed by dishonesty or a gross violation of law or the articles of association, shareholders who collectively hold 1% of the share capital or a *pro rata* share of €100,000 at the time of the filing of the petition may also, under certain further conditions, seek damages from members of the Guarantor's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Guarantor itself files a claim for damages.

The Guarantor may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose if the shareholders grant their consent at the general shareholders' meeting by simple majority vote unless a minority of the shareholders whose shares cumulatively constitute 10% of the share capital objects to the minutes.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Guarantor to cause a member of the Management Board or the Supervisory Board, an authorised signatory (*Prokurist*) or authorised agent (*Handlungsbevollmächtigten*) to take an action detrimental to the Guarantor. This does not apply if the member of the Management Board or the Supervisory Board, the authorised signatory or the authorised agent has been compelled to take such detrimental actions due to the exercise of its management powers resulting from a domination agreement or due to the management powers of a holding company, in which the Guarantor is integrated. Any person who uses his influence on the Guarantor to cause a member of the Management Board or the Supervisory Board, an authorised signatory (*Prokurist*), or an authorised agent (*Handlungsbevollmächtigter*) to act to the detriment of the Guarantor or its shareholders may be liable to compensate the Guarantor and the affected shareholders, respectively, for the resulting losses. Moreover, the members of the Management Board and Supervisory Board are jointly and severally liable if they have acted in breach of their duties.

Management Board

Current Composition of the Management Board

Under the Articles of Association, the Management Board must consist of at least two persons, and the Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board appoints members of the Management Board for a period not exceeding six years. The Supervisory Board may appoint a chairperson of the Management Board as well as a deputy chairperson of the Management Board. Currently, the Management Board consists of three members, with Rolf Buch appointed as chairman.

Reappointment for a term not exceeding six years is permissible. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause, such as a gross breach of fiduciary duty, or if the general shareholders' meeting passes a vote of no confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating employment agreements with Management Board members and, in general, for representing the Guarantor in and out of court against the Management Board. The Management Board is directly responsible for managing the Guarantor.

In the event that the Management Board consists of at least three members, Management Board meetings are *quorate* if all Management Board members have been invited and at least half of the members (including the chairman or a member of the Management Board appointed by him or her) participate in the meeting either in person or through, *e.g.* electronic means. Members who abstain from voting are also considered to be participating. The chairman of the Management Board has the right to object to any of the Management Board's resolutions (veto right). Unless the law, the Articles of Association or the rules of procedure of the Management Board stipulate otherwise, the Management Board generally adopts resolutions by a simple majority of the votes cast. In the case of a tie, the chairperson shall have the casting vote. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organisation are governed by the rules of procedure for the Management Board which were issued by the Supervisory Board on 4 June 2013 and entered into force on 12 June 2013.

The Guarantor is represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board jointly or by a member of the Management Board jointly with a holder of statutory power of attorney (*Prokurist*). The Supervisory Board may determine that any or all members of the Management Board are authorised to represent the Guarantor individually.

The internal rules of procedure for the Management Board require that the delegation of responsibilities to individual Management Board members is established on the basis of the business distribution plan (*Geschäftsverteilungsplan*). The business distribution plan is part of the rules of procedure for the Management Board and is prepared by the Supervisory Board.

The table below lists the current members of the Management Board.

Name	Age	Member since	Appointed until	Responsibilities
Rolf Buch	49	1 April 2013	28 February 2018	Chief Executive Officer
Dr. A. Stefan Kirsten	54	1 January 2011 ⁽¹⁾	31 December 2015	Chief Financial Officer
Klaus Freiberg	52	1 February 2010 ⁽¹⁾	31 January 2017	Chief Operating Officer

(1) Until the transformation into a stock corporation (*Aktiengesellschaft*) or a European company (*Societas Europaea*) the listed board member held the position of a managing director.

The Guarantor has established a code of conduct, which does not permit donations to political organisations.

The following description provides summaries of the *curricula vitae* of the current members of the Management Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Rolf Buch was born in 1965 in Weidenau, Germany. Mr. Buch studied mechanical engineering and business administration at RWTH Aachen University from 1986 to 1990. Upon graduation, Mr. Buch joined Bertelsmann AG in 1991. During his 21-year employment with Bertelsmann, Mr. Buch held various positions. In 1999, Mr. Buch was appointed chief executive officer of Bertelsmann Services Group (formerly Bertelsmann Distribution GmbH) where he was responsible for all activities in Western Europe and several direct marketing activities in Germany. From 2002 through 2007, he was member of the executive board of Arvato AG and chief executive officer of Arvato Direct Services GmbH. From 2008 through 2012, Mr. Buch served as chief executive officer of Arvato AG and as a member of the executive board of Bertelsmann AG (now Bertelsmann SE & Co. KGaA).

Alongside his office as the Guarantor's chief executive officer and chairman of the Management Board, Mr. Buch is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- GSB Gesellschaft zur Sicherung von Bergmannswohnungen mbH (member of the supervisory board); and
- Woldemar-Winkler Stiftung der Sparkasse Gütersloh (member of the committee).

Previously:

- arvato AG (chief executive officer and member of the executive board);
- arvato digital services Canada, Inc. (director);
- arvato Limited (director);
- arvato services (East Riding) Limited (director);
- arvato services Limited (director);
- arvato services spain, S.A.U. (member of the board);
- alsf - arvato logistique services France SARL (managing director);
- ase - arvato strategie & expertises SARL (managing director);
- asf - arvato services France SARL (managing director);
- Berryville Graphics, Inc. (chairman of the board and director);
- Bertelsmann SE & Co. KGaA (member of the executive board of Bertelsmann Management SE and limited partner of Bertelsmann SE & Co. KGaA);
- BITKOM e. V. (member of the presiding committee);
- Coral Graphic Services of Kentucky, Inc. (chairman of the board and director);
- Coral Graphic Services of Virginia, Inc. (chairman of the board and director);
- Coral Graphic Services, Inc. (chairman of the board and director);
- Deutsche Bank AG (member of the advisory board);
- Duacom SARL (managing director);
- Dynamic Graphic Finishing, Inc. (director);
- nmediaONE GmbH (chairman of the executive board);
- Istituto Italiano d'Arti Grafiche S.p.A. (chairman of the board);
- Jubii Europe N.V. (member of the supervisory board);
- maul + co – Chr. Belser GmbH (managing director);
- Media Finance Holding, S.L. (chairman of the board);
- Offset Paperback Mfrs., Inc. (director);
- Phone Assistance S.A. (member of the board);
- Phone Group S.A. (member of the board);
- Phone Serviplus S.A. (member of the board);
- PRINoTec GmbH (managing director);
- PRINOVIS Limited (director chairman and director);
- Printer Industria Grafica Newco, S.L. (chairman of the board);

- Stampers, LTD. (director);
- Windsong Holdings Limited (director chairman); and
- Zweite BAG Beteiligungs GmbH (managing director).

Other than listed above, Mr. Buch has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Klaus Freiberg was born in 1962 in Bendorf, Germany. He completed his degree in History, Social Sciences and Economics at the University of Münster up to 1990. From 1995 through 2010, Mr. Freiberg worked in various positions at Arvato Group, including as managing director of Arvato Services. Mr. Freiberg is Chief Operating Officer of the Guarantor and is responsible for the property management, including customer care service, management and letting of the portfolio.

Alongside his office as the Guarantor's Chief Operating Officer and member of the Management Board, Mr. Freiberg was within the last five years a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Previously:

- 1 18 18 Auskunft GmbH (managing director);
- arvato backoffice services Erfurt GmbH (managing director);
- arvato direct services Brandenburg GmbH (managing director);
- arvato direct services Dortmund GmbH (managing director);
- arvato direct services Eiweiler GmbH (managing director);
- arvato direct services Potsdam GmbH (managing director);
- arvato direct services Stralsund GmbH (managing director);
- arvato direct services telco Neubrandenburg GmbH (managing director);
- arvato services Chemnitz GmbH (managing director);
- arvato services Erfurt GmbH (managing director);
- arvato services Freiburg GmbH (managing director);
- arvato services Göppingen GmbH (managing director);
- arvato services Neubrandenburg GmbH (managing director);
- arvato services Potsdam GmbH (managing director);
- arvato services Rostock GmbH (managing director);
- arvato services Schwerin GmbH (managing director);
- arvato services Stralsund GmbH (managing director);
- arvato services Stuttgart GmbH (managing director); and
- arvato telco services Erfurt GmbH (managing director).

Other than listed above, Mr. Freiberg has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Dr. A. Stefan Kirsten was born in 1961 in Berlin, Germany. Dr. Kirsten completed his Master's degree in Business Economics and Informatics from 1981 to 1986 at the Fern-Universität Hagen and the University of Göttingen and received his Doctorate degree as Dr. rer. pol. from the

University of Luneburg. Before being appointed to the Management Board as Chief Financial Officer, Dr. Kirsten occupied various management positions at other companies. From 2000 to 2002, Dr. Kirsten was a management board member of METRO AG, and from 2002 through 2006 he was a management board member of ThyssenKrupp AG; in both positions, he served as the chief financial officer. From 2007 until 2009, he served as chief financial officer and later as chief executive officer at Majid Al Futtaim Group LLC, a family holding with significant retail and real estate interests in the United Arab Emirates.

Since 1995, Dr. Kirsten has taught at different universities in Germany and abroad. In 2001, Dr. Kirsten was appointed as honorary professor at the Westfälische Hochschule in Gelsenkirchen.

Alongside his office as the Guarantor's chief financial officer and member of the Management Board, Dr. Kirsten is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- AVW Versicherungsmakler GmbH (member of the supervisory board);
- VBW Bauen und Wohnen GmbH (deputy chairman of the supervisory board);
- Jerónimo Martins SGPS, S.A. (non-executive director); and
- Manuel dos Santos B.V. (non-executive director).

Other than listed above, Dr. Kirsten has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

The members of the Management Board may be reached at the Guarantor's office at Philippsstraße 3, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

Management Service Agreements

Under the service agreements between the Guarantor and the member of the Management Board, Mr. Buch is employed until 28 February 2018, Mr. Freiberg is employed until 31 January 2017 and Dr. Kirsten is employed until 31 December 2015. If a Management Board member's service agreement is validly terminated by the Guarantor for cause (*Kündigung aus wichtigem Grund*) in accordance with Section 626 German Civil Code (*Bürgerliches Gesetzbuch*), the Guarantor's obligation to pay a base salary, a bonus or any fringe benefits ends with immediate effect. Further, the service agreements end in the event that a Management Board member becomes permanently unable to perform his duties due to disability or illness (upon expiration of a twelve-month sick leave period). In the event of a termination of the Management Board member's office (*Abberufung*) by the Supervisory Board for reasons that do not justify a termination of the underlying service agreement for cause in accordance with Section 626 German Civil Code (*Bürgerliches Gesetzbuch*), payments to the Management Board member are capped at the lower of (i) two years' total compensation (including all benefits and bonuses) and (ii) the total compensation for the remainder of the term of the contract ("**Severance Cap**"). Upon removal from office (*Abberufung*), the Management Board member may terminate the service relation at any time with a written notice of three months. In such case, the Management Board member is generally entitled to a payment equivalent to the Severance Cap, payable in two equal instalments. In the event that one or more investors (apart from Terra Firma and its affiliates) acting in concert acquire a controlling stake in the Guarantor, the Management Board members are entitled to an extraordinary termination right that must be exercised within three months following such acquisition. In such case, the Severance Cap is increased to the lower of (i) 150% of the Severance Cap and (ii) the total compensation for the remainder of the term of the contract. However, any rights or entitlements under the long-term incentive plans (see "*—Long-Term-Incentive-Programmes—Management Board Members*") remain generally unaffected.

With the exception of Mr. Buch, who is subject to a 12-month non-compete obligation following the termination of his service agreement, the members of the Management Board are not

subject to such non-compete obligations and may therefore engage in competing activities following the end of their office and the termination of their service agreements.

Remuneration and Other Benefits of the Management Board Members

On 10 May 2012, the Guarantor's general shareholders' meeting resolved that the remuneration granted by the Guarantor to the members of the Management Board shall not be disclosed individually in the annual financial statements and the consolidated financial statements of the Guarantor for the fiscal year commencing on 1 January 2012 and for the following four fiscal years. The members of the Management Board have, however, voluntarily disclosed their base salary, maximum bonus entitlements and the grants under the new long-term-incentive plan on an individual basis for fiscal year 2013. On 9 May 2014, the Guarantor's general shareholders' meeting adopted a resolution repealing this non-disclosure resolution from fiscal year 2014 onwards. In fiscal year 2013, the aggregate total remuneration of the Management Board, the composition and membership of which changed during the past three years, amounted to €3.1 million, of which €1.3 million was variable remuneration (fiscal year 2012: €3.4 million, of which €1.3 million was variable remuneration and for fiscal year 2011: €3.9 million, of which €1.6 million was variable remuneration). The amount disclosed in accordance with IAS 24 Section 17d (termination benefits) is €0.74 million. The total amount includes remuneration for the performance of responsibilities at subsidiaries.

Under the service agreements, Mr. Buch's base salary amounts to €900,000 and an annual bonus of up to €700,000, Mr. Freiberg's base salary amounts to €550,000 and an annual bonus of up to €440,000 and Dr. Kirsten's base salary amounts to €550,000 and an annual bonus of up to €440,000. Depending on whether certain pre-agreed key performance indicators and personal targets are met, each Management Board member receives a bonus that is capped at a maximum amount. These key performance targets are set annually by the Supervisory Board; for fiscal year 2014, the members of the Supervisory Board determined that 40% of the bonus is subject to the achievement of the Group's FFO I budgeted targets, 15% to the Group's NAV per share budgeted targets and 15% to CSI targets (the Group's customer satisfaction index as measured on a semi-annual basis by an external service provider), with the remaining 30% of the maximum amount of the bonus depends on the achievement of the personal targets agreed with the Supervisory Board.

Further, the Management Board members participate in long-term incentive cash plans, under which the members of the Management Board will receive cash pay-outs based on the development of certain notional shares (see "*—Long-Term-Incentive-Programmes—Management Board Members*").

Additionally, Management Board members are entitled to ancillary benefits that include, among others, a life insurance policy, which also covers private accidents. The Guarantor bears 50% of the cost of the Management Board members' private health insurance, however, not more than the cost that would occur in the public health insurance system. Management Board members are entitled to a pension allowance of 20% of their fixed remuneration which is paid into the Guarantor's deferred compensation plan (*Versorgungsbezüge anstelle von Barbezügen*) or, if a Management Board member so chooses, paid out to the member of the Management Board.

All Management Board members receive a company car for business and private use and are reimbursed for business-related travel expenses. In the event of a temporary incapacity to work as a result of health or other reasons, all Management Board members' service agreements provide that the relevant base salary will continue to be paid for up to twelve months, however, not beyond the expiry of the service agreement. Finally, in the case of a Management Board member's death, the board member's widowed spouse or, in the absence thereof, the common law spouse or the dependents of the board member, are entitled to the relevant base salary for the remainder of the month of death and the following six months.

The members of the Management Board are covered by D&O insurance policies with coverage for up to a total of €100 million per insured event and year, the costs of which are borne by the Guarantor. The D&O insurance provides for a deductible for all of the Management Board members in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*).

The D&O insurance policies cover financial losses arising from a breach of duty on part of the Management Board and Supervisory Board members in the course of their duties.

Shareholdings of the Management Board Members

As of the date of this Prospectus, Mr. Buch holds 111,833 shares in the Guarantor, Mr. Freiberg holds 50,000 shares in the Guarantor and Dr. Kirsten holds 67,466 shares in the Guarantor.

Senior Management

Members

The senior management of the Guarantor includes five chief representatives responsible for the operational management of the Guarantor reporting directly to the Chief Executive Officer, the Chief Financial Officer or the Chief Operating Officer (the “**Senior Management**”). The members of the Senior Management are:

Dr. Thomas Görgemanns was born in 1968 in Viersen-Süchteln, Germany. Dr. Görgemanns completed his first legal state examination (*Erstes Staatsexamen*) in 1993 and his second legal state examination (*Zweites Staatsexamen*) in 1996. In 1998, he obtained a Doctorate degree of law from the University of Bonn. Dr. Görgemanns began his professional career as an attorney specialising in corporate and M&A matters with the law firms of Hölters & Elsing (now: Orrick) from 1997-1999 and Baker & McKenzie (1999-2005) in Dusseldorf and Washington, D.C. (2001-2002). In 2004, Dr. Görgemanns became a partner of Baker & McKenzie. He joined Gagfah as general counsel in 2006 and became general counsel of LEG group in 2011, advising in both groups particularly on the respective IPOs, restructurings and transactions. Dr. Görgemanns joined the Guarantor in October 2013 and has been appointed as general counsel, compliance officer and chief representative.

Alongside his office as the Guarantor’s general counsel, compliance officer and chief representative, Dr. Görgemanns is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Previously:

- Baugesellschaft Frankenthal (Pfalz) GmbH (member of the supervisory board);
- Calor Carré GmbH (managing director);
- Entwicklungsgesellschaft Rhein-Pfalz Verwaltung GmbH (managing director);
- Gagfah B Beteiligungs GmbH (managing director);
- Gagfah Operations Advisor GmbH (managing director);
- Gagfah S Service GmbH (managing director);
- Gagfah Verwaltung GmbH (managing director);
- GBH Heidenheim Verwaltung GmbH (managing director);
- Grundstücksentwicklungsgesellschaft Ennigerloh Süd-Ost mbH (managing director);
- HaBeGe Bau- und Projektentwicklungsgesellschaft mbH (managing director);
- LEG Bauen und Wohnen GmbH (managing director);
- LEG Bauträger GmbH (managing director);
- LEG Eichholz GmbH (managing director);
- LEG Grundstücksentwicklung Münsterland GmbH (managing director);
- LEG Rheinrefugium Köln GmbH (managing director);

- LEG Standort- und Projektentwicklung Bielefeld GmbH (managing director);
- LEG Standort- und Projektentwicklung Essen GmbH (managing director);
- LEG Standort- und Projektentwicklung GmbH (managing director);
- LEG Standort- und Projektentwicklung Köln GmbH (managing director);
- NILEG Norddeutsche Beteiligungs GmbH (managing director);
- WBN Beteiligungs GmbH (managing director); and
- WG Norden Beteiligungs GmbH (managing director).

Other than listed above, Dr. Görgemanns has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group within the last five years.

Mark Ennis was born in Dublin, Ireland in 1964. In 1985, he graduated from Trinity College Dublin with a Bachelor of Arts degree in Economics. He qualified as a Chartered Accountant with the Institute of Chartered Accountants in Ireland in 1989. Mr. Ennis began his professional career with KPMG Stokes Kennedy Crowley, Dublin before transferring to KPMG Germany, where he rose to the position of audit manager. In 1996 he joined Raab Karcher AG, a part of the Group, which later merged with Veba Immobilien. From 1998 onwards he led Viterra Corporate Audit GmbH as a Managing Director and from 2001, he was Head of Controlling at Viterra AG, assuming this role in the expanded Group 2005. Since 2007, Mr. Ennis has functioned as the Head of Acquisitions and Chief Representative. In the last five years, Mr. Ennis has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

Dr. Wolfgang Beck was born in Bonn, Germany in 1968. He holds a PhD in Physics from the Ecole Polytechnique in France and also spent several years as a research fellow at the Lawrence Berkeley National Laboratory of the University of California at Berkeley. From 2000 to 2010, Dr. Beck worked first at AT Kearney and later Booz & Company. In 2007, he joined the Group as a full time external consultant. Dr. Beck became a member of the Senior Management in February 2010 and was responsible for the central portfolio management and local business management functions, including all relevant asset related decisions until 2013. Since 2014, as Head of Financial Management he is responsible for Controlling, Portfolio Controlling and Valuation. In the last five years, Dr. Beck has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

Dr. Karsten Rech was born in Saarbrücken, Germany in 1966. He completed a Graduate degree in Computer Science, a pre-degree in Economics in 1990 and a doctorate degree in Manufacturing Engineering in 1994 at the University of Saarbrücken. In 2004, Dr. Rech completed an Accelerated Development Programme at the London Business School. Between 1991 and 1995 and prior to joining the Group, he worked at Robert Bosch GmbH for several departments (manufacturing, logistics, IT and controlling) and from 1995 to 2000 as a Project Manager at PwC. He joined Deutsche Annington in 2000 as an applications consultant for Administration and IT (at that time Viterra AG). From 2001 to 2005 he was the head of the Commercial Applications Systems department. In 2005, he was appointed General Manager of the IT subsidiary. In 2010, he was named director of Housing Management and IT. Since 2012, he has been the Chief Representative for Property Management at the Guarantor. In the last five years, Dr. Rech has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

Arnd Fittkau was born in 1973 in Neuss, Germany. He graduated from the Academy of Administration and Business in Oberhausen in 1997 with a degree in Economics. Mr. Fittkau started his professional career at MAN AG as Controller responsible for the division Printing Machine (*Druckmaschinen*) in 1994 and spent six years there. From 1999 to 2002, he functioned as responsible Controller for the domestic construction at Hochtief AG. The following three years, Mr. Fittkau was the Department Manager for Participations Controlling at Viterra AG. From 2005 to 2008, Mr. Fittkau worked as Head of Controlling at Gagfah. In 2008, he then joined the Group, where he has since then

been responsible for Business Management for the business areas South/South West. In April 2011, he became the Managing Director of the Services Company and he was appointed Chief Representative thereof in November 2012. Since 2014, he has been responsible for the management of the Ruhr region. In the last five years, Mr. Fittkau has not been a member of any administrative, management or supervisory bodies or a partner in any companies or partnerships outside the Group.

The members of the Senior Management can be reached at the Guarantor's office at Philippstraße 3, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

Remuneration, Shareholdings

The remuneration of the members of the Senior Management is determined by their employment contracts. The salary of the members of the Senior Management consists of both fixed and performance-based remuneration. The performance-based remuneration (short and long-term) amounts to, depending on the contract, between approximately 50% to 100% of the base salary, the majority of which is tied to the attainment of defined objectives, such as reaching key performance indicators customary in the real estate industry. If these objectives are exceeded, an additional voluntary bonus payment is possible. The performance-based remuneration is generally paid in the following year.

In 2013, the members of the Senior Management collectively received fixed remuneration in the aggregate amount of around €0.9 million. In addition, Deutsche Annington paid contractually assured performance-based remuneration (including additional payment under the long-term incentive plan) in the aggregate amount of around €1.24 million in 2013.

As of the date of this Prospectus, Mr. Görgemanns holds 500 shares in the Guarantor and Mr. Ennis holds 700 shares in the Guarantor.

Supervisory Board

In accordance with the Articles of Association and Article 40(3) and 9(1) lit. c(i) of the SE-Regulation together with Section 17 of the SE Implementation Act (*SE-Ausführungsgesetz*) and Sections 95 German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of nine members. All members of the Supervisory Board are appointed by the Guarantor's general shareholders' meeting. The general shareholders' meeting may appoint substitute members for one or more Supervisory Board members, who may become members of the Supervisory Board if the elected Supervisory Board members leave office before the end of their term. The term of the substitute member expires as soon as a successor for the departing Supervisory Board member is appointed by a majority of at least 75% of the votes cast, but no later than the expiration of the departing Supervisory Board member's term. Re-election of members of the Supervisory Board is possible. According to the Supervisory Board's internal rules of procedure, persons having reached the age of 75 at the time of the election should generally not be proposed as candidates.

The term of office of a Supervisory Board member shall not continue beyond the end of the annual general shareholders' meeting, which discharges the members of the Supervisory Board for the fourth fiscal year following the commencement of the term of office; this does not include the fiscal year in which the term of office commences. The appointment of a successor for a member leaving his or her office before the end of his or her term of office is valid for the remainder of the term of office of the departing member, provided that the general shareholders' meeting has not determined a shorter term of office for the successor.

Supervisory Board members elected by the general shareholders' meeting may be removed by a resolution of the general shareholders' meeting if such resolution is approved by at least 75% of the votes cast. Each regular and substitute member of the Supervisory Board may resign by means of a written notification to the Guarantor, represented by the Management Board. The resignation is subject to a two weeks' notice period. The right to resign immediately for good cause remains unaffected. Following the general shareholders' meeting, in which the members of the Supervisory Board are elected, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms. Should the chairman or deputy chairman leave

office prior to the expiration of his or her term, the Supervisory Board must elect a new chairman or a deputy chairman from among its members without delay, to complete the remaining term of the departing chairman or deputy chairman.

Under mandatory statutory provisions and the Articles of Association, the Supervisory Board is authorised to establish internal rules of procedure and form committees made up of at least four individuals from its members. The Supervisory Board's internal rules of procedure were approved by the Supervisory Board on 4 June 2013 and have taken effect as of 12 June 2013. The Supervisory Board is authorised to make amendments to the Articles of Association that only affect their wording. The Supervisory Board must hold at least three meetings within each half calendar year. Meetings of the Supervisory Board are usually called by its chairman with 14 days' advance notice in writing, by e-mail or facsimile. The day on which the notice is sent and the day of the meeting itself are not included when calculating this period. In urgent cases, the chairman can shorten the notice period to a minimum of two banking days.

The rules of procedure for the Supervisory Board provide that all Supervisory Board members must have been invited and at least half of the Supervisory Board members must participate in voting on a resolution to constitute a *quorum*. Any member that is present but abstains from voting is deemed to have participated in the vote for purposes of the required *quorum*. Absent members may participate in the casting of votes pursuant to Article 9(1) lit. c(ii) of the SE-Regulation together with Section 108(3) German Stock Corporation Act (*Aktiengesetz*). Resolutions of the Supervisory Board are passed by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the chairman has a casting vote. The rules of procedure for the Supervisory Board provide that, per the chairman's instruction, resolutions may be passed by submitting votes to the chairman in writing, by telephone or facsimile, or by equivalent means of communication. The Supervisory Board's internal rules of procedure exclude the right of a member of the Supervisory Board to object to such instruction by the chairman.

Members of the Guarantor's Supervisory Board

The table below lists the current members of the Guarantor's Supervisory Board.

Name	Age	Member since⁽¹⁾	Appointed until⁽²⁾	Principal occupation outside of Deutsche Annington
Dr. Wulf H. Bernotat..... <i>Chairman</i>	66	18 June 2013	2018	Managing director and partner of Bernotat & Cie. GmbH
Dr. Edgar Ernst..... <i>Vice Chairman</i>	62	18 June 2013	2018	President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.
Hildegard Müller.....	47	18 June 2013	2018	Chairwoman of the executive board of Bundesverband der Energie- und Wasserwirtschaft
Clara-Christina Streit.....	44	18 June 2013	2018	Senior advisor to McKinsey & Company
Dr. Klaus Rauscher.....	65	1 August 2008	2018	Business consultant
Manuela Better.....	53	21 August 2014	2018	Managing director of Dr. Ingrid Better Vermögensverwaltungs GmbH & Co. KG
Dr. Florian Funck.....	43	21 August 2014	2018	Member of the management board of Franz Haniel & Cie. GmbH
Christian Ulbrich.....	48	21 August 2014	2018	Chief executive officer of Jones Lang LaSalle EMEA and member of the global executive board of Jones Lang LaSalle Inc.

(1) Prior to the Guarantor's change in legal form into a European company (*Societas Europaea*), the Supervisory Board membership refers to the supervisory board of Deutsche Annington Immobilien AG and the optional supervisory board of Deutsche Annington Immobilien GmbH.

(2) The Supervisory Board members are appointed until the end of the annual shareholders' meeting 2018.

Lutz Basse, who had been appointed member of the Supervisory Board on 21 August 2014, resigned from the Supervisory Board on 15 September 2014. The vacant position on the Supervisory Board shall be filled in the short term.

The following description provides summaries of the curricula vitae of the current members of the Guarantor's Supervisory Board, and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Dr. Wulf H. Bernotat was born in 1948 in Göttingen, Germany. He studied law at the University of Göttingen. Dr. Bernotat completed the first state examination (*Erstes Staatsexamen*) in 1974 and the second state examination (*Zweites Staatsexamen*) in 1976 and received his doctorate in the same year. In 1976, Dr. Bernotat began his career at Shell AG, where he spent the next 20 years holding various positions, functioning, among others, as counsel in the legal department in Germany, business development manager for Eastern Europe, general manager for Portugal, and as a member of the management board from 1995 to 1996. In 1996, he then joined VEBA OEL AG as a member of the management board. In 1998, he was appointed chairman of the management board of Stinnes AG (formerly part of the VEBA Group). He remained a member of the management board of the VEBA Group throughout this time, until 2000. In 2003, Dr. Bernotat joined E.ON SE (formerly E.ON AG, a power utilities supplier that came into existence in 2000 through the merger of energy companies VEBA AG and VIAG AG), where he served as chairman of the management board until 30 April 2010. In 2011, Dr. Bernotat founded the mentoring company Bernotat & Cie. GmbH, of which he is a managing director and partner.

Alongside his office as the chairman of the Guarantor's Supervisory Board, Dr. Bernotat is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Allianz SE (deputy chairman of the supervisory board);
- Bernotat & Cie. GmbH (managing director);
- Bertelsmann SE & Co. KGaA (member of the supervisory board);
- Bertelsmann Management SE (member of the supervisory board);
- Deutsche Telekom AG (member of the supervisory board); and
- Metro AG (member of the supervisory board).

Previously:

- E.ON SE (chairman of the management board);
- E.ON Energie AG (chairman of the supervisory board);
- E.ON Ruhrgas AG (chairman of the supervisory board);
- E.ON Nordic AB (chairman of the supervisory board);
- E.ON Sverige AB (chairman of the supervisory board); and
- E.ON US Investment Corp. (chairman of the supervisory board).

Other than listed above, Dr. Bernotat has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Dr. Edgar Ernst was born in 1952 in Oberlahnstein, Germany. He studied mathematics and business administration at the University of Cologne and received his master's degree in 1977. From 1977 to 1980, he studied Operations Research at the University of Aachen and obtained a Master's degree in 1980. In 1982, he received his PhD in Economics. From 1983 to 1986, Dr. Ernst worked as a management consultant for McKinsey & Company. From 1986 to 1990, he was the executive director of corporate development at Quelle, Gustav Schickedanz KG. From 1990 to 2007, Dr. Ernst held various positions at Deutsche Post AG, beginning with his position as executive director of planning

and controlling, and moving on to become a member of the board and the chief financial officer of Deutsche Post AG from 1991 to 2007. Since 2011, Dr. Ernst has been the president of the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*) (DPR).

In 2007, Dr. Ernst was appointed honorary professor for economics at the WHU Otto Beisheim School of Management, Vallendar.

Alongside his office as a member of the Guarantor's Supervisory Board, Dr. Ernst is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Deutsche Prüfstelle für Rechnungslegung DPR e.V. (president);
- Deutsche Postbank AG (member of the supervisory board);
- DMG MORI SEIKI AG (member of the supervisory board);
- TUI AG (member of the supervisory board); and
- Wincor Nixdorf AG (member of the supervisory board).

Previously:

- Österreichische Post AG (member of the supervisory board).

Other than listed above, Dr. Ernst has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Hildegard Müller was born in 1967 in Rheine, Germany. She began her career as an apprentice at Dresdner Bank AG from 1987 to 1989, and then proceeded to study business administration at the Heinrich-Heine University in Düsseldorf from 1989 to 1994. In 1995, Ms. Müller returned to Dresdner Bank AG, where in the end she worked as a division manager. From 1998 to 2002, Ms. Müller was the federal chairwoman of the Young Union (*Junge Union*), the youth organisation of Germany's Christian Democrats. She represented Düsseldorf in the German Federal Parliament (*Bundestag*) from 2002 until 2008. In 2005, she was appointed Minister of State in the Federal Chancellery (*Staatsministerin bei der Bundeskanzlerin*), where her responsibilities included coordinating the cooperation between Germany's federal and state governments, as well as managing the efforts to reduce bureaucracy and administrative burdens. In October 2008, Ms. Müller resigned as Minister of State in the Federal Chancellery and as Member of Parliament in order to become chairwoman of the executive board of the German Federation of Energy and Water Management (*Bundesverband der Energie- und Wasserwirtschaft - BDEW*).

Alongside her office as a member of the Guarantor's Supervisory Board, Ms. Müller is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Bundesverband der Energie- und Wasserwirtschaft (chairwoman of the executive board);
- Verbundnetz GasAG (member of the advisory board); and
- HSBC Trinkaus & Burkhardt (member of the advisory board).

Previously:

- WestLB AG (member of the supervisory board); and
- ERGO AG (member of the advisory board).

Other than listed above, Ms. Müller has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Clara-Christina Streit was born in 1968 in Syracuse, New York (USA). In 1991, she completed her master's degree in Business Administration at the University of St. Gallen, Switzerland. She began her career as a consultant at McKinsey & Company in 1992, and has held various positions at McKinsey & Company since. She was elected to principal (partner) in 1997 and to director (senior partner) in 2003. Since 2012, she has acted as senior advisor to McKinsey & Company. Ms. Streit specialises in financial institutions consulting. In 2011, Ms. Streit became a member of the supervisory board of Vontobel Holding, Switzerland. In 2013, she was elected to the supervisory board of Delta Lloyd N.V., The Netherlands, and became an adjunct professor of management at the Lisbon MBA, Nova and Catolica Universities in Lisbon, Portugal. In 2014, she was elected to the board of directors of Coface SA, Paris, France.

Alongside her office as a member of the Guarantor's Supervisory Board, Ms. Streit is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Coface SA (member of the board of directors);
- Delta Lloyd N.V. (member of the supervisory board); and
- Vontobel Holding AG (member of the board of directors).

Previously:

- McKinsey & Company (partner).

Other than listed above, Ms. Streit has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Prof. Dr. Klaus Rauscher was born in 1949, in Lorenzreuth, Germany. He studied law at the University of Erlangen from 1968 to 1971 and in 1975 received his Doctorate in Law. From 1975 to 1988, Prof. Dr. Rauscher served in the Bavarian Ministry of Finance, later as director of the Department of Economics. From 1988 to 1990, he was Minister of the Bavarian State Chancellery. From 1991 to 2001, Dr. Rauscher was a member of the management board of the Bayerische Landesbank. In 2001, he was appointed chairman of the management board at HEW (Hamburg's electricity supplier) and from 2002 to 2007, he served as chief executive officer at Vattenfall Europe AG (successor of HEW after a merger with eastern German utilities companies).

In 2007, Dr. Rauscher was appointed honorary professor for mechanical engineering at the Technical University of Dresden.

Alongside his office as a member of the Guarantor's Supervisory Board, Dr. Rauscher is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Stiftung Berliner Philharmoniker (member of the supervisory board);
- Drägerwerk AG & Co. KGaA (member of the supervisory board);
- Dräger Medical GmbH (member of the supervisory board);
- Dräger Safety GmbH (member of the supervisory board); and
- Drägerwerk Verwaltungs AG (member of the supervisory board).

Previously:

- EnDi AG (chairman of the supervisory board); and
- ThyssenKrupp Technologies AG (member of the supervisory board).

Other than listed above, Prof. Dr. Rauscher has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Manuela Better was born in 1960 in Munich, Germany. She studied economics at the University of Munich. Ms. Better obtained her diploma in economics in 1988. From 1988 until 1998, Ms. Better worked for Bayerische Vereinsbank AG. All positions she held during her time at Bayerische Vereinsbank AG were related to international real estate financings. In 1994, Ms. Better became head of international real estate finance at Bayerische Vereinsbank AG. From 1998 until 2003, Ms. Better worked for FGH Bank, a wholly-owned subsidiary of HypoVereinsbank, eventually as a member of the management board. From 2004 until mid 2014, Ms. Better worked for various entities of the Hypo Real Estate Group, eventually as member of the management board of Hypo Real Estate Holding AG and pbb Deutschen Pfandbriefbank. From 2010 until June 2014, she functioned as chief executive officer of Hypo Real Estate Holding AG.

Alongside her office as member of the Guarantor's Supervisory Board, Ms. Better is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Dr. Ingrid Better Vermögensverwaltungs GmbH & Co. KG (managing director);
- AXA Konzern AG (member of the supervisory board); and
- Deutschen EuroShop AG (member of the supervisory board).

Previously:

- Hypo Real Estate Holding AG (chief executive officer);
- pbb Deutsche Pfandbriefbank AG (member of the management board); and
- Depfa plc Dublin (executive and non-executive board member).

Other than listed above, Ms. Better has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Dr. Florian Funck was born in 1971 in Duisburg, Germany. He studied economics at the University of Münster. Dr. Funck obtained his diploma in economics in 1994 and received his doctorate in 1998. From 1999, Dr. Funck began his career at Franz Haniel & Cie. GmbH, *inter alia*, in the areas of group accounting, controlling of participations as well as risk management. From 2004 until 2011, Dr. Funck was member of the management board of TAKKT AG responsible for controlling and financing. Since September 2011, Dr. Funck has been a member of the management board of Franz Haniel & Cie. GmbH responsible for controlling, accounting, tax and financing.

Alongside his office as a member of the Guarantor's Supervisory Board, Dr. Funck is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Franz Haniel & Cie. GmbH (member of the management board);
- TAKKT AG (member of the supervisory board); and
- Metro AG (member of the supervisory board).

Previously:

- Celesio AG (member of the supervisory board);
- Smart Loyalty AG (member of the supervisory board); and
- TAKKT AG (member of the management board).

Other than listed above, Dr. Funck has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

Christian Ulbrich was born in 1966 in Hamburg, Germany. He studied economics at the University of Hamburg. In 1982, Mr. Ulbrich began his career at Bank Mees & Hope NV, where he last held the position as head of commodity finance. From 1992 until 1994, he served as head of the corporate clients division and deputy manager of the Hamburg branch of Rabobank Deutschland AG. From 1995 until 1997, he was the chief executive officer of Bank Companie Nord AG. Thereafter, from 1997 until 2005, he acted as the chairman of the board of managing directors of HIH Hamburgische Immobilien Handlung GmbH. He then joined Jones Lang LaSalle EMEA as a chief executive officer. Since 2009, he has also been a member of the global executive board of Jones Lang LaSalle Inc.

Alongside his office as member of the Guarantor's Supervisory Board, Mr. Ulbrich is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Currently:

- Jones Lang LaSalle EMEA (chairman of the management board (CEO));
- Jones Lang LaSalle Inc. (member of the management board);
- IRE|BS International Real Estate Business School (member of the advisory board); and
- Zentraler Immobilien Ausschuss e.V. (member of the board).

Other than listed above, Mr. Ulbrich has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Group within the last five years.

The members of the Supervisory Board can be reached at the Guarantor's office at Philippsstraße 3, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

Supervisory Board Committees

Under the Articles of Association, the Supervisory Board may form committees from among its members. Under the Supervisory Board's rules of procedure (Sections 8 through 11), the Supervisory Board shall form an Audit Committee, an Executive and Nomination Committee and a Finance Committee. Other committees may be formed, if necessary. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law. The following committees have been established by the Supervisory Board:

The **Audit Committee** (*Prüfungsausschuss*) is concerned, in particular, with the oversight of the Guarantor's accounting process and the effectiveness of its internal control system, internal auditing system, as well as the audit of the annual financial statements, including required independence of the auditor and additional services provided by the auditor, the conclusion of audit agreements with the auditor, setting focus points for the audit and agreeing audit fees and - unless another committee is entrusted therewith - compliance. It shall prepare the Supervisory Board's resolutions on the annual financial statements (including group statements) and the Supervisory Board's proposal to the general shareholders' meeting upon the election of the auditor, and the instruction of the auditor. The chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting standards and internal control processes. Furthermore, the

chairman of the Audit Committee shall be independent and may not be a former member of the Management Board whose appointment ended less than two years prior to his appointment as chairman of the Audit Committee.

The current members of the Audit Committee are:

Name	Responsibilities
Dr. Edgar Ernst.....	Chairman
Dr. Wulf H. Bernotat.....	Member
Dr. Florian Funck	Member
Christian Ulbrich	Member

In accordance with Section 107(4) German Stock Corporation Act (*Aktiengesetz*), the Guarantor is required to have at least one independent member of the audit committee with expertise in the fields of accounting or auditing within the meaning of Section 100(5) German Stock Corporation Act (*Aktiengesetz*). Members of the Supervisory Board and the audit committee are considered to be independent if such members have no business or personal relations with the Guarantor, its Management Board, controlling shareholders or related parties, which could cause a substantial and not merely temporary conflict of interest. As concerns the Supervisory Board and audit committee of the Guarantor, Dr. Ernst and Dr. Bernotat are considered to possess the respective expertise and independence.

The **Executive and Nomination Committee** (*Präsidial- und Nominierungsausschuss*) shall debate key issues and make proposals to the Supervisory Board with respect to the appointment and revocation of members of the Management Board and with respect to their respective remuneration and reductions in remuneration. They make recommendations to the Supervisory Board for Supervisory Board proposals to the shareholders' meeting with respect to the election of Supervisory Board members. Furthermore, the Executive and Nomination Committee is responsible for the establishment of or material amendment to existing employee participation and incentive programmes. The Executive and Nomination Committee shall consist of the chairman of the Supervisory Board, and three additional members to be elected by the Supervisory Board. The chairman of the Supervisory Board shall be the chairman of the Executive Committee and Nomination Committee.

The current members of the Executive and Nomination Committee are:

Name	Responsibilities
Dr. Wulf H. Bernotat.....	Chairman
Hildegard Müller	Member
Prof. Dr. Klaus Rauscher.....	Member
Clara-Christina Streit.....	Member

The **Finance Committee** (*Finanzausschuss*) shall prepare the Supervisory Board's resolutions on the financial and investment policy, including the capital structure of Group companies and the payment of dividends as well as on the general acquisition and divestiture policy including the acquisition and sale of individual participations of strategic importance. The Finance Committee shall further resolve on: (i) the Guarantor's financial strategy and the general guidelines and policies for implementing this strategy including the management of foreign exchange, interest rate, liquidity and other financial risks and the management of credit risk, (ii) the raising of external financing by any member of the Group and/or the issuance of guarantees by any member of the Group on behalf of other members of the Group (in each case) in an amount ranging from €100 million to €200 million, (iii) the granting of securities, guarantees and indemnities (or any other form of contingent commitment) and the issuance of letters of comfort or declarations of patronage or commitment by any member of the Group on behalf of third parties, with the exception of securities, guarantees, and letters of comfort or declarations of patronage or commitment given in the ordinary course of business, as well as the assumption of contractual liabilities of third parties by any member of the Group in an amount ranging from €20 million to €50 million, (iv) the approval of investments or divestments within the Group in an amount ranging from €20 million to €50 million for individual transactions, (v) the formation or liquidation of companies and partnerships and the purchase or sale of shares or of

businesses, if the value (including the assumptions of liabilities) per transaction amounts to between €20 million and €50 million, (vi) the purchase or sale of land, or rights equivalent to title rights in real estate, if the volume of the investment or disinvestment is between €20 million and €50 million and (vii) the acquisition and divestiture of material corporate premises, amounts to between €5 million and €10 million. In addition to the thresholds stated for individual transactions, the internal rules of procedure of the Supervisory Board also provide for aggregate thresholds for series of linked transactions in a fiscal year. The Finance Committee shall consist of the chairman or the deputy chairman of the Supervisory Board and three additional members to be elected by the Supervisory Board.

The current members of the Finance Committee are:

Name	Responsibilities
Clara-Christina Streit.....	Chairwoman
Dr. Wulf H. Bernotat.....	Member
Manuela Better	Member

Remuneration of the Members of the Supervisory Board

The remuneration of the Supervisory Board members is regulated by Section 13 of the Articles of Association and is comprised of fixed annual payments. The Supervisory Board members' remuneration takes into account the responsibilities and scope of their activities as well as the economic situation of the Guarantor. The members of the Supervisory Board receive an annual fixed payment of €100,000. The chairman of the Supervisory Board receives twice the amount and the deputy chairman of the Supervisory Board receives one and a half times this amount. Besides this, the Audit Committee members receive an additional annual fixed compensation in the amount of €40,000, the Executive and Nomination Committee in the amount of €20,000 and the Finance Committee members in the amount of €20,000; the chairperson will, in each case, receive twice the amount. The total remuneration payable to Supervisory Board members (including any compensation for the membership in supervisory boards and similar controlling bodies of Group companies) is capped at €300,000 per Supervisory Board member per calendar year.

Supervisory Board members are also reimbursed for their out-of-pocket expenses and are covered by D&O insurance as described under “—Business—Insurance Coverage”.

In fiscal year 2013, the aggregate remuneration and reimbursements of the Supervisory Board, which went through changes in terms of its composition during the past three years, totalled €639,316.67 (for 2012: €194,000 and for 2011: €237,000).

Shareholdings of the Supervisory Board Members

As of the date of this Prospectus, Ms. Streit directly holds 200 shares in the Guarantor.

Certain Information Regarding the Members of the Management Board, Supervisory Board and Senior Management

In the last five years, no member of the Management Board, Supervisory Board or Senior Management has been convicted of fraudulent offences. In the last five years, no member of the Management Board, Supervisory Board or Senior Management has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board, Supervisory Board or Senior Management, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of either board or any member of the Senior Management 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 at least the previous five years.

There are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board and the members of the Senior Management *vis-à-vis* the

Guarantor and their private interests, membership in governing bodies of companies, or other obligations.

Neither of the Management or Supervisory Board members nor the members of the Senior Management have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office. The Guarantor only provides for severance payments to its executives in the case of an early termination of the service agreement (including, amongst others, a termination following a change of control), which, under all circumstances, are capped at the amount of compensation owed under the remaining contractual term of the respective service agreement. With the exception of Mr. Buch, the members of the Management Board and the members of the Senior Management are not bound by non-compete obligations following the end of their office and the termination of their service agreements, it being understood that the members of the Management Board and Senior Management participate in long-term incentive plans, whose full or partial pay-out was triggered upon the commencement of trading and having been further replaced by new Incentive-Plans or continued old long-term incentive plans (see “—Long-Term-Incentive-Programmes”).

There are no family relationships between the members of the Management Board, the Supervisory Board and the Senior Management, either among themselves or in relation to the members of the other body.

General Shareholders' Meeting

Pursuant to Article 54(1) SE-Regulation (*SE-Verordnung*), the annual general shareholders' meeting takes place within the first six months of each fiscal year and must be held, as the convening body shall decide, at the Guarantor's registered office or in a German city with more than 100,000 residents, pursuant to Articles 53 and 54(2) SE-Regulation (*SE-Verordnung*) together with Section 175 German Stock Corporation Act (*Aktiengesetz*) and the Articles of Association. Except where other persons are authorised to do so by law and by the articles of association, the general shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the general shareholders' meeting; the day of the meeting itself and the day of the receipt of the notice not being included when calculating this period.

A general shareholders' meeting may also be convened by the Management Board, the Supervisory Board, or may be requested by shareholders whose shares collectively make up 5% of the capital stock. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose shares collectively make up 5% of the capital stock, a general meeting is not held in due time, the competent local court may authorise the shareholders who have requested it or their representatives to convene a general meeting.

Pursuant to the Articles of Association, shareholders are entitled to participate in the general shareholders' meeting and to exercise their voting rights only if they are registered in the Guarantor's shareholder register, and if their application for participation is received by the Guarantor by the end of the sixth day prior to the date of the general shareholders' meeting, unless a shorter period of time was set forth in the convocation of the general shareholders' meeting, in text form in the German or English language, the day of the meeting itself with the day of the receipt of the notice not being included when calculating this period. The chairman of the general shareholders' meeting is authorised to permit the transmission of the shareholders' meeting, participation in resolutions and the exercise of the shareholders' other rights via electronic or other media where this is legally permitted. Voting rights may be exercised by proxy. The grant of a proxy, revocation or proof of power of attorney to the Guarantor must be in text form, facilitations of which may be granted in the notice. Such facilitations may be limited to the proof of power of attorney to the proxies nominated by the Guarantor. The Guarantor will provide at least one electronic method by which such proof of proxy may be submitted. The Management Board is authorised to enable shareholders to exercise all or specific rights wholly or in part by electronic means of communication without being present in person or through an authorised

representative. The Management Board is further authorised to enable shareholders to cast their votes without participating in person in the general shareholders' meeting, in writing or by electronic means of communication (*Briefwahl*). If the Management Board makes use of this authority, it must fix the details and list them in the invitation to the general shareholders' meeting.

Each share entitles its holder to one vote at the general shareholders' meeting. Unless otherwise stipulated by mandatory statutory provisions or provisions of the Articles of Association, resolutions of the general shareholders' meeting are adopted by a simple majority of the votes cast or, if a capital majority is required in addition to a majority of votes, a simple majority of the registered share capital represented at the meeting is sufficient, to the extent that this is legally possible.

According to Articles 5, 57 and 59 SE-Regulation (*SE-Verordnung*), and Section 51 German SE Implementation Act (*SE-Ausführungsgesetz*), together with the current version of the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include:

- amendments, other than editorial amendments, to the Articles of Association;
- approval of contracts within the meaning of Section 179a German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the general shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorised capital;
- issuance of, or authorisation to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorisation on the use of treasury stock;
- capital reductions;
- withdrawal of shares pursuant to Article 5 SE-Regulation together with Section 237 para. 2 German Stock Corporation Act (*Aktiengesetz*);
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

Corporate Governance

The German Corporate Governance Code, as amended on 24 June 2014, (the “**Code**”) makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognised standards of good, responsible governance. The Code contains recommendations (“shall provisions”) and suggestions (“should provisions”) for corporate governance in relation to shareholders and the general shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. The Code's recommendations or suggestions are not obligatory, although deviations from the

recommendations (but not from the suggestions) are required to be published by the management board and the supervisory board of listed companies in an annual announcement. This announcement regards whether or not the recommendations in the Code were complied with and are complied with, or explains which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance. The declaration of compliance regarding the Code must be publicly available on the Guarantor's website at all times. The current version of the Code was adopted on 24 June 2014 and published in the German Federal Gazette (*Bundesanzeiger*) on 30 September 2014.

Since the listing of the shares of the Guarantor on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange in July 2013, the Guarantor is obligated to issue a declaration relating to the Code.

The Guarantor currently complies with and intends to further comply with all recommendations in the Code.

Long-Term-Incentive-Programmes

Management Board Members

The pre-IPO long-term incentive plan (the “**Pre-IPO LTIP**”) was replaced concurrently with the IPO. In settlement of all claims arising out of or in connection with the Pre-IPO LTIP, the Management Board members were paid a one-off remuneration of €6.2 million. Of this amount, €2.3 million were paid to Mr. Buch, €1.7 million were paid to Mr. Freiberg and €2.2 million were paid to Dr. Kirsten. Furthermore, the Management Board members received a one-off compensatory payment totalling €300,000. Of this amount, €200,000 were paid to Mr. Buch and €50,000 were paid to each of Mr. Freiberg and Dr. Kirsten. In connection with the termination of the Pre-IPO LTIP the Management Board members undertook to purchase a total of 171,424 shares in the Guarantor at the IPO subscription price (*i.e.*, at €16.5 per share). Accordingly, Mr. Buch acquired 74,333 shares in the Guarantor, Mr. Freiberg acquired 50,000 shares in the Guarantor and Dr. Kirsten acquired 47,091 shares in the Guarantor. These shares have full dividend and voting rights but their disposal is restricted until the end of the respective Management Board member's employment contract. The *pro rata* income tax totalling €271,463.74 (Mr. Buch: €123,899.04, Mr. Freiberg: €75,036.59, Dr. Kirsten: €72,528.11) was paid by the Guarantor as a fringe benefit.

Beginning with the commencement of trading of the Guarantor's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Pre-IPO LTIP was replaced by a new long-term incentive agreement (the “**New LTIP**”). Under this compensation scheme, Mr. Buch received 400,000 stock appreciation rights in the Guarantor and each of Mr. Freiberg and Dr. Kirsten received 265,515 stock appreciation rights in the Guarantor. The stock appreciation rights are vested in five-year tranches of 20% of the granted total number of shares, the first vesting occurred on 28 February 2014 for Mr. Buch and the anniversary of the commencement of trading for Mr. Freiberg and Dr. Kirsten. The cash settlement amounts are determined from the product of the number of shares per tranche, the market value per share (taking into consideration the dividend payment in the period between IPO and the payment date) and the level of achievement for the respective calculation period. The possible achievement may range in total between 90% and 110%. The defined key performance indicators of the achievement as well as their influencing factors are presented below.

Key performance indicator	Definition
AFFO percentage	Defined as the actual AFFO as calculated by the Group for the relevant year against the AFFO target for the same year in the Group's internal five year plan.
Total Shareholder Return (“ TSR ”) percentage	Defined as the Group's TSR per share for the relevant year against the average TSR per share of listed German peers over the same period (and weighted by their average market capitalisation over the relevant period). TSR per share is calculated on the basis of the

Key performance indicator	Definition
NAV percentage	share price at the end of the relevant year (taking into account any dividend pay-outs) compared to the share price at the beginning of such year. The listed German peer group ("Comparator Group") is comprised of Deutsche Wohnen AG, the Target, GSW Immobilien AG, LEG Immobilien AG and TAG Immobilien AG. Defined as the growth of the Guarantor's EPRA NAV per share for the relevant year against the average growth of the net asset values per share of the Comparator Group for the same year (weighted by their average market capitalisation over the relevant period).

The performance percentage for the respective tranche is calculated by summing up the weighted AFFO percentage, TSR percentage and NAV percentage, divided by three. Vested tranches are paid out on each subsequent vesting date. Under certain circumstances, Management Board members may lose their entitlements under the New LTIP.

Key Employees below Management Board Level

The Guarantor has introduced different incentive programmes for key employees below the Management Board level.

In 2007, the Guarantor introduced a long-term incentive plan for its top 25 employees below the Management Board level ("**LTIP 25**"), that was succeeded by a comparable long-term incentive plan in 2010 ("**LTIP 2010**"). Both programmes each have a term of seven years and each year a specified amount of the total bonus payable under the plan accrues. Based on their individual performance in the preceding year, participants are annually classified into three classes, each class having different annual bonus entitlements. Under the LTIP 25, the bonus will be distributed to the plan participants upon expiry of the programme or upon the occurrence of defined events. 33% of the accumulated bonuses saved up by the date of the IPO were paid out to the plan participants. Pursuant to the LTIP 2010, the total amount of the accrued bonuses became due and payable immediately after the commencement of trading following the Guarantor's IPO. Five years thereafter, or by the expiry date of the LTIP 2010 at the latest, the bonuses that have accumulated since the IPO will become due. As of 30 September 2014, the LTIP 25 comprised one beneficiary, whereas the LTIP 2010 comprised three beneficiaries.

After the IPO, the Guarantor introduced a long-term incentive pay-out plan for the aforementioned group of people under the Management Board who previously did not or no longer participate in one of the aforementioned LTIPs ("**New Management LTIP**"). The New Management LTIP programme mostly replaces the LTIP 25 and LTIP 2010.

The terms and conditions of the New Management LTIP are modelled on the terms and conditions of the New Management Board LTIP. The term of the New Management LTIP is three years.

The target achievements will be determined annually with three equal weighted targets AFFO, NAV, TSR capped at 150% for every target. The conjunction is additive over the three-year-run-time.

As of 30 September 2014, the Guarantor had recognised provisions in the aggregate amount of €6.0 million for the aforementioned LTIPs.

Shareholder Structure

The Guarantor's share capital as of the date of this Prospectus amounts to €271,622,425.00 divided into 271,622,425 ordinary registered shares with no par value (*Stückaktien*).

On the basis of the notifications received by the Guarantor as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to

information provided by the respective shareholders, the following shareholders directly or indirectly hold more than 3% of the Guarantor's ordinary shares as of the date of this Prospectus. The percentage values shown in the table below are based on the amount of voting rights last notified to the Guarantor by the respective shareholder in relation to the Guarantor's share capital as of the date of this Prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Guarantor without requiring the relevant shareholder to submit a corresponding voting rights notification if no notifiable thresholds have been reached or crossed:

Shareholder	Actual (direct or indirect) ownership of Deutsche Annington Immobilien SE
	Share of voting rights (in %)
Abu Dhabi Investment Authority ⁽¹⁾	11.85
Norges Bank ⁽²⁾	7.82
The Wellcome Trust Ltd.	6.68
BlackRock ⁽³⁾	6.01
Sun Life Financial ⁽⁴⁾	3.12
Total	35.48

(1) The shares are directly held by HIP Company Ltd. The voting rights of such shares are attributed to the Abu Dhabi Investment Authority pursuant to Section 22 para. 1 sent. 1 no. 1 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*).

(2) Norges Bank is the Central Bank of Norway and its voting rights are attributed to the State of Norway pursuant to Section 22 para. 1 sent. 1 no. 1 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*).

(3) 6.01% of the voting rights of the Guarantor are attributed to BlackRock, Inc. pursuant to Section 22 para. 1 sent. 1 no. 1, 2 and 6 in connection with sent. 2 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*). Such voting rights are further attributed to the following companies in varying amounts pursuant to different provisions of Section 22 para. 1 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*): BlackRock Holdco 2, Inc. (5.90%); BlackRock Financial Management, Inc. (5.02%); BlackRock Advisors Holdings, Inc. (4.71%); BlackRock International Holdings, Inc. (4.71%); BR Jersey International Holdings L.P. (4.71%); BlackRock Group Limited (4.66%); BlackRock Luxembourg Holdco S.à.r.l. (3.10%); and BlackRock Investment Management (UK) Limited (3.02%).

(4) Sun Life Financial Inc.; Sun Life Global Investments Inc.; Sun Life Assurance Company of Canada - U.S. Operations Holdings, Inc.; Sun Life Financial (U.S.) Holdings, Inc., Sun Life Financial (U.S.) Investments LLC; Sun Life of Canada (U.S.) Financial Services Holdings, Inc. are each attributed 3.12% of voting rights pursuant to Section 22 para. 1 sent. 1 no. 6 in connection with sent. 2 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*). Massachusetts Financial Services Company (MFS) is attributed 2.85% of voting rights of the Guarantor pursuant to Section 22 para. 1 sent. 1 no. 6 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) and 0.265% (*i.e.*, a total of 3.12%) pursuant to Section 22 para. 1 sent. 1 no. 6 in connection with sent. 2 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*).

Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in the Guarantor, hold the remaining 64.52% of the shares of the Guarantor.

All of the Guarantor's shares confer the same voting rights.

Material Investments since last published Financial Statements

Except as described under “*Description of the Issuer—Recent Developments*”, the Guarantor has made no material investments since the date of its last published financial statements and, as at the date of this Prospectus, its management has made no firm commitments on such material investments in the future.

Recent Developments and Outlook

The purchase agreement concluded with CitCor for 5,000 residential units and 210 commercial units was partially rescinded in December 2014. At the same time in December 2014, CitCor agreed to a purchase agreement for 94.9% of certain property holding companies. Both contracts are expected to be closed on 1 April 2015 (see “—*Material Contracts—Contracts Related to Recent Acquisitions—Franconia Transaction*”).

In October 2014, Deutsche Annington completed the acquisition of the Vitus Group. In this context, the Guarantor increased its share capital of €240,242,425 by €11.78 million to €252,022,425

to partially finance the acquisition. The 11,780,000 shares were issued to the sellers of parts of the Vitus Group Portfolio against contributions of certain shares and assets of the Vitus Group. Further, Deutsche Annington entered into a purchase agreement regarding the properties of the part of the Vitus Portfolio located in North Rhine-Westphalia with 9,600 residential units with a wholly-owned subsidiary of LEG Immobilien AG. This transaction closed on 23 October 2014. The total volume of the disposal amounted to €484 million (including transaction costs). With the net proceeds from the disposal that amounted to approximately €475 million, Deutsche Annington repaid existing financial liabilities under the Term Loan 2014 (see “—Material Contracts—Contracts Related to Recent Acquisitions Takeover of the Vitus Group—Acquisition of the Vitus Group” and “—Material Contracts—Contracts Related to Recent Acquisitions—Sale of the Leopard Portfolio” as well as Note 3 to the unaudited condensed consolidated interim financial statements of the Guarantor for the nine-month period ended 30 September 2014). The revolving credit facility drawn on 30 September 2014 in the amount of €124.7 million was fully repaid in October 2014. At the time of the publication of the Takeover Offer, the utilised guarantees decreased by €0.6 million to €4.7 million. In November 2014, the Guarantor issued 19,600,000 new no-par value shares in a private placement at an issue price of €23.00 per share placed with institutional investors through an accelerated bookbuilding process. The Guarantor received proceeds of €450.8 million before commissions and fees.

The overall objective of the Group in fiscal year 2014 was on the expansion of its leading position in the market for affordable housing in Germany. Deutsche Annington has pursued this goal, in particular, by acquiring the DeWAG portfolio, the Retained Vitus Portfolio and the CitCor Portfolio (closing pending). In addition, Deutsche Annington has adjusted its organisational structures to meet the needs of its customers even better, and further optimised its cost structure. For its “Sales” segment, it is expected that the number of apartment sales will be lower than in fiscal year 2013, as Deutsche Annington is expected to sell between 2,000 and 2,100 residential units from the “Privatise” portfolio in the fiscal year 2014 with a Fair Value step-up of approximately 35%. In addition, to further support the streamlining of its portfolio, Deutsche Annington plans to pursue the sale of residential units from the “Non-Core” segment at market values.

While the monthly in-place rent per sqm on 30 September 2014 (including the DeWAG acquisition) was €5.59 per sqm, it is expected to slightly decrease due to the additional inclusion of the Retained Vitus Portfolio at the year end. For the nine-month period ended 30 September 2014, the increase of the monthly in-place rent on a like-for-like basis, *i.e.*, without changes in the portfolio of the Guarantor over the previous year, is 2.3%. It is anticipated that an increase in the monthly in-place rent on a like-for-like basis at the end of 2014 is between 2.3 and 2.6%. Deutsche Annington continues to expect that the vacancy rate at the end of fiscal year 2014, as in the end of the fiscal year 2013, will be about 3.5%. All in all, the Group expects that the rental income – taking into account the acquired DeWAG holdings and the Retained Vitus Portfolio – will be around €785 million.

The ongoing investment programme with the goal of improving its housing stock continues to prove successful. Deutsche Annington focuses on improving its holdings continuously and sustainably. The €160 million comprehensive modernisation programme for 2014 is almost complete; in the fiscal year 2015, Deutsche Annington plans to invest more than €200 million. At the turn of the year, Deutsche Annington expects to have renovated 10,000 apartments for energy efficiency and another 3,000 units to meet the need of elderly people. This means that the ratio of renovations for energy efficiency in the fiscal year 2014 will increase to more than 3.0%. This amounts to approximately €330 million in modernisations and maintenance of the real estate portfolio of the Group for energy efficiency during that time span.

Deutsche Annington expects that the interest expense FFO will move roughly in of the same increment as in the previous year. Taking into account the purchases and sales during the fiscal year 2014, Deutsche Annington expects that the FFO I for the fiscal year 2014 lies in the span of €280 million to €285 million and will improve in the fiscal year 2015 (taking into account the planned April 2015 acquisitions as part of the Franconia transaction) from €340 million to €360 million.

Through developments of market prices for residential properties in the biggest prime locations in Germany, such as, *inter alia*, Berlin, Munich and Hamburg, the outlook of the Guarantor remains very positive through the end of 2014. In particular, prices are rising faster than rents. Due to this effect, it is possible that the valuation of investment properties of the Guarantor in the fourth quarter of 2014 will result in a percentage increase that is higher than the realised rent increases.

On 1 December 2014, the Guarantor published its intention for a takeover bid to the Gagfah Shareholders for all Gagfah Shares through a combined cash and exchange offer.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2013.

There has been no significant change in the financial or trading position of the Guarantor since 30 September 2014.

OVERVIEW OF THE TAKEOVER OFFER

On 1 December 2014, the Guarantor announced its intention to launch the Takeover Offer for the acquisition of all Gagfah Shares. The information provided in this section regarding the Target and Gagfah are – with the exception of details provided on the Business Combination Agreement – solely based on publicly available sources, given that Deutsche Annington did not have access to non-public information of Gagfah.

Description of Gagfah

Business

The Target is a stock corporation with a statute of a securitisation company (*Société Anonyme de titrisation*) established under the law of the Grand Duchy of Luxembourg. The Target's business consists of, in particular, the securitisation of rights, particularly in connection with the properties owned by the Target's German subsidiaries. The Target and its subsidiaries form Gagfah, which is by its own account one of the leading owners and managers of residential real estate in Germany. The Target is the ultimate parent company of the group. The core business of the operating subsidiaries of the Target comprises the holdings, management, acquisition and selective sales of residential property in Germany.

Portfolio

According to its own assessment, the real estate portfolio of Gagfah comprised 140,465 residential units, 1,550 commercial units as well as 28,986 garages, four residential care facilities for the elderly and 4,740 other units as of 30 September 2014. The total residential floor space amounted to approximately 8.5 million sqm. As of 30 September 2014, the average net cold rent for the total portfolio amounted to €5.33 per sqm. As of that reference date, the vacancy rate for residential units was 3.6%.

The residential portfolio of Gagfah consists of a "Core Portfolio" and a "Regional Non-Core Portfolio". The "Core Portfolio" primarily includes the "Top 30 Cities", a group of the largest and larger cities in Germany and their catchment areas as determined by Gagfah. As of 30 September 2014, approximately 89.5% of the residential units of the total residential portfolio were included in the "Core Portfolio", which at that date accounted for over 92% of the value of the total residential portfolio. The remaining approximate 8% of the total portfolio value forms the "Regional Non-Core Portfolio". According to information in the consolidated financial statements as of and for the year ended 31 December 2013, Gagfah intends to divest the "Regional Non-Core Portfolio" in the medium term.

The external real estate property appraiser CBRE conducts a periodic valuation of Gagfah's portfolio for Gagfah based on a DCF model. According to this valuation, Gagfah's real estate portfolio had a total value of €7,643.6 million as of 30 September 2014.

Share Capital

As of 28 November 2014, the Target's share capital amounted to €269,940,693.75 and was divided into 215,952,555 registered shares of the Target in a nominal amount of €1.25 each. According to its own statements, as of 30 September 2014, the Target thereof held 459,057 shares as treasury shares.

As of the date of this Prospectus, Gagfah had outstanding convertible bonds with a total nominal amount of €375 million (final maturity 20 May 2019). Based on the current conversion price of €15.50, the full exercise of all conversion rights would result in the issuance of up to 24.2 million shares and would therefore increase the total number of outstanding Gagfah Shares by approximately 11.2%.

The Gagfah Shares are listed on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-

segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

History

Gagfah was established in 1918 as a non-profit housing company under the name “Gemeinnützige Aktiengesellschaft für Angestellten-Heimstätten“. As a result of the German Act on the Transfer of Non-Profit Housing in the General Housing Market (*Gesetz zur Überführung der Wohnungsgemeinnützigkeit in den allgemeinen Wohnungsmarkt*) it was converted to a trading company in 1990. In 2004, the former German Federal Insurance Agency for Employees (*Bundesversicherungsanstalt für Angestellte*) sold its stake in Gagfah to an investment company and management company of private equity funds. Gagfah’s residential portfolio doubled as result of the acquisition of residential real estate portfolios of NordLB in 2005 and of the City of Dresden in 2006 as well acquisitions of small portfolios. In the autumn of 2006, Gagfah went public on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) following the conversion into a joint stock corporation under the laws of the Grand Duchy of Luxembourg.

Website

Additional publicly available information regarding the Target and Gagfah is available on the Target’s website under www.gagfah.com.

Business Combination Agreement

On 1 December 2014, the Management Board and the board of directors of the Target concluded a business combination agreement concerning the merger of both companies (the “**Business Combination Agreement**”). Dr. Wulf Bernotat and Mr. Gerhard Zeiler, as guarantors, will monitor compliance with the Business Combination Agreement. The Business Combination Agreement comprises agreements concerning the future positioning, the employees and the management structure of the combined company resulting from the merger. The Business Combination Agreement has a term of three years. Each party may terminate the Business Combination Agreement if the Takeover Offer is not completed successfully or if the other party breaches material obligations under the Business Combination Agreement. Moreover, in the Business Combination Agreement the Guarantor and the Target specifically and bindingly laid out their intentions regarding the takeover. The relevant intentions and obligations of the Business Combination Agreement are explained hereinafter:

Principles of Joint Cooperation

The parties to the Business Combination Agreement have defined the material principles of their cooperation as follows:

- The Guarantor and the Target are conducting their businesses according to similar operative business models, which are each focused on the long-term management of their real estate portfolios. The business group resulting from the merger will continue to follow its previous growth strategy by utilising the resulting synergies.
- The Guarantor and the Target will agree on a new company name for the company resulting from the merger. Following the merger, the corporate seat of the combined company will be established within a 20 km radius around the municipal area of the city of Essen.
- The group resulting from the merger will be divided into six regions. Three of these regions will be headed by people from the Guarantor’s management and the other three will be headed by people from the Target’s management. Furthermore, the Target’s board of directors has agreed to manage the business of the Target in a manner consistent with its ordinary course of business.

Future Cooperation, Integration and Synergies

Moreover, in the Business Combination Agreement, the Guarantor and the Target have agreed to initiate an integration project that shall be completed within a concept phase lasting until the end of 2015. Subprojects will be defined on the basis of significant business processes which will be jointly managed by both, an employee of the Guarantor and an employee of the Target. The aim is to analyse the respective processes, operations and organisational structures of both companies, leading to (subject to the following sentence) a mutual solution, taking into account the joint goal to create synergies and improve efficiency. The Guarantor's economic housing processes will be continued by the combined companies. Following the concept phase, the requirements for the creation of the identified synergies and efficiency improvements shall largely be created during a six-month implementation phase and the processes, operations and organisational structures shall be adjusted accordingly.

For this purpose, the Guarantor and the Target have agreed to form a joint integration committee consisting of Mr. Rolf Buch and Mr. Thomas Zinnöcker. The integration committee shall in principle come to a mutual agreement. Should an agreement be reached, the integration committee will work towards implementing the decision (by the relevant committees, where applicable).

The Management Board and Supervisory Board and the Board of Directors of the Target

Furthermore, the Guarantor and the Target have agreed in the Business Combination Agreement to a mutual representation in committees. The Business Combination Agreement stipulates that the members of the Management Board will be appointed to the Target's board of directors. Likewise, Mr. Thomas Zinnöcker shall be appointed as vice chairman with responsibilities for sales, acquisitions and integration and Mr. Gerald Klinck as chief controlling officer to the Management Board. The Supervisory Board shall be expanded to twelve shareholder representatives. The Guarantor and the Target shall work towards having Mr. Gerhard Zeiler, Mr. Hendrik Jellema (appointed member of the Target's board of directors as of 1 January 2015) and Mr. Daniel Just (appointed member of the Target's board of directors as of 1 January 2015) elected as new members of this expanded Supervisory Board.

The business sector sales of Deutsche Annington and the Target will be combined in the merger and will be headed by a person designated by Deutsche Annington or from the Target. Likewise, the acquisitions divisions will be combined and headed by a person designated by Deutsche Annington or a person designated by the Target. Should the acquisitions division be managed by a person designated by Deutsche Annington, then the sales division would be managed by a person designated by the Target and *vice versa*.

The management of Gagfah Holding GmbH and Gagfah GmbH shall be composed of the same persons as the future management board of Deutsche Annington. The management of Deutsche TGS GmbH, Deutsche Annington's craftsmen's organisation, shall be composed of a member of Deutsche Annington as chairman and of one or two members of the Target. The management of the administration of residential property owners corporations shall be composed of a member of Deutsche Annington and a member of the Target each and, in the infrastructural Facility Management division, shall be composed of a member of Deutsche Annington.

Employees, Conditions of Employment and Workers representation of the Target and the Guarantor

The Guarantor and the Target agree that the committed and motivated workforce of the companies belonging to the new company are the basis for the current and future success of the company. The Guarantor and the Target will seek a constructive dialogue with the employees and their representatives in order to develop attractive and competitive framework with the aim of maintaining the excellent employee base.

The Guarantor and the Target will respect the statutory rights of the employees, works councils and unions, especially with regards to legal provisions for employee co-determination in

supervisory boards and participation rights under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*), as well as collective agreements (company agreements and collective bargaining agreements). The existing provisions of the social charter or purchase agreements of individual companies of Gagfah shall remain valid for their duration.

It is not intended, subject to the structural and integration provisions agreed upon in the Business Combination Agreement as well as the objectives of the combined company in connection with the implementation of the combination, to terminate material collective agreements (company agreements and collective bargaining agreements). The terminations due to operating conditions shall be avoided through placements in the intra-group job market and qualification measures. Where necessary, a reconciliation of interests and a social plan shall be negotiated with the requisite participation of the works councils according to statutory provisions.

Any required selection of executives/key employees due to duplicate positions shall be carried out by the integration committee through a “best in class” audit. The integration committee will be responsible for decisions and in doing so will call on external consultants, especially with regards to the principles of the selection process (content wise as well as with regards to proceedings).

Statement of the Target’s Board of Directors

The Target will support the Guarantor’s exchange offer. In particular, under the legally required statement pursuant to section 27 para. 1 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*), the Target’s board of directors will confirm that they believe that the type and amount of consideration offered by the Guarantor to the Gagfah Shareholders is fair and adequate, subject to any new findings and review of this offer document. The Target’s board of directors will support the exchange offer and recommend that Gagfah Shareholders accept the exchange offer. Finally, the Target’s board of directors has undertaken to manage the Target, its subsidiaries and its businesses in a way that corresponds with the ordinary course of business prior to the closing of the Takeover Offer. All of the Target’s obligations under the Business Combination Agreement are subject to the applicable obligations and responsibilities under German and Luxembourg law, in particular the board members’ applicable duties of care, loyalty and good faith as well as the requirements of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*).

Reasons for the Takeover Offer

The Guarantor believes that the successful implementation of the Takeover Offer would allow the Guarantor to expand its position as a leading German residential real estate company with a portfolio of around 325,000 residential units and with a total value of around €19 billion (as of 30 September 2014). This does not include transactions that have already been completed by this date (30 September 2014), such as the closing of the acquisition of the Vitus Group in October 2014, or the completion of the Franconia transaction, which the Guarantor expects to occur in the second quarter of 2015 and is scheduled for 1 April 2015. Taking into consideration these transactions, the number of residential units in Deutsche Annington’s portfolio would increase by around 25,000 units (approximately 20,000 units from the Retained Vitus portfolio and approximately 5,000 residential units from the Franconia transaction) from around 325,000 units to around 350,000 units. The Target’s acquisition of an additional 6,300 residential units from different portfolios, announced in its press release dated 3 November 2014 and which should be completed by the end of 2014 is also not included. The Guarantor believes that taking these transactions into consideration, the total value of the combined portfolio would amount to approximately €21 billion. For more information on the transactions of the Guarantor, see “—*Material Contracts—Contracts related to recent acquisitions.*”

The business strategy of Deutsche Annington centres on strengthening and expanding its position as the leading German residential real estate company. This includes the value-generating management of real estate, the pursuit of sustainable financial strategy, optimisation of the existing portfolio and a focus on customer satisfaction, in addition to the growth from strategic acquisitions. Additional acquisitions must generally be value-generating. In this context, such value-growth

generally corresponds, in strategic terms, to the influence of the FFO and/or NAV as well as the conciliation of acquisitions with the long-term financial strategy.

The acquisition of Gagfah by Deutsche Annington is considered value-generating in this context, especially with regard to the following themes:

Expansion of the Market Position in Germany and the Creation of a Relevant European Real Estate Company

With the acquisition of Gagfah, the Group is expanding its market position in Germany. The combined company will provide attractive, affordable and safe real estate for over 325,000 residential units in Germany (as of 30 September 2014, see “—*Reasons for the Offer*”). Deutsche Annington will have increased access to these households and their consumption patterns as well as further sales potential. Furthermore, as the clear market leader in Germany in terms of portfolio size and value in residential real estate, the combined company will be ideally positioned to take a leading role in the increasing consolidation of the German real estate sector.

At a European level, the merger results in a company that can compete with other leading international real estate companies on an equal level. Measured by the Fair Value of its portfolio, the combined company will be among the two largest real estate companies in continental Europe.

Potential for Synergies

With the merger of the two companies, unified structures and processes will be established. Deutsche Annington believes that this will result in cost savings, with a positive effect on the FFO 1 (as defined under “—*Selected Consolidated Financial and Company Key Performance Indicators—Additional Indicators*”) of the combined group in the amount of approximately €84 million per year before taxes, with around €47 million attributed to operational synergies and approximately €37 million attributed to lower financial costs.

Deutsche Annington anticipates that the synergies may be realised within 24 months after the execution of the transaction.

The potential for synergies is primarily based on the following factors:

Operational Synergies

- *Further development of the craftsmen organisation and the development of a joint management organisation:* According to the information available to the Group, the craftsmen organisation of Gagfah currently has an annual service volume below the planned expenditures for maintenance and modernisation of Gagfah in 2014. The increased level of in-house-ability combined with the know-how of the craftsmen organisation of the Group is seen by the Group as a significant force for increasing profits. In addition to an increased level of in-house-ability, the Group believes that a joint management organization from TGS and the craftsmen organisation of Gagfah will result in a disproportionately high reduction of overhead costs. The significant overhead structure of the craftsmen organisation, comprising management, IT, acquisition, controlling, etc. will increase less than proportionately to the number of craftsmen and thus generate synergies. In addition, significant economies of scale for the purchase of materials can be realised through the accumulated purchasing volume of both companies.
- *Development of a shared service centre for Deutsche Annington and Gagfah:* Further synergies can be created from the development of centralized joint customer service and back offices. Since the service volume for both companies has almost doubled, this allows for a more efficient control system and an increase in productivity. In addition, overhead synergies will materialise as cost reductions through joint management structures. Joint services encompass central management, central support for rental organisation, incidental expenses, heating costs and claims management. Moreover, a reduced operating expenses balance and a

lower loss of rental income could be achieved through greater standardisation and better process management and results in synergy in administrative costs.

- *Development of a purchasing agreement for Deutsche Annington and Gagfah:* From the Group's perspective, further synergies may be created by the possible bundling of purchasing volume, especially in areas of fleet management, IT hardware purchasing and service, the increase in purchasing volume may realise significant cost savings. In addition, there is potential for a reduction in the purchasing position of relevant incidental expenses, which are initially only marginally reflected in FFO I, but in the medium-term will result in increased customer satisfaction on the basis of lower incidental expenses.
- *Expansion of the Group's multimedia business to the Target:* At the end of 2011, the Group entered into a strategic partnership with Deutsche Telekom in order to provide housing nationwide with modern fibre optics and a TV signal. The objective is to supply 145,000 residences with TV signals in the portfolio of the Group alone. This area of business allows the Group, in cooperation with Deutsche Telekom, to offer its customers cable TV at the lowest possible price. The realized result of the group subsidiary, Deutsche Multimedia Service GmbH, may materially increase through the expansion of its business operations to the portfolio of Gagfah.
- *Synergies through optimised, collaborative local management:* The Germany-wide portfolio of the Group and of Gagfah shows potential for local property management optimisation. Typically, the management costs per residential unit are strongly dependent on the local specialisation of the portfolio due to travel time. Locations with greater portfolio specialisation allow local organisations to optimally divide tasks and thereby limit inefficiency. The significant overlap of the portfolios the Group and of Gagfah leads to an increase in the specialisation of portfolios in numerous locations and thus, for example, the creation of synergies through mutual commissions.
- *IT synergies:* In addition to the synergies relating to IT purchasing, costs are decreased through a joint SAP platform, specifically in the area of application development. Moreover, the fixed costs are further optimised through the development of joint IT management and IT support.

Financial Synergies

- *Reduction of interest expense through refinancing and an expected rating upgrade to BBB+:* In the opinion of the Group, the takeover of Gagfah may significantly lower future ongoing interest costs of the combined companies. In particular, potential savings may result from a possible redemption of the existing Commercial Mortgage Backed Securities ("CMBS") financing of Gagfah. Currently, the Group believes that the redemption of the existing CMBS financing through unsecured company bonds would be favourable and that it would lead to a reduction of future ongoing interest costs. Further synergies can result from the optimisation of acquiring mortgage-backed small loans ("senior loans"). The acquisition of Gagfah may have a positive effect on the Group's existing investment grade rating of BBB. An improvement in the external credit assessment would result in possible further optimisation potential and a further reduction in interest costs.
- *Stronger Capital Market Profile:* Finally, the acquisition strengthens the capital market profile of the combined group. Due to the combined market capitalization of the Group and Gagfah (based on the respective XETRA closing prices on 28 November 2014) of approximately €9 billion, the combined company will be the largest German real estate company by far. As measured by free-float market capitalisation, the combined group would be one of the largest actors in the real estate industry on the continental European level (based on the respective XETRA closing prices as of 28 November 2014). The Group believes that with the heightened

significance and liquidity of the shares, the attraction for investors would increase considerably. This will also ensure financing through equity and/or debt on more favourable terms. For example, there is a possibility that an improved rating agency valuation would result from the improved operational profile of the combined companies. The partial share exchange offer might also provide Deutsche Annington with access to new groups of investors. Furthermore, Deutsche Annington believes that an admission to the DAX 30 may result in increased liquidity in the medium-term.

Further Value Growth Potential

Due to the abovementioned estimated financial consequences and benefits of the transaction, shareholders of the Group as well as former Gagfah Shareholders may realise further potential for appreciation that is difficult to quantify. Because of the size of the combined companies, their market position, the expected synergies, the improved access to capital markets and other factors, the Group believes that the overall risk profile would improve significantly. One such improvement could lead to a re-evaluation of the Group's relevant profit, cash flow and dividend streams on the capital market in the medium-term and thereby to a re-evaluation of its shares. Any such re-evaluation would represent a significant potential for appreciation for all current shareholders of the Guarantor and Gagfah Shareholders.

General Terms of the Takeover Offer

Subject Matter

The subject matter of the Takeover Offer is the offer by Deutsche Annington to all Gagfah Shareholders to exchange the rights that belong to them, especially their dividend rights, together with the Gagfah Shares that they hold until the time of the settlement pursuant to the provisions of the document prepared by the Guarantor in connection with the Takeover Offer pursuant to Sections 34, 14 para. 2 and 3 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*) (the “**Offer Document**”), which was published on 19 December 2014. The Offer Document is available on the Guarantor's website (www.deutsche-annington.com) and through Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

Deutsche Annington offers as consideration for 14 Gagfah Shares, (i) €122.52 in cash as well as (ii) five DA Offer Shares (the “**Offer Consideration**”).

The DA Offer Shares are derived from the following decisions:

- On 30 June 2013, the Guarantor's general shareholders' meeting authorised the Management Board, with the consent of the Supervisory Board, to increase the share capital of the Guarantor through the issuance of up to 111,111,111 new registered no-par value shares against contribution in cash and/or contribution in kind, on one or more occasions, in a total of up to €111,111,111.00 until 29 June 2018. Following the partial utilisation of this authorised capital in March 2014 and in October 2014, the Management Board is still authorised, with the consent of the Supervisory Board, to increase the share capital through the issuance of up to 83,331,111 new registered no-par value shares against contributions in cash and/or contributions in kind, on one or more occasions, in total of up to €83,331,111.00 (“**Authorised Capital**”). Furthermore, the Guarantor's general shareholders' meeting on 9 May 2014 authorised the Management Board, with the consent of the Supervisory Board, to increase the share capital of the Guarantor through the issuance of up to 25,010,101 new registered no-par value share against contribution in cash and/or contribution in kind, on one or more occasions in a total of up to €25,010,101.00 until 8 May 2015. Following the partial utilisation of this authorised capital in November 2014, the Management Board is still authorised to increase the Guarantor's share capital, with the consent of the Supervisory Board, through the issuance of up to 5,410,101 new registered no-par value shares against contribution in cash and/or contribution in kind,

on one or more occasions, in a total of up to €5,410,101.00 (“**2014 Authorised Capital**”, together with the Authorised Capital, the “**Authorised Capitals**”).

- **Offer Capital Increase I:** The Guarantor creates the DA Offer Shares required for the execution of the Takeover Offer, subject to the capital measures described in the following bullet “Offer Capital Increase II”, by means of a capital increase against mixed contributions in kind in an amount of up to €83,331,111.00 from the Authorised Capital and in an amount of up to €985,859.00 from the 2014 Authorised Capital under exclusion of the shareholders statutory subscription rights (“**Offer Capital Increase Ia**”). The Guarantor creates additional DA Offer Shares, subject to the capital measures described in the following bullet “Offer Capital Increase II”, by means of a capital increase against contribution in cash in the amount of up to €4,424,242.00 from the 2014 Authorised Capital also under exclusion of the shareholders statutory subscription rights (“**Offer Capital Increase Ib**” and together with the Offer Capital Increase Ia, the “**Offer Capital Increase I**”). Correspondingly, by resolution of the Management Board dated 1 December 2014, with consent of the Supervisory Board on 30 November 2014, the Guarantor decided to implement capital increases without subscription rights from the Authorised Capitals in a maximum total amount of €84,316,970.00 through the issuance of a total of up to 84,316,970 ordinary registered no-par value shares (no-par value shares) with a proportional value of share capital of €1.00. The DA Offer Shares from the Offer Capital Increase Ia will, to the extent legally permissible, be issued with dividend rights for the fiscal year 2014. The Offer Capital Increase Ia is to be executed against mixed contributions in kind in the form of tendered Gagfah Shares up to a number that corresponds to 95% (rounded to whole shares) less 10,000 shares of the respective outstanding Gagfah Shares (taking into consideration the Gagfah Shares that were acquired by Deutsche Annington outside of the Takeover Offer).

If the Takeover Offer is accepted for a number of Gagfah Shares such that Deutsche Annington would acquire more than 90% of the respective outstanding Gagfah Shares (taking into account Gagfah Shares acquired by Deutsche Annington outside of the Takeover Offer), the Offer Capital Increase I will be executed against contributions in cash in part in addition, to the extent necessary to enable the Exchange Trustees to deliver also DA Offer Shares to the Gagfah Shareholders for the excess shares in accordance with the terms of the Takeover Offer. With regard to the excess shares, the Management Board resolved by resolution dated 1 December 2014, with the consent of the Supervisory Board on 30 November 2014, to execute a capital increase without subscription rights from the 2014 Authorised Capital in a maximum amount of €4,424,242.00 through the issuance of up to 4,424,242 ordinary registered no-par value shares (no-par value shares) with a proportional value of share capital of €1.00. The DA Offer Shares from the Offer Capital Increase Ib will be issued – to the extent legally permissible – with dividend rights for the fiscal year 2014. If the current amount of the Target’s share capital, €269,940,693.75, remains unchanged after the publication of the Offer Document, cash funds of €114,544 thousand would be necessary at an issue price of approximately €25.90 per DA Offer Share of the 4,423,414 shares issued by means of the Capital Increase from Authorised Capital against contribution in cash. Further, the Manager would make the cash component available for the 12,385,559 Gagfah Shares, i.e., about €108,391 thousand. If Deutsche Annington were to acquire a minimum of 95% of the outstanding Gagfah Shares, a tax liability for real estate transfer tax would be triggered for the properties owned by Gagfah and located in Germany. Therefore, if more than 90% of expected the outstanding Gagfah Shares are tendered for exchange, Deutsche Annington will create, by means of a capital increase against cash contribution, the DA Offer Shares necessary for the excess shares.

Offer Capital Increase II: In the event that a tender right of the Gagfah Shareholders arises at the end of the additional acceptance period pursuant to Section 16 para. 1 Luxembourg Takeover Law, the Management Board resolved on 1 December 2014, with the consent of the Supervisory Board as of 30 November 2014, to execute an additional capital increase without subscription rights against mixed contribution in kind in the amount of up to €83,331,111.00 from the Authorised Capital and of up to €985,859.00 from the 2014 Authorised Capital under exclusion of the shareholders statutory subscription rights through the issuance of up to 83,331,111, respectively 985,859, ordinary registered no-par value shares with a proportional value of share capital of €1.00 (“**Offer Capital Increase IIa**”). Further, the Guarantor creates DA Offer Shares by means of a capital increase against contribution in cash in the amount of up to €4,424,242.00 from the 2014 Authorised Capital under exclusion of the shareholders statutory subscription rights (“**Offer Capital Increase IIb**” and together with the Offer Capital Increase IIa, the “**Offer Capital Increase II**”). The DA Offer Shares from the Offer Capital Increase II will, to the extent legally permissible, be issued with dividend entitlements for the fiscal year 2014. The amount of the Offer Capital Increase II is measured so that pursuant to the offer consideration based on the Relevant Gagfah Shares, plus the number of treasury shares that are held by the Target at the time of the publication of the Takeover Offer, and, pursuant to the offer consideration, a sufficient number of DA Offer Shares for all outstanding Gagfah Shares may be issued at the expiration of the period during which the Tender Right may be exercised pursuant to Section 16 para. 1 Luxembourg Takeover Law less the number of the tendered Gagfah Shares issued up to the expiration of the Additional Acceptance Period, and will amount to up to 88,741,212 DA Offer Shares. These DA Offer Shares are issued against mixed contribution in kind, so far as excess shares are not concerned; in this respect the issuance occurs against contribution in cash. The Offer Capital Increase II will only be carried out for DA Offer Shares not already issued in connection with the Offer Capital Increase I on the basis of the Authorised Capitals. The total maximum number of DA Offer Shares that may be issued under the Capital Increases I and II is limited to a maximum of 88,741,212 shares.

Conditions

The Takeover Offer and the agreements which come into existence as a result of accepting the Takeover Offer will only be settled if certain conditions are satisfied or if the conditions have been waived prior to their failure. These include the entry of the Offer Capital Increase I with the commercial register in the amount required for the implementation of the Takeover Offer and the achievement of the Minimum Acceptance Rate of 57% of the outstanding Gagfah Shares at the time of publication of the Offer Document, and, if necessary, increased by the number of Gagfah Shares issued as a result of capital increases by the Target prior to the expiration of the Acceptance Period (without taking into account a share capital increase due to the conversion of the convertible bond issued by Gagfah on 20 May 2014 in a total amount of €375.0 million (the “**Convertible Bond 2014**”). The conditions can be waived (except for the conditions affecting the Offer Capital Increase I, which is indispensable, see item 1 below).

The Minimum Acceptance Rate can be reduced.

In particular, the following closing conditions must be met:

- 1) No later than six months after the end of the Acceptance Period (including, if applicable, any extensions pursuant to Section 16 para. 3, Section 21 para. 5 and/or Section 22 para. 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*)):
 - a) the Federal Antitrust Office (*Bundeskartellamt*) has approved the proposed merger pursuant to the German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*);

- b) the implementation of the Offer Capital Increase I, provided that it is carried out against contribution in kind, has been entered into the commercial register of the Local Court of Dusseldorf to the extent necessary to implement the Takeover Offer; and
 - c) if the Takeover Offer is accepted for more than 90% of the respective outstanding Gagfah Shares (taking into account any Gagfah Shares acquired by Deutsche Annington outside of the Takeover Offer), thus creating excess shares, the implementation of the Offer Capital Increase I, provided that it is carried out against cash contributions, has been registered with the commercial register of the Local Court of Dusseldorf to the extent necessary to implement the Takeover Offer.
- 2) Upon expiration of the Acceptance Period:
 - a) the last daily closing quotation of the FTSE EPRA/NAREIT Germany, as determined by FTSE International Limited, London, United Kingdom (or a successor thereof) and as published on its Internet website, currently www.ftse.com, is not below 598.8 points (no more than 15% below the FTSE EPRA/NAREIT Germany on the day immediately preceding the day of the decision to publish the Takeover Offer);
 - b) the last daily closing quotation of the MDAX (ISIN DE0008467416), as determined by Deutsche Börse AG, Frankfurt am Main, Germany (or a successor thereof) and as published on its Internet website, currently <http://deutscheboerse.com>, is not below 14,436.62 points (no more than 15% below the daily closing quotation of MDAX on the day immediately preceding the day of the decision to publish the Takeover Offer); and
 - c) the Minimum Acceptance Rate has been attained.
- 3) Between the publication of the Offer Document and the expiration of the Acceptance Period:
 - a) the Target's share capital has not been increased by more than 0.5%; the calculation of this 0.5% threshold does not take into account the possible increase in the share capital of Gagfah resulting from the conversion of the Convertible Bond 2014;
 - b) no general shareholders' meeting of the Target has occurred within the meaning of section 16 para. 3 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*) (unless such a meeting is called because of a shareholder request in accordance with Article 70 para. 2 of the Luxembourg Law on commercial companies);
 - c) the Target has not distributed a cash or non-cash dividend or decided on a capital increase from company funds;
 - d) the Target's general shareholders' meeting has not adopted a resolution to amend the articles of association, by which (i) a majority requirement is increased for some or all resolutions of the general shareholders' meeting or other governing bodies of the Target or (ii) a share split, a consolidation of shares or change of the characteristics or class of the shares occurs, nor has the Target's general shareholders' meeting passed a resolution to dissolve the Target;
 - e) neither the Target nor any of its subsidiaries has (i) disposed or committed to dispose assets with a value of more than €300 million, individually or in the aggregate to third parties outside Gagfah; or (ii) purchased or committed to purchase assets, if the consideration owed exceeds €300 million, individually or in the aggregate, which does not include an in rem acquisition of assets if an

obligation to do so already existed at the time of publication of the Offer Document;

- f) no event has occurred that has led to a material adverse change of key financial figures of the Target or that can reasonably be expected to have such an effect;
- g) no infringement by the Target upon any social clauses, rights of nomination, tender obligations or any similar requirements that are agreed upon in conjunction with the privatisation of public housing stocks is known to have occurred;
- h) no material compliance violation by representatives of the Target has occurred; and
- i) the Target has not published a notification pursuant to Section 15 German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), which states that a loss in the amount of at least half of the share capital (Article 100 Luxembourg Law on commercial companies (*loi du 10 août concernant les sociétés commerciales*)), has occurred, or insolvency proceedings over the assets of the Target have been filed for or initiated pursuant to Sections 442 *et seq.* Luxembourg Commercial Code.

Deutsche Annington can waive the closing conditions individually.

Acceptance Period

The period for acceptance of the Takeover Offer started with the publication of the Offer Document, on 19 December 2014 and expires on 21 January 2015, at 24:00 hours (Central European Time) (the “**Acceptance Period**”).

The Acceptance Period may be extended, as described in the Offer Document. Further, Gagfah Shareholders are given the option of exchanging Gagfah Shares within a period of two weeks following the publication of the outcome of the Takeover Offer.

Settlement

The acceptance of the Takeover Offer must be declared in writing to the relevant custodian bank of the Gagfah Shareholder by the end of the Acceptance Period or the additional acceptance period, respectively. It will become valid with the transfer of the Gagfah Shares tendered for exchange within the Acceptance Period, which can be extended, into ISIN LU1152862774 (WKN A12 GFH) at Clearstream. If the custodian bank has been notified of the acceptance within the Acceptance Period, the re-booking of the Gagfah Shares with Clearstream will be deemed to have been timely effected, provided the re-booking was effected no later than 18:00 hours (Central European Time) on the second business day (*i.e.*, the second day on which banks in Frankfurt am Main, Germany, are open for general business) after the expiration of the Acceptance Period.

Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt, Germany, as settlement agent, together with Commerzbank AG (Kaiserplatz, 60311 Frankfurt) and DZ Bank AG (*Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main*) (Platz der Republik, 60265 Frankfurt am Main) (Commerzbank AG und DZ Bank AG together the “**Exchange Trustees**”) will ensure that the DA Offer Shares are transferred to the securities accounts of the Gagfah Shareholders accepting the Takeover Offer and that the cash component is credited to the custodian banks.

Use of Proceeds

The Guarantor will only receive proceeds in connection with the excess shares. Assuming the Takeover Offer is accepted for a number of Gagfah Shares that would lead to Deutsche Annington acquiring more than 90% of the respective outstanding Gagfah Shares, the Manager has already agreed to acquire and take over the excess shares (*i.e.*, a maximum of 12,385,559 Gagfah Shares).

To enable the Exchange Trustees to provide DA Offer Shares to Gagfah Shareholders for the excess shares in accordance with the terms of the Takeover Offer in addition to a cash payment, the

Management Board resolved on 1 December 2014, with the consent of the Supervisory Board as of 30 November 2014, to execute the offer capital increases against contributions in cash, as required to create the share component of the offer consideration that relates to the excess shares (12,385,559 Gagfah Shares) and amounts to 4,423,414 DA Offer Shares.

Deutsche Annington does not expect that capital increases against cash contributions will be implemented to a significant extent in connection with the Takeover Offer. Assuming that the offer capital increases against contributions in cash are implemented at a subscription price of around €25.90 (XETRA closing price prior to announcement of the intention to issue the Takeover Offer), in a total volume required to issue the share component of the offer consideration for the excess shares, Deutsche Annington, after deduction of the estimated issue costs of €3 million to be borne by Deutsche Annington, would receive net proceeds of approximately €111.5 million.

The Guarantor will use the proceeds (total net proceeds) of approximately €111.5 million resulting from the offer capital increases against contributions in cash described in the Offer Document solely for general corporate purposes.

EFFECTS OF A SUCCESSFUL TAKEOVER OF GAGFAH ON DEUTSCHE ANNINGTON'S FINANCIALS

The Guarantor draws attention to the fact that, due to the limited access to the financial information of Gagfah, it is unable to fully evaluate to what extent the accounting, presentation and valuation methodologies used in the preparation of the Explanatory Financial Information of the historical basic figures of Gagfah correspond to the accounting, presentation and valuation methodologies used in the preparation of the Guarantor's financial statements ended 31 December 2013 and the unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014.

Introduction

On 1 December 2014, the Guarantor decided to launch the Takeover Offer. The expected consequences of a successful Takeover Offer are presented below, including the share capital increase for mixed capital contributions (*gemischte Sacheinlage*), the possible necessary share capital increases against cash contribution on the consolidated balance sheet of the Guarantor as of 30 September 2014 and the consolidated profit and loss statements for the fiscal year ended 31 December 2013 as well as the nine-month period ended 30 September 2014 of the Guarantor (the “**Explanatory Financial Information**”).

The Explanatory Financial Information has not been audited or reviewed, as these explanatory financials do not qualify as pro-forma financial information within the meaning of Section 11 para. 4 no. 2 German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*) in conjunction with Section 2 no. 2 of the German Directive regarding the Content of an Offer Document, the Compensation for Takeover Offers and Mandatory Offers and the Granting of Exemptions from the Requirement to publish and launch an Offer (*Verordnung über den Inhalt der Angebotsunterlage, die Gegenleistung bei Übernahmeangeboten und Pflichtangeboten und die Befreiung von der Verpflichtung zur Veröffentlichung und zur Abgabe eines Angebots – WpÜG-Angebotsverordnung*) and Annex I section 20.2, Art. 4a para. 6 as well as Annex II to the Council Directive 2004/809/EC of 29 April 2004 (*Pro-Forma-Finanzinformationen im Sinne der Verordnung (EG) Nr. 809/2004 der Europäischen Kommission vom 29. April 2004*).

The required qualification of financial information as pro-forma information and its certification by an auditor is given in the IDW Accounting Reference to the preparation of pro-forma financial information (IDW RH HFA 1.004). According to one of the basic principles, the financial information, which is based on the data and explanations of the Guarantor and the Target (e.g., the combined group), must be prepared according to the same accounting principles and that no assumptions should be made regarding the necessary accounting principles. Since there is no access to the accounting details of the Target, and therefore no representation of the effects of the successful Takeover Offer on the assets, financial position and result of operations due to the inclusion of the Target (respectively Gagfah), the financial information of Deutsche Annington is based on assumptions and therefore the preparation of pro-forma financial information (IDW RH HFA 1.004) differs significantly from the IDW Accounting Reference, so that no audit or audit with accompanying certification can be prepared.

Due to the lack of access to detailed financial information of Gagfah, the Guarantor has prepared a written explanation of the possible expected impact of a successful Takeover Offer on the net assets, financial position and result of operations of Deutsche Annington, specifically taking into account the capital increases against mixed capital contributions (*gemischte Sacheinlagen*) and possible necessary cash capital increases. This explanatory financial information is based on the illustrative consolidated balance sheet as of 30 September 2014, the illustrative consolidated profit and loss statements for the fiscal year ended 31 December 2013 and for the nine-month period ended 30 September 2014, which reflect the impact of a successful takeover of Gagfah by Deutsche Annington.

Purpose of the Explanatory Financial Information

The purpose of the Explanatory Financial Information is to outline the significant effects the acceptance of the Takeover Offer by the Gagfah Shareholders would have on:

- the consolidated profit and loss statement of the historical consolidated financial statements of the Guarantor for the fiscal year ended 31 December 2013, if Deutsche Annington would have existed in the structure created through the acceptance of the Takeover Offer on 1 January 2013;
- the consolidated profit and loss statement of the historical unaudited condensed consolidated interim financial statements of the Guarantor for the nine-month period ended 30 September 2014, if Deutsche Annington would have existed in the structure created through the acceptance of the Takeover Offer on 1 January 2013; and
- the consolidated balance sheet as of 30 September 2014 of the historical unaudited condensed consolidated interim financial statements of the Guarantor for the nine-month period ended 30 September 2014, if Deutsche Annington would have existed in the structure created through the acceptance of the Takeover Offer on 30 September 2014.

The Explanatory Financial Information was prepared for the aforementioned illustrative purposes only. Because of its nature, the Explanatory Financial Information describes only a hypothetical situation and since it contains assumptions, it does not reflect the actual combined net assets, financial position and results of operations of Gagfah and Deutsche Annington. Furthermore, it is not intended to forecast the actual net assets, financial position and results of operations of Deutsche Annington after acquiring Gagfah. For this reason, it should be noted that the actual net assets, financial position and results of operations would be presented differently on the basis of an actual consolidation from various times of observation, more specifically on the basis of other contemplated time periods. The Explanatory Financial Information is only meaningful in conjunction with the Guarantor's consolidated financial statement for the fiscal year ended 31 December 2013 and the unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 2014 incorporated by reference in this Prospectus.

Historical Financial Information

The Explanatory Financial Information was prepared on the basis of the following historical financial information:

- The audited and published consolidated financial statements of the Guarantor for the fiscal year ended 30 December 2013, which have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a para. 1 German GAAP (*Handelsgesetzbuch*).
- The audited published consolidated financial statements of the Target for the fiscal year ended 31 December 2013, which have been prepared in accordance with IFRS.
- The unaudited and published condensed consolidated interim financial statements of the Guarantor for the nine-month period ended 30 September 2014, which have been prepared in accordance with IFRS for interim financial reporting (IAS 34).
- The unaudited and published condensed consolidated interim financial statements of the Target for the nine-month period ended 30 September 2014, which have been prepared in accordance with IFRS for interim financial reporting (IAS 34).

The published historical basic figures used for the Explanatory Financial Information by the Guarantor were prepared in accordance with IFRS. With regard to the accounting principles as well as the accounting, presentation and valuation methodologies applied consistently to the historical basic figures of the Explanatory Financial Information, the Guarantor generally refers to its own consolidated financial statements for the fiscal year ended 31 December 2013 and the unaudited

condensed consolidated interim financial statements for the nine-month period ended 30 September 2014.

Since the Guarantor was only able to use Gagfah's published financial information for the preparation of the Explanatory Financial Information, it was ultimately unable to assess to what extent the accounting, presentation and valuation methodologies used in the preparation of the financial information of the historical basic figures of the Target correspond to the accounting, presentation and valuation methodologies used in the preparation of the Guarantor's explanatory consolidated financial statements ended 31 December 2013 and unaudited condensed consolidated interim consolidated financial statements for the nine-month period ended 30 September 2014.

Principles used in the Preparation

The completed illustrative adjustments are based on publicly available information, estimates and certain assumptions. The section entitled "*—Historical Financial Information*" describes that limited access to the financial information of the Target leads the Guarantor to conclude that it cannot definitively ascertain any hidden reserves or liabilities as part of the purchase price allocation under IFRS 3 for the fictional acquisition of Gagfah, and that the adjustments made in the presented Explanatory Financial Information are therefore subject to considerable uncertainty.

Takeover Offer to the Gagfah Shareholders

The Guarantor offers Gagfah Shareholders to purchase their Gagfah Shares with a par value of €1.25 each through a voluntary public takeover offer by means of combined cash and exchange offer.

For every 14 Gagfah Shares, the Guarantor offers a combined consideration consisting of payment in cash of €122.52 and of five new registered shares of the Guarantor with a proportional amount of the share capital of €1.00 each and – to the extent legally permissible – with dividend rights for the fiscal year 2014. The capital increases to create the new shares of the Guarantor for the share component will be achieved through use of the Authorised Capitals. Hereby, the share capital of the Guarantor shall be increased by up to €88,011,218.00 from €240,242,425.00 (as of 30 September 2014)² to up to €328,253,643.00 through the issuance of up to 88,011,218 new registered shares of the Guarantor with a proportionate share of the share capital of €1.00 each and – to the extent legally permissible – with dividend rights for the fiscal year 2014. The notional value of the new registered shares of Deutsche Annington amounts to €1.00. The difference between the notional value and the contribution amount of the mixed contribution in kind (*gemischte Sacheinlage*) (the outstanding Gagfah Shares), i.e., or the issue price of the contribution in cash shall be treated as a voluntary payment based on a contractual agreement.

The published Takeover Offer is subject to the conditions listed in the Offer Document.

The Guarantor estimates that transaction costs in the amount of €180.0 million will arise for the planned takeover of the Target and the required capital increases, as well as the cash components and the cost of the transaction, with approximately €50.0 million allotted to costs related to the acquisition of 90.0% of the expected outstanding Gagfah Shares, approximately €3.0 million allotted to costs related to the required capital increases against cash contribution and approximately €127.0 million allotted to costs related to the debt financing of the cash component and transaction costs.

Procedure and Assumptions in the Preparation of the Explanatory Financial Information

The Explanatory Consolidated Financial Information was prepared under the assumption that the Gagfah Shareholders have accepted the Takeover Offer for 90.0% of the expected outstanding Gagfah Shares and that the acquisition of these 90.0% of the expected outstanding Gagfah Shares and the share capital increases against mixed contributions in kind (*gemischte Sacheinlagen*) of the

² The share capital of the Guarantor as of the date of this Prospectus amounts to €271,622,425.00, before the implementation of the contributions in kind and the capital increases in cash in connection with the Takeover Offer.

Guarantor necessary for the implementation of the Takeover Offer have already been completed on 1 January 2013 (for the illustrative consolidated profit and loss statements) or on 30 September 2014 (for the illustrative consolidated balance sheet).

The Explanatory Financial Information discussed here is based on the following starting assumption and following assumptions:

Starting Assumption:

The acquisition of the outstanding Gagfah Shares constitutes a business combination within the meaning of IFRS 3. According to IFRS 3.10, Deutsche Annington's acquisition costs for the Gagfah Shares are compared to the *pro rata* fair value of net assets (based on the fair value of the acquired, identifiable assets and the assumed liabilities) determined in connection with the purchase price allocation at the time of the accepted acquisition. Any positive difference arising from the comparison will be recognised as goodwill. For the purpose of simplification, it is assumed that the fair value of the net assets remains unchanged for the period between 30 September 2014 and the actual time of the proposed acquisition of 90.0% of the expected outstanding Gagfah Shares.

The actual acquisition costs of the Guarantor are not certain yet due to the fact that the possible acquisition may take place in the future. The acquisition costs of the Guarantor for 90.0% of the expected outstanding Gagfah Shares are assumed to amount to €3,934.0 million, including ancillary transaction costs of approximately €50.0 million for the Gagfah Shares. This is based on an Offer Consideration for every 14 Gagfah Shares consisting of a cash payment of €122.52 and five DA Offer Shares. The value of the DA Offer Shares offered against the outstanding Gagfah Shares from the share capital increases against mixed contribution in kind (*gemischte Sacheinlage*) is based on the BaFin reported volume weighted three-month average share price for the relevant reference date 30 November 2014 reported by BaFin on 9 December 2014 as €24.53 per share of the Guarantor. For the purpose of the final acquisition price allocation, the acquisition cost should be derived from the Guarantor's share price on the acquisition date.

In connection with the acquisition of the Gagfah Shares, the Guarantor has entered into an agreement with the Manager, that it will acquire up to the maximum number of the excess shares of 12,385,559 Gagfah Shares on its own account in the event that the Target's shareholders tender more than 90.0% of the expected outstanding Gagfah Shares in connection with the Takeover Offer. In order to enable the Exchange Trustees, appointed to carry out this Takeover Offer, to deliver the required DA Offer Shares for the excess shares to the Target's shareholders in accordance with the content of the intended exchange offer, a capital increase against cash contributions shall be resolved upon and implemented to the extent necessary. In the event that the Gagfah Shares acquired by the Manager are resold to third parties, the Guarantor has agreed to offset the difference that may arise as a result of the purchase price being lower than the acquisition costs. For the purpose of allocating the acquisition costs of the Gagfah Shares within the Guarantor, for the purpose of calculating the acquisition costs of the Gagfah Shares within the Guarantor as well as for the purpose of allocating the acquisition costs of the Gagfah Shares on the net assets of Gagfah at fair value, based on the assumed acceptance ratio of 90.0% of the expected outstanding Gagfah Shares, the compensation obligation was set at €0.00.

Since the estimate of the fair value of the acquired identifiable assets and the assumed liabilities and, as a result, the fair value of the net assets of Gagfah, could solely be based on the Target's published financial information by the Guarantor, such fair values were only included for those assets and liabilities for which Gagfah determined a valuation at fair value or for which the fair values were reported in the Target's consolidated financial statements for the fiscal year ended 31 December 2013 or the consolidated interim financial statements for the nine-month period ended 30 September 2014.

An approximation can only be achieved by assumptions as the Guarantor has no access to the details of the accounting methods used by the Target. The Guarantor believes that the otherwise IFRS permissible accounting principles differ significantly on the basis of publicly available information from the consolidated financial statements in the following places:

- The Guarantor created its profit and loss statement according to the total cost method while the Target created its according to its group profit and loss statement according to the cost of sales method. Without access to these underlying accountings an unambiguous reconciliation of the profit and loss statements based on the total cost method is impossible.
- The premises used in the actuarial determination of pension obligations differ for at least two significant premises.
- The calculation parameters for the calculation of the fair value of the Investment Properties also deviate significantly.
- The accounting for the assets held for sale deviates in the manner that the Guarantor uses the latest possible point in time under IFRS – the notarisation of the sale and purchase agreement – to recognise the result and change the disclosure in that regard. The Guarantor, as opposed to the Target, no longer recognises trading properties, which result in a deviating disclosure and a deviating recognition of results.

In regard to differing accounting principles, the Guarantor believes that there exist further differences which are not identifiable by the Guarantor through analysis of publicly available information. For example, the Guarantor notes that the fair value accounting of financial assets and financial liabilities differing yield interest curves and margin applications have been applied.

The Guarantor believes that, at least for the following assets and liabilities of Gagfah, no fair value could be calculated or recognised on the basis of the publicly available information:

- property, plant and equipment and other intangible assets (including intangible assets not included in the consolidated balance sheet of the Target),
- other assets and liabilities,
- liabilities from finance leases,
- pension commissions to employees in connection with the membership of the Target in the pension institution of the Federal Republic of Germany and the states,
- accrued claims resulting from share-based compensation, and
- contingent liabilities.

Furthermore, the Guarantor did not make fair value adjustments that are contained in termination clauses – *i.e.*, for financial liabilities – and could arise in connection with a change of control. They were not accounted for by the Guarantor given the lack of publicly accessible information pertaining thereto. No statement regarding the maintenance of hedge accounting in the interest rate derivatives sector could be made by the Guarantor either. Given the intended transaction structure and the tax situation, the Guarantor assumes that an adjustment of balance sheet line items for tax purposes will not be necessary. For the income tax expenses in the illustrative consolidated profit and loss statements, the Guarantor calculates with its marginal tax rate at 31.225% (where the corporate income tax rate, including the solidarity surcharge, is calculated at 15.825% and trade tax rate is calculated at 15.4%).

To this extent, as a consequence of the limited access to the financial information of Gagfah, the fair value of the net assets calculated in connection with the purchase price allocation may differ from the fair value of the net assets that could be determined given full access to the financial information of Gagfah. As such, the pro-forma adjustments that could be made to the pro-forma balance sheet and the illustrative consolidated profit and loss statements, if the financial information of Gagfah were fully accessible, differ from the adjustments that are contained herein.

Accordingly, the Target is included in the Explanatory Financial Information on the basis of the publicly available financial statements, including the audited and published financial statements of the Target for the fiscal year ended 31 December 2013, for which the auditor issued an unqualified

auditor's report, and the unaudited and published condensed financial statements of the Guarantor for the nine-month period ended 30 September 2014.

Assumptions:

The Explanatory Financial Information relies on the following assumptions:

- The Guarantor assumes that ultimately 90.0% of the expected outstanding Gagfah Shares will be acquired.
- The Guarantor assumes acquisition costs for 90.0% of the expected outstanding Gagfah Shares at €3,934.0 million (including ancillary acquisition costs of approximately €50.0 million). This is based upon the following assumptions of the Guarantor:
 - Up to 30,478,854 Gagfah Shares from the conversion of the Convertible Bond 2014 are considered. These are recognized in the number of the expected outstanding Gagfah Shares. This is based on the Guarantor's assumption that a change in control under the meaning of the terms of the Convertible Bond 2014 due to the Takeover Offer could occur, which allows the holders of the Convertible Bond 2014 to convert their bonds into Gagfah Shares. The Guarantor further assumes that the holders of the Convertible Bond 2014 will exercise their conversion right, since the accepted conversion price on 21 January 2015 (the expected end of the Acceptance Period) of approximately €12.30 is significantly below the value of the offer consideration per outstanding Gagfah Share of approximately €17.51. The Guarantor assumes that after the conversion of the Convertible Bond 2014 into Gagfah Shares, the holders of the Convertible Bond 2014 will accept the Takeover Offer.
 - There will be no additional capital increases except for the capital increase for the settlement of conversion rights under the Convertible Bond 2014 prior to the performance of the Takeover Offer.
- The financing of the Takeover Offer is accomplished through the issuance of 79,210,096 DA Offer Shares and the disbursement of €2.2 billion under the DA Credit Agreement. The Guarantor will completely repay the drawing under the DA Credit Agreement at its maturity. The annual interest rate is assumed to be 3.0%, which corresponds to the volume-weighted average of interest rates on Deutsche Annington's financial liabilities as of 30 September 2014. The interest payments are included in the Group's illustrative profit and loss account for the fiscal year from 1 January 2013 to 31 December 2013 and for the nine-month period from 1 January 2014 to 30 September 2014, but not in the illustrative consolidated balance sheet to 30 September 2014, since it is assumed that the transaction will occur on this date.
- Comparing the assumed *pro rata* fair value of net assets of €2,386.1 million (taking into account the adjustment for the existing goodwill of the Target in the amount of €17.1 million), with the relevant acquisition costs for 90.0% of the expected outstanding Gagfah Shares in the amount of €3,884.0 million, results in an arithmetic difference of €1,497.7 million, which qualifies as goodwill and is reported as such.
- There are transaction costs of €180.0 million, thereof €50.0 million are ancillary acquisition costs for the acquisition of 90.0% of the expected outstanding Gagfah Shares and thereof approximately €3.0 million are allotted to costs related to the required capital increases against cash contribution, which are represented as IFRS 3 costs for the period. In addition, €127.0 million are considered costs related to the debt financing of the cash components and transaction costs, which will lower the amount with which the liability under the DA Credit Agreement in an amount of €2.2 billion is recognised according to IAS 39.43.

- The Guarantor recognises no time-dependent costs except for the interest expenses mentioned above as their value is unknown at this time and cannot be reliably estimated. The Guarantor considers acquisition-related costs as an expense on the IFRS Financial Statements per IFRS 3.
- In addition, the Guarantor takes into account the debt of the Target in the amount of €4,359.4 million.
- The synergies expected to be realised in the future remain unconsidered by the Guarantor.
- The public yearly financial statements prepared according to IFRS and HGB accounting principles correspond in principle to the Guarantor's applicable accounting principles and can therefore be used as if they were public.
- In the Guarantor's understanding there exist no transactions that need to be eliminated and hence, no requirement to set off any liabilities or results, so that information derived from the financial statements could have been added. The Guarantor conducts an illustrative capital consolidation.

Methodology to the Explanation of the expected Effects of a successful Takeover Offer on the Net Assets, Financial Position and Result of Operations of the Guarantor with special Consideration to the Share Capital Increase

IFRS consolidated financial statements of the Guarantor

The expected possible effects of a successful Takeover Offer on the net assets, financial position and result of operations of Deutsche Annington are based on the condensed consolidated interim financial statement for the period ended 30 September 2014.

The Guarantor believes that the conditions stipulated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer, IDW*) for Pro-Forma Financial Information are not met, so in the following discussions the main line items of the balance sheet as well as of the profit and loss statements are used to explain the effects of an inclusion of Gagfah on the net assets, the financial position and result of operations of Deutsche Annington.

In order to assess the likely effects of the acquisition of all expected outstanding Gagfah Shares on the net assets, the financial position and result of operations of Deutsche Annington, the Guarantor undertook a preliminary and unaudited estimation of the financial situation which would result in the case of an accepted takeover of 90.0% of the expected outstanding Gagfah Shares on figures in the illustrative consolidated profit and loss statements for the fiscal year ended 31 December 2013 as well as for the nine-month period ended 30 September 2014 and the illustrative consolidated balance sheet as of 30 September 2014 from the Guarantor on the basis of the Guarantor and the Target for the fiscal year ended 31 December 2013 as well as for the published consolidated profit and loss statement for the nine-month period ended 30 September 2014 and the consolidated financial statements as of 30 September 2014 of the Guarantor and the Target.

Apart from the proposed acquisition of the Gagfah Shares, the following representations contain no other effects on the net assets, financial position and result of operations of Deutsche Annington. It should further be noted that the effects of the takeover of Gagfah on the future net assets, financial position and results of operations of Deutsche Annington cannot be accurately predicted today. The Guarantor believes the most significant reasons are therefore as follows:

- The exact amount of Deutsche Annington's costs and transaction-related costs in connection with the Takeover Offer can only be realised after the completion of the Takeover Offer. Even one-time costs related to the financing cannot be conclusively estimated.
- Certain effects described in the Offer Document, which will be undertaken, if possible, after completion of the Takeover Offer, were not considered. Furthermore, the

synergy effects and business opportunities of Deutsche Annington and Gagfah as well as the necessary recurring expenses to achieve these synergies could not be conclusively estimated. Therefore, the Guarantor has not included them in the representations. Likewise, possible returns from the disposal of individual assets in connection with the merger control clearance as well as possible recurring expenses in the context of refinancing existing liabilities of Gagfah were not included by the Guarantor.

- The Guarantor's accounting is in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a para. 1 German GAAP (*Handelsgesetzbuch*). The Target's accounting is in accordance with IFRS. Hence, the financial statements are prepared on the basis of identical accounting standards, but information on the company-specific application was not available. Moreover, a difference exists with regard to the additional requirements of German commercial law pursuant to Section 315a para. 1 German GAAP (*Handelsgesetzbuch*) that are not applicable to the Target.
- As part of the initial consolidation, the Guarantor performed an allocation of the purchase price on the acquired assets and liabilities. As it is only possible after the takeover of Gagfah, the Guarantor has not performed an analysis of the individual balance sheet items. The entire difference from the capital consolidation was therefore reported by the Guarantor as immaterial assets in the form of goodwill. The earnings of the Guarantor also do not reflect any burden from increased writing off in the context of the revaluation of the assets acquired. However, the Guarantor, relying upon its experience in the residential property business, believes that such a burden of depreciation will not occur at a significant level, as investment properties cannot be written off under IAS 40.
- Deutsche Annington's business activities will be significantly influenced by maintaining and managing its stake in the Target after the completion of the Offer. The income of Deutsche Annington after this time period will therefore be significantly influenced by the income of its stake in the Target.

Illustrative consolidated Profit and Loss Statements for the Year ended 31 December 2013 and the nine-month Period ended 30 September 2014 as well as the illustrative consolidated Balance Sheet as of 30 September 2014

The following tables, subject to the reservations and assumptions contained in the Offer Document, show the illustrated consolidated profit and loss statements for the year ended 31 December 2013 and the nine-month period ended 30 September 2014 as well as the illustrative balance sheet of 30 September 2014:

Balance Sheet as of 30 September 2014

Based on the unaudited consolidated financial statements of the Guarantor and the Target as of 30 September 2014, the successful Takeover Offer would have the following effects:

	Consolidated Balance Sheet Deutsche Annington Immobilien SE	Consolidated Balance Sheet Gagfah S.A.	Consolidated Balance Sheet Gagfah S.A. adjusted for the exercise of convertible bonds	Adjustments to the Consolidated Balance Sheet of Gagfah S.A.	Adjustments to the Consolidated Balance Sheet of Deutsche Annington Immobilien SE due to the takeover	Consolidated Balance Sheet of Deutsche Annington Immobilien SE after acquisition of 90% of the expected outstanding Gagfah Shares
As of 30 September 2014 (in € Million)						
ASSETS						
Intangible assets.....	2.8	0.9	0.9			3.7
Goodwill	0.0	17.1	17.1	(17.1)	1,497.9	1,497.9
Property, plant and equipment ..	22.7	34.0	34.0			56.7
Investment Properties	11,337.4	7,539.2	7,539.2			18,876.6
Financial Assets.....	63.9	9.6	9.6			73.5
Other Assets.....	16.2	0.8	0.8			17.0
Income tax receivables	0.1		0.0			0.1
Deferred tax assets.....	3.0		0.0			3.0
Total Non-Current Assets.....	11,446.1	7,601.6	7,601.6	(17.1)	1,497.9	20,528.5
Inventories	1.4	11.2	11.2			12.6
Trade receivables.....	53	26.2	26.2			79.2
Other financial assets.....	1,101.8	0.0	0.0			1,101.8
Other Assets.....	36.5	45.4	45.4			81.9
Income tax receivables	14.6	6.1	6.1			20.7
Cash and cash equivalents	196.9	168.4	168.4		79.0	444.3
Assets held for sale.....	41.4	104.5	104.5			145.9
Current Assets	1,445.6	361.8	361.8	0,0	79.0	1,886.4
Total Assets.....	12,891.7	7,963.4	7,963.4	(17.1)	1,576.9	22,414.9
EQUITY AND LIABILITIES						
Subscribed capital.....	240.2	269.9	308.0	(308.0)	79.2	319.4
Capital reserves	1,716.1	1,084.1	1,421.0	(1,421.0)	1,860.8	3,576.9
Legal reserve	0.0	28.2	28.2	(28.2)		0.0
Retained earnings	2,098.3	911.1	911.1	(911.1)	(50.0)	2,048.3
Other reserves	(56.2)	0.0	0.0			(56.2)
Total Equity Attributable to the Guarantor's Shareholders..	3,998.4	2,293.3	2,668.3	(2,668.3)	1,890.0	5,888.4
Non-controlling interest.....	17.2	(35.7)	(35.7)		265.1	246.6
Equity	4,015.6	2,257.6	2,632.6	(2,668.3)	2,155.1	6,135.0
Liabilities against non- controlling shareholders	0.0	3.1	3.1			3.1
Provisions	392.2	147.6	147.6			539.8
Trade payables.....	0.2	0.0	0.0			0.2
Other financial liabilities	6,986.2	4,194.2	3,819.2		2,073.0	12,878.4
Liabilities from income tax.....	0.0	27.5	27.5			27.5
Other liabilities	10.5	173.1	173.1			183.6
Deferred liabilities of government-granted loans	0.0	56.9	56.9			56.9
Deferred tax liabilities	1,007.6	363.9	363.9			1,371.5
Non-current liabilities	8,396.7	4,966.3	4,591.3	0,0	2,073.0	15,061.0
Provisions	144.5	34.6	34.6			179.1
Trade payables.....	44.2	0.0	0.0			44.2
Other financial liabilities	253.7	540.2	540.2			793.9
Liabilities from income tax.....	0.0	47.0	47.0			47.0
Other liabilities	37.0	114.2	114.2			151.2
Deferred liabilities of government-granted loans	0.0	3.5	3.5			3.5
Current liabilities	479.4	739.5	739.5	0,0	0,0	1,218.9

	Consolidated Balance Sheet Deutsche Annington Immobilien SE	Consolidated Balance Sheet Gagfah S.A.	Consolidated Balance Sheet Gagfah S.A. adjusted for the exercise of convertible bonds	Adjustments to the Consolidated Balance Sheet of Gagfah S.A.	Adjustments to the Consolidated Balance Sheet of Deutsche Annington Immobilien SE due to the takeover	Consolidated Balance Sheet of Deutsche Annington Immobilien SE after acquisition of 90% of the expected outstanding Gagfah Shares
As of 30 September 2014 (in € Million)						
Liabilities.....	8,876.1	5,705.8	5,330.8	0,0	2,073.0	16,279.9
Total equity and liabilities	12,891.7	7,963.4	7,963.4	(2,668.3)	4,228.1	22,414.9

Table 1: Illustrative consolidated balance sheet for the Guarantor as of 30 September 2014 after successful takeover of 90.0% of the expected outstanding Gagfah Shares.

- The Guarantor assumes that the Target tenders all 459,057 treasury Gagfah Shares as part of the Takeover Offer, so that these are recognised in the number of the expected outstanding Gagfah Shares.
- The number of the outstanding Gagfah Shares was increased from 215,952,555 Gagfah Shares by a further 30,478,854 Gagfah Shares, due to the conversion of the Convertible Bond 2014 at an accepted conversion price on 21 January 2015 (the expected end of the Acceptance Period) of approximately €12.30. These Gagfah Shares are recognised in the expected outstanding Gagfah Shares of 246,431,409 Gagfah Shares and the other financial liabilities of Gagfah decreased correspondingly by €375.0 million.
- The offer consideration for the acquisition of 90.0% of the expected outstanding Gagfah Shares amounts to €3,884.0 million (excluding ancillary acquisition costs of approximately €50.0 million for the Gagfah Shares) and will be paid by a cash payment of €1,941.0 million and an issuance of 79,210,096 DA Offer Shares.
- Goodwill of €1,479.9 million is calculated as the difference between the acquisition costs of the Guarantor for 90.0% of the expected outstanding Gagfah Shares of €3,884.0 million and the *pro rata* fair value of net assets of Gagfah of €2,386.1 million. The *pro rata* fair value of net assets was calculated by adjusting the total equity attributable to Gagfah Shareholders in an amount of €2,668.3 million by Gagfah's existing goodwill in an amount of €17.1 million and multiplying the result with the acquired participation of 90.0% of the expected outstanding Gagfah Shares.
- The goodwill which was recognized in the consolidated balance sheet of Gagfah in the amount of €17.1 million shall be eliminated in the course of the transaction.
- For the equity subject to consolidation, as determined by the Guarantor and Gagfah, the corresponding non-controlling interest was recognised as 10.0% of the expected outstanding Gagfah Shares, so that the minority interest is increased by €265.1 million from €(18.5) million to €246.6 million.
- The investment properties constitute, by a large margin, the most significant portions of the balance sheets of Deutsche Annington and the Target. Since these are already accounted for at fair value in accordance with IAS 40, a purchase price allocation has been waived. This item amounts to 87.9% of the Guarantor's total assets as of 30 September 2014. The investment properties of Gagfah amount to 94.7% of the balance sheet total. The investment properties item of Deutsche Annington would increase by €7,539.2 million, from €11,337.4 million to €18,876.6 million (rounded). The proportion of the investment properties to the total assets decreases to 84.2%, especially due to goodwill, whose proportion of the total assets is 6.7%.

- Cash and cash equivalents of Deutsche Annington decrease to 2.0% after the takeover, measured as a proportion of total assets of the consolidated financial statements of the Guarantor.
- The equity capital attributable to the shareholders of the Guarantor increases by €1,890.0 million as balance due to the capital increases against mixed contribution in kind (*gemischte Sacheinlage*) in an amount of €1,943.0 million, due to the expected ancillary acquisition costs of €50.0 million for 90.0% of the expected outstanding Gagfah Shares as well as €3.0 million allotted to costs related to the required capital increases against cash contribution, that are payable even if no capital increase against cash contribution is required.
- The equity ratio (including non-controlling interest) decreases from 31.1% to 27.4%.
- The debt financing of Deutsche Annington after completion of the Takeover Offer will increase – taking into account any convertible bonds already converted (see above) – by €2,073.0 million (including any financing costs of approximately €127.0 million), plus the acquired financial debt of Gagfah in the amount of €4,359.4 million, to €13,672.3 million.
- The other values increase through the addition of the values of the consolidated balance sheets of Deutsche Annington and the Target.

Profit and Loss Statement for the Year ended 31 December 2013

Based on the consolidated profit and loss statement of the Guarantor and the Target for the fiscal year ended on 31 December 2013, the successful Takeover Offer would have the following effects:

	Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE	Consolidated Profit and Loss Statement of Gagfah S.A.	Adjustments	Illustrative Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE
	For the fiscal year ended 31 December 2013 (in € million.)			
Income from property letting	1,048.3	829.8		1,878.1
Other income from property management.....	19.3	14.5		33.8
Income from Property Management .	1,067.6	844.3		1,911.9
Income from sale of properties	353.5	145.2		498.7
Carrying amount of properties sold	(325.8)	(129.6)		(455.4)
Revaluation of assets held for sale.....	24.3	(1.0)		23.3
Profit on disposal of properties	52.0	14.6		66.6
Net income from fair value adjustments of investment properties	553.7	6.4		560.1
Capitalised internal expenses.....	42.0	0.0		42.0
Cost of materials	(502.8)	(369.0)		(871.8)
Personnel expenses	(172.1)	(100.0)		(272.1)
Depreciation and amortisation.....	(6.8)	(2.2)		(9.0)
Other operating income	45.8	8.8		54.6
Other operating expenses.....	(104.2)	(67.8)	(50.0)	(222.0)
Financial income.....	14.0	2.3		16.3
Financial expenses.....	(299.6)	(288.6)	(66.0)	(654.2)
Profit before tax.....	689.6	48.8	(116.0)	622.4
Income tax	(205.4)	(45.5)		(194.3)**)
Profit for the period	484.2	3.3		428.1
Attributable to:				
The Guarantor's shareholders	480.2	3.5		423.9
Non-controlling interest.....	4.0	(0.2)	0.4	4.2

	Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE	Consolidated Profit and Loss Statement of Gagfah S.A.	Adjustments	Illustrative Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE
	For the fiscal year ended 31 December 2013 (in € million.)			
Earnings per share (in €)	2.26	0.02		1.45
EBIT ^{*)}	975.2	335.1	(50.0)	1,260.3
EBITDA ^{*)}	982.0	338.0 ^{***)}	(50.0)	1,270.0

*) Including net income from fair value adjustments of investment properties.

**) The income tax in the illustrative consolidated profit and loss statement of the Guarantor for the fiscal year 2013 was computed by using the marginal tax rate of the Guarantor of 31.225%.

***) As reported in the Target's annual report for the fiscal year 2013.

Table 2: Illustrative consolidated profit and loss statement of the Guarantor for the fiscal year 2013 following the acquisition of the Target (simplified).

- The income from property management increases by €844.3 from €1,067.6 million to €1,911.9 million.
- EBIT increases by €285.1 million from €975.2 million to €1,260.3 million, taking into consideration the ancillary acquisition costs recognised at €50.0 million. Synergies, one time expenditures for the transaction as well as the integration and possibly higher depreciation and amortization due to the purchase price allocation are not recognised.
- The adjustment of €116.0 million in the profit before tax relates to ancillary acquisition costs recognised at €50.0 million for 90.0% of the expected outstanding Gagfah Shares and interest payments recognised at €66.0 million from the debt financing under the DA Credit Agreement in the amount of €2.2 billion, assuming it is paid out at the beginning of the year. The annual interest rate is assumed at 3.0%. They correspond to the weighted average of interest rates on Deutsche Annington's financial liabilities as of 30 September 2014. The profit before tax correspondingly decreases by this amount.
- The profit attributable to non-controlling interest increased by €0.4 million, corresponding to 10.0% of the expected outstanding Gagfah Shares related to the profit for the period attributable to the Target's shareholders for the fiscal year 2013.

Profit and Loss Statement for the nine-month Period ended 30 September 2014

Based on the consolidated profit and loss statement of the Guarantor and the Target for the nine-month period ended on 30 September 2014, the successful Takeover Offer would have the following effects:

	Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE	Consolidated Profit and Loss Statement of Gagfah S.A.	Adjustments	Illustrative Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE
	For the nine-month period ended 30 September 2014 (in € million)			
Income from property letting	823.5	633.1		1,456.6
Other income from property management	13.2	23.2		36.4
Income from Property Management	836.7	656.3		1,493.0
Income from sale of properties	213.0	136.8		349.8
Carrying amount of properties sold	(180.6)	(123.2)		(303.8)
Revaluation of assets held for sale	16.5	(10.0)		6.5

	Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE	Consolidated Profit and Loss Statement of Gagfah S.A.	Adjustments	Illustrative Consolidated Profit and Loss Statement of Deutsche Annington Immobilien SE
	For the nine-month period ended 30 September 2014 (in € million)			
Profit on disposal of properties	48.9	3.6		52.5
Net income from fair value adjustments of investment properties	26.9	64.0		90.9
Capitalised internal expenses.....	59.8	0.0		59.8
Cost of materials.....	(382.7)	(277.9)		(660.6)
Personnel expenses.....	(130.2)	(81.3)		(211.5)
Depreciation and amortisation.....	(5.1)	(1.6)		(6.7)
Other operating income	34.7	6.6		41.3
Other operating expenses.....	(110.7)	(51.6)	(50.0)	(212.3)
Financial income.....	4.2	1.1		5.3
Financial expenses.....	(206.7)	(183.4)	(49.3)	(439.4)
Profit before tax.....	175.8	135.7	(99.3)	212.2
Income tax	(53.8)	(54.4)		(66.3)**)
Profit for the period	122.0	81.3		145.9
Attributable to:				
The Guarantor's shareholders	117.3	77.9		130.0
Non-controlling interest.....	4.7	3.4	7.8	15.9
Earnings per share (in €)	0.50	0.36		0.41
EBIT^{*)}	378.3	318.0	(50.0)	646.3
EBITDA^{*)}	383.4	320.3***)	(50.0)	653.7

*) Including net income from fair value adjustments of investment properties.

**) The income tax in the illustrative consolidated profit and loss statement of the Guarantor for the nine-month period ended 30 September 2014 was computed by using the marginal tax rate of the Guarantor of 31.225%.

***) As reported in the Target's interim report for the nine-month period ended 30 September 2014.

Table 3: Illustrative consolidated profit and loss statement of the Guarantor for the nine-month period ended 30 September 2014 following the acquisition of the Target (simplified).

- The income from property management increases by €656.3 million from €836.7 million, to a total of €1,493.0 million.
- EBIT increases by €268.0 million from €378.3 million, to €646.3 million, taking into consideration the ancillary acquisition costs recognised at €50.0 million. Synergies, one time expenditures for the integration and possibly higher depreciation and amortization due to the purchase price allocation are not recognised.
- The adjustment of €99.3 million in the profit before tax relates to the ancillary acquisition costs recognised at €50.0 million for 90.0% of the expected outstanding Gagfah Shares (if they are not already covered in 2013) and interest payments recognised at €49.3 million under the debt financing of the DA Credit Agreement in the amount of €2.2 billion, assuming it is paid out at the beginning of the year. The annual interest rate is assumed at 3.0%. They correspond to the weighted average of interest rates on Deutsche Annington's financial liabilities as of 30 September 2014. The profit before tax correspondingly decreases by this amount.
- The profit attributable to non-controlling interest increased by €7.8 million, corresponding to 10.0% of the expected outstanding Gagfah Shares related to the profit for the period attributable to the Target's Shareholders for the nine-month period ended 30 September 2014.

TAXATION

The following discussion of the tax consequences of an investment in the Notes is based on the laws in force on the date of this Prospectus. We emphasise that the tax implications can be subject to alteration due to future changes in law, possibly with retroactive or retrospective effect.

Although this discussion reflects the opinion of the Issuer, it should not be misunderstood as a guarantee in an area of law which is not free from doubt. Further, this discussion is not intended as the sole basis for an investment in the Notes as the individual tax position of the Holder needs to be investigated. Therefore, this statement is confined to a general discussion of certain Luxembourg tax, Netherlands tax and German tax consequences of an investment in the Notes.

Prospective Holders are recommended to consult their own tax advisors as to the tax consequences to them of the investment.

Grand Duchy of 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 certain Luxembourg tax issues only and prospective investors in the Notes should therefore consult their own professional advisors 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.

Withholding Tax

Non-resident Holders

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the “**Laws**”), there is no withholding tax on payments of principal, premium or interest made to non-resident Holders, 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.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “**Savings Directive**”) and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity (within the meaning of the Laws), which is resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent Luxembourg fiscal authority in order for such information to be communicated to the competent tax authorities of the beneficiary's country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. 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 Laws will be subject to a withholding tax at a rate of 35%.

Luxembourg has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

Resident Holders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the “**Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Holders, 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.

Under the 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) 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 Law will be subject to a withholding tax at a rate of 10%.

Inheritance and Gift Tax

Where a Holder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or ad valorem registration duty may be due upon the registration of the Notes in Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Notes must be produced before an official Luxembourg authority, or in the case of a registration of the Notes on a voluntary basis, or in the case where the documents relating to the Notes are referred to in a public deed.

Federal Republic of Germany

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This discussion of the tax consequences of an investment in the Notes is based on the tax laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

The following section only provides some general information on the possible tax treatment.

Tax Resident Holders of the Notes

This section “*Tax Resident Holders of the Notes*” refers to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual Holder of the Notes will be subject to German withholding tax if the Notes are kept or administrated in a custodial account with 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 (each a “**Disbursing Agent**” (*inländische auszahlende*

Stelle)). The tax rate is 25% (plus 5.5% solidarity surcharge thereon, the total withholding being 26.375%). If the individual Holder is subject to church tax, a church tax surcharge may also be withheld. In relation to interest received on the Notes after 31 December 2014, the church tax, if applicable, is collected for the individual investor by way of withholding as a standard procedure unless the Holder of the Notes has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition plus interest accrued on the Notes (“**Accrued Interest**” (*Stückzinsen*)), if any) derived by an individual Holder provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gain or loss. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375% (including solidarity surcharge) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the Savings Directive (*e.g.*, Switzerland or Andorra).

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 22 December 2009, as amended on 16 November 2010 and 9 October 2012, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such “sale” shall not be tax deductible. Similarly, a bad debt loss (*Forderungsausfall*), *i.e.*, in case the Issuer becomes insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a constructive contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax deductible.

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual Holder of the Notes via the Disbursing Agent (*e.g.*, losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual Holder in the custodial account with the Disbursing Agent.

Individual Holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the individual Holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. 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 competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation as Holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Neither the Issuer nor the Guarantor, unless either of them qualifies as Disbursing Agent, is obliged under German law to withhold any withholding tax (*Kapitalertragsteuer*) on interest payments and on the sale or redemption of the Notes.

Taxation of current income and capital gains

The personal income tax liability of an individual Holder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the individual Holder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual Holder may, and in case the actual gain is higher than 30% of the disposal proceeds must also, apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual Holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to the Notes can only be off-set against investment income of the individual Holder realised in the same or the following years.

Where Notes form part of a trade or business, the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective Holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Holder. Where Notes form part of a German trade or business, the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

Non-resident Holders of the Notes

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Holder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Resident Holders of the Notes*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Substitution of the Issuer

If the Issuer exercises its 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 like the Notes. In particular, such a substitution could result in the recognition of a taxable gain or loss for any Holder of a Note.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to the Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is 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 from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, a net assets tax is not levied in Germany.

Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the Savings Directive into German law. These provisions apply from 1 July 2005.

The Netherlands

The following discussion outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This discussion is intended as general information only for Holders who are residents or deemed residents of The Netherlands for Netherlands tax purposes. Each prospective investor should consult a professional tax advisor with respect to the tax consequences of an investment in the Notes.

This discussion is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This discussion does not address The Netherlands tax consequences for:

- (i) investment institutions (*fiscale beleggingsinstellingen*);
- (ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax;
- (iii) Holders holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (iv) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);
- (v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba, to which permanent establishment or permanent representative the Notes are attributable; and
- (vi) Holders which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Notes or of the benefits derived from or realised in respect of these Notes.

Where this section refers to The Netherlands, such reference is restricted to the part of the Kingdom of The Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Netherlands Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, para. 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

The Notes are considered to function as equity of the Issuer for Dutch tax purposes, if three cumulative conditions are met: (i) the Notes are subordinated to the claims of all other creditors (ii) the Notes have no fixed term or have a term in excess of 50 years and (iii) the remuneration on the Notes is dependent on the profit of the Issuer. Since the Notes are subordinated and have a perpetual term, the first two conditions are met. As the Notes have a fixed interest rate, which interest becomes due and payable irrespective of the financial performance of the Issuer, the remuneration of the Notes should not be considered to be dependent on the profit of the Issuer. Consequently, the third condition should not be met and interest payments on the Notes should not be subject to Dutch withholding tax. We refer to the risk section “*Risk Factors—Risk Factors Relating to the Notes—There is a risk that the Notes in fact function as equity of the Issuer*”.

Netherlands Corporate and Individual Income Tax

If a Holder is a resident or deemed to be a resident of The Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in The Netherlands (at up to a maximum rate of 25%).

If an individual is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes (including an individual who has opted to be taxed as a resident of The Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance by the individual of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4% of the individual’s yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual’s yield basis exceeds a certain threshold. The individual’s yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual’s yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%

Netherlands Gift and Inheritance Tax

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- (i) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Other Netherlands Taxes and Duties

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes and no registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

European Union Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, 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 a 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 Member State.

On 24 March 2014, the Council of the European Union adopted a European Council directive amending and broadening the scope of the requirements described above. EU Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by Council Directive 2003/48/EC, in particular to include additional types of income payable on securities. The new directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a 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 European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those EU Member States which still operate a withholding system when they are implemented. Luxembourg has abolished the withholding system with effect from 1 January 2015, in favor of automatic information exchange under the new directive.

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).

If a payment were to be made or collected through a 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 paying agent 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.

Foreign Account Tax Compliance (FATCA) Reporting and Withholding

Under FATCA, a 30% withholding tax is imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders. To

avoid becoming subject to the 30% withholding tax on payments to them, non-U.S. financial institutions may be required to report information to the Internal Revenue Service regarding the Holders of Notes and, possibly, to withhold on a portion of payments on the Notes to certain Holders that fail to comply with the relevant information reporting requirements (or hold Notes directly or indirectly through certain non-compliant intermediaries). It is unclear whether payments on the Notes could be subject to such withholding. However, if such withholding were to apply, it would not apply to payments made before 1 January 2017. Furthermore, the rules for the implementation of this withholding as it might apply to the Notes have not yet been written, so it is impossible to determine at this time what impact, if any, this withholding will have on Holders of the Notes.

If this withholding were to apply, Holders will not receive any Additional Amount in respect of such withholding, and Holders will therefore receive less than the amount that they would otherwise have received on the Notes.

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, the Guarantor and J.P. Morgan Securities plc (the “**Manager**”) have entered into a subscription agreement dated 15 December 2014 (the “**Subscription Agreement**”). Under the Subscription Agreement, the Issuer has agreed to issue and sell to the Manager, and the Manager has agreed, subject to certain customary closing conditions, to subscribe and pay for the Notes on 17 December 2014. The Issuer has agreed to pay certain fees to the Manager and to reimburse the Manager for certain expenses incurred in connection with the issue of the Notes.

The Manager may, under certain circumstances, terminate the Subscription Agreement reached. In such event, no Notes will be delivered to investors. Furthermore, the Issuer and the Guarantor have agreed to indemnify the Manager against certain liabilities it may incur in connection with the offer and sale of the Notes.

The Manager or its affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and/or the Guarantor and their affiliates, for which the Manager or its affiliates have received or will receive customary fees and commissions. In addition, the Manager or its affiliates are involved in financing initiatives relating to the Issuer and/or the Guarantor including the provision of an, as yet, undrawn credit facility.

Selling Restrictions

General

The Manager has agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Notes or have in its possession or distribute this Prospectus or any other offering material relating to the Notes. No action has been, or will be, taken in any country or jurisdiction that would, to the best of the Manager’s knowledge, permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, the Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act (“**Regulation S**”). Accordingly, the Manager has 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.

United Kingdom of Great Britain and Northern Ireland (United Kingdom)

The Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21 para. 1 of the FSMA does not apply to the Issuer or the Guarantor, 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.

The Netherlands

The Manager has represented and agreed that it will not make an offer of Notes in The Netherlands unless such offer is made exclusively to legal entities which are qualified investors as defined in the Prospectus Directive.

GENERAL INFORMATION

Application has been made to CSSF which is the Luxembourg competent authority for the purposes of the approval of this Prospectus under the Luxembourg Prospectus Law transposing into Luxembourg law the Prospectus Directive to approve this Prospectus. By approving this Prospectus, the CSSF assumes no responsibility for the economical and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer or the Guarantor pursuant to Article 7(7) of the Luxembourg Prospectus Law.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this Prospectus is for distribution only to Relevant Persons. This Prospectus 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 Prospectus 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 Manager and its affiliates have performed, and may in the future perform, investment banking and advisory services for the Issuer and the Guarantor for which they have received, or will receive, customary fees and expenses, including fees for advice in connection with the Takeover Offer.

Affiliates of the Manager entered into the DA Credit Agreement with the Issuer to finance the Takeover Offer. Furthermore, in connection with the Takeover Offer, the Manager and the Issuer have agreed that the Manager will acquire and take over all excess shares. In case the Notes are not placed successfully, the Manager has agreed to provide additional financing in connection with the Takeover Offer.

Further, an affiliate of the Manager is amongst the lenders under the 2013 Term Loan, and an affiliate of the Manager has entered into derivative hedging arrangements with the Group. Additionally, the Manager was amongst the arrangers for the 2014 Term Loan, the proceeds from which were used to partially finance the Vitus Group Takeover. Furthermore, the Manager acted as underwriter and dealer in several share and note offerings of the Guarantor and the Issuer, respectively.

In addition, in the ordinary course of their business activities, the Manager and its 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 the Guarantor or their respective affiliates. The Manager and its affiliates that have a lending relationship with the Issuer or Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor, as applicable, consistent with their customary risk management policies. Typically, the Manager and its 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 Manager and its 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.

Authorisation

The issuance of the Notes was authorised by the management board of the Issuer on 27 November 2014 and by the shareholder of the Issuer on 27 November 2014. The giving of the Subordinated Guarantee has been authorised by the Management Board on 27 November 2014 and the Supervisory Board on 27 November 2014.

Use of Proceeds/Expenses of the Admission to Trading

The net proceeds from the issuance of the Notes, estimated by the Issuer to be approximately €991 million will be used to partially finance the acquisition of the Target. The expenses of the admission to trading of the Notes are expected to amount to approximately €20,000.

Listing and Admission to Trading of the Notes

The Notes are admitted to trading on the unregulated open-market segment (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). 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 (which is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments) and to be listed on the Official List of the Luxembourg Stock Exchange.

Clearing Systems and Security Codes

The Notes have been accepted for clearance through:

Clearstream Banking, société anonyme

42 Avenue JF Kennedy
1855 Luxembourg
The Grand Duchy of Luxembourg

and

Euroclear Bank S.A./N.V.

1 Boulevard du Roi Albert II
1210 Brussels
Kingdom of Belgium

The Notes have the following securities codes:

International Securities Identification Number (ISIN) XS1117300837

Common Code 111730083

German Securities Identification Number (WKN) A1ZTXG

Rating of the Issuer, the Guarantor and the Notes

The Issuer has not been rated.

S&P³ has assigned the long-term credit rating “BBB”⁴ (positive outlook) to the Guarantor.

The Notes are rated “BBB-”⁴ by S&P.

³ S&P is established in the European Community and is registered under the CRA Regulation. 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 “BBB” as follows: “An obligor rated ‘BBB’ has an adequate capacity to meet financial commitments, but more subject to adverse economic conditions. The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or (-) sign to show relative standing within the major rating categories”.

Holders should be aware that 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.

Indication of Yield

The yield in respect of the Notes from the Issue Date to the First Call Date is 4.000% p.a., 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 of the Issuer;
- (b) the Articles of Association;
- (c) a copy of this Prospectus and any supplement thereto; and
- (d) the documents incorporated herein by reference.

A copy of the Subordinated Guarantee may be obtained free of charge at the specified office of the Principal Paying Agent.

DOCUMENTS INCORPORATED BY REFERENCE

The pages set out in the “*Documents Incorporated by Reference*” below, which are extracted from the following documents, shall be deemed to be incorporated in, and to form part of, this Prospectus: (a) the audited non-consolidated financial report (prepared in accordance with Dutch GAAP) of the Issuer as of 31 December 2013, including the auditor’s report and the unaudited non-consolidated financial report of the Issuer for the six-month period ended 30 June 2014; (b) the audited consolidated financial statements for the fiscal years ended 31 December 2011, 2012 and 2013, of the Guarantor, the unaudited condensed consolidated interim financial statements of the Guarantor as of and for the nine-month period ended 30 September 2014 as well as the audited stand-alone financial statements of the Guarantor as of and for the fiscal year ended 31 December 2013, in each case including the respective auditor’s report and (c) the Valuation Report, which is included in the prospectus for admission to trading of shares issued by the Guarantor and dated 13 October 2014.

Any information not incorporated by reference into this Prospectus 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 Prospectus.

In respect of the documents incorporated by reference, the German language version is controlling and binding in relation to the documents listed in the table of documents incorporated by reference under the heading “*Deutsche Annington Finance B.V.*” and “*Deutsche Annington Immobilien SE*” in the section “*Documents Incorporated by Reference*”. Therefore, the respective English language versions only constitute translations of the German originals. In relation to the document listed in the table of documents incorporated by reference under the heading “*Valuation Report of the determination of Fair Value of the residential real estate portfolios of DeWAG as of 31 March 2014 and of the Guarantor as of 30 June 2014*” there is no German language version.

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 Prospectus. Furthermore, the documents incorporated by reference will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Table of documents incorporated by reference:

(A) Deutsche Annington Finance B.V.

- (1) Audited non-consolidated financial report (prepared in accordance with Dutch GAAP) of the Issuer as of and for the fiscal year ended 31 December 2013

Balance Sheet as at 31 December 2013.....	pages 4 – 5
Income statement for the period 19 June until 31 December 2013	page 6
Cash flow statement for the period 19 June until 31 December 2013.....	page 7
Notes to the financial statements 2013	pages 8 – 21
Independent auditor’s report.....	last two pages

- (2) Unaudited non-consolidated financial report (prepared in accordance with Dutch GAAP) of the Issuer as of and for the six-month period ended 30 June 2014

Balance Sheet as at 30 June 2014.....	pages 4 – 5
Income statement for the period 1 January to 30 June 2014	page 6
Cash flow statement for the period 1 January to 30 June 2014	page 7
Notes to the financial statements of the half year financial report 2014	pages 8 – 21
Review Report	last page

(B) Deutsche Annington Immobilien SE

- (1) Audited consolidated financial statements (prepared in accordance with IFRS) of the Guarantor as of and for the fiscal year ended 31 December 2011 (Extracted from the English language Annual Report)
- Consolidated Income Statement page 50
- Consolidated Statement of Comprehensive Income page 50
- Consolidated Balance Sheet page 51
- Consolidated Cash Flow Statement page 52
- Consolidated Statement of Changes in Equity page 53
- Notes pages 54 – 113
- List of DAIG Holdings pages 114 – 116
- Independent Auditor's Report pages 117 – 118
- (2) Audited consolidated financial statements (prepared in accordance with IFRS) of the Guarantor as of and for the fiscal year ended 31 December 2012 (Extracted from the English language Annual Report)
- Consolidated Income Statement page 52
- Consolidated Statement of Comprehensive Income page 52
- Consolidated Balance Sheet page 53
- Consolidated Cash Flow Statement page 54
- Consolidated Statement of Changes in Equity page 55
- Notes pages 56 – 115
- List of DAIG Holdings pages 116 – 118
- Independent Auditor's Report pages 119 – 120
- (3) Audited consolidated financial statements (prepared in accordance with IFRS) of the Guarantor as of and for the fiscal year ended 31 December 2013 (Extracted from the English language Annual Report)
- Consolidated Income Statement page 92
- Consolidated Statement of Comprehensive Income page 92
- Consolidated Balance Sheet page 93
- Consolidated Cash Flow Statement page 94
- Consolidated Statement of Changes in Equity page 95
- Notes pages 96 – 175
- List of DAIG shareholdings pages 178 – 179
- Independent Auditor's Report pages 183 – 184

- (4) Unaudited condensed consolidated interim financial statements (prepared in accordance with IFRS) of the Guarantor as of and for the nine-month period ended 30 September 2014

Consolidated Income Statement	page 27
Consolidated Statement of Comprehensive Income	page 27
Consolidated Balance Sheet	page 28
Consolidated Cash Flow Statement	page 29
Consolidated Statement of Changes in Equity	page 30
Notes	pages 31 – 55
Review Report	page 57

- (5) Audited stand-alone financial statements (prepared in accordance with German GAAP) of the Guarantor as of and for the fiscal year ended 31 December 2013

Balance Sheet	page 4
Income Statement	page 5
Notes	pages 8 – 22
List of Deutsche Annington Immobilien SE Shareholdings	pages 33 – 35
Auditor's Report	page 36

(C) Valuation Report of the determination of Fair Value of the residential real estate portfolios of DeWAG as of 31 March 2014 and of the Guarantor as of 30 June 2014

Basis of Valuation	pages V-6 – V-9
Asset Holdings	pages V-10 – V-20
Explanation of Valuation	pages V-21 – V-33
Valuation Conclusions	pages V-34 – V-36
Valuation Key Definitions	pages V-37 – V-38

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GLOSSARY

2013 EMTN Notes	The Guarantor's €500 million notes issued on 8 October 2013 and due 2021.
2013 EMTN Programme ...	The Guarantor's €4.0 billion medium-term debt issuance programme.
2013 Term Loan	Refers to the €2.5 billion term loan agreement entered into between Deutsche Annington, J.P. Morgan Limited and Morgan Stanley Bank International Limited in June 2013.
2014 EMTN Notes	The Guarantor's €500 million notes under the EMTN Programme issued on 9 July 2014.
2014 Term Loan	The €475 million term loan agreement entered into between the Issuer, as borrower, the Guarantor, as guarantor, Barclays Bank Plc and J.P. Morgan Limited.
Acceptance Period	The period for acceptance of the Takeover Offer, which started with the publication of the Offer Document on 19 December 2014 and expires on 21 January 2015, at 24:00 hours (Central European Time).
Accrued Interest	Interest accrued on the Notes (<i>Stückzinsen</i>).
Adjusted EBITDA Rental	Adjusted EBITDA Rental is derived by subtracting property management costs and maintenance expenses from rental income generated by the Group.
Adjusted EBITDA Sales ...	Adjusted EBITDA Sales is derived by subtracting all operating expenses (excluding overhead costs) incurred in connection with sales activities from profit on disposal of properties generated by the Group and by adjusting profit on disposal of properties for certain reclassification and timing effects described under " <i>Description of the Guarantor and the Group—Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Profit on Disposal of Properties</i> ".
Affiliate	Any affiliated company (<i>verbundenes Unternehmen</i>) within the meaning of Section 15 German Stock Corporation Act (<i>Aktiengesetz</i>).
AFFO	Investment-adjusted FFO 1.
April 2014 Hybrid	Notes issued by the Issuer on 8 April 2014 in the form of €700 million subordinated notes subject to interest rate reset with a first call date 2019, due 2074 and guaranteed by the Guarantor.
BaFin	The German Federal Financial Supervisory Authority.
Business Combination Agreement	The business combination agreement concluded between the Management Board and the Target's board of directors on 1 December 2014 concerning the merger of both companies.
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 (TARGET2) are operational to effect payments.
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).

Change of Control

Effective Date	The date fixed by the Issuer in the Change of Control Notice.
CitCor	CitCor Residential Group, a joint venture of Citigroup Property Investors and CORPUS SIREO.
Clearing System	Clearstream, Luxembourg together with Euroclear.
Clearstream, Luxembourg	Clearstream Banking, <i>société anonyme</i> .
CMBS	Commercial Mortgage Backed Securities.
CMS	Compliance management system.
Code	The German Corporate Governance Code, as amended on 24 June 2014.
Comparator Group	The listed German peer group used for the TSR performance indicator, comprised of Deutsche Wohnen AG, the Target, GSW Immobilien AG, LEG Immobilien AG and TAG Immobilien AG.
Contamination	Residual pollution and harmful changes to soil.
Control	Any direct or indirect legal or beneficial ownership or any legal or beneficial entitlement (as defined in Section 22 of the German Securities Trading Act (<i>Wertpapierhandelsgesetz – WpHG</i>)).
Controlled Subsidiary	Any entity controlled (<i>abhängiges Unternehmen</i>) by the Guarantor within the meaning of Section 17 German Stock Corporation Act (<i>Aktiengesetz</i>).
Convertible Bond 2014	The convertible bond issued by Gagfah on 20 May 2014 in a total amount of €375.0 million.
CPI	CPI means Consumer Price Index. A consumer price index measures changes in the price level of consumer goods and services purchased by households. In this Prospectus, CPI refers to the consumer price index as published by the German Federal Statistical Office.
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 recognised standing authorised 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.
DABG	Deutsche Annington Beteiligungsverwaltungs GmbH.
DA Credit Agreement	The syndicated bridge facilities agreement entered into between the Issuer and J.P. Morgan Limited as arranger, JP Morgan Chase Bank, N.A. as original lender and J.P. Morgan Europe Limited as agent on 1 December 2014.
DAID	Deutsche Annington Immobilien-Dienstleistungen GmbH, one of the Guarantor's subsidiaries.
DA Offer Shares	The shares of the Guarantor, which have to be transferred to the Gagfah Shareholders as a part of the consideration for the Takeover Offer.

DASG	Deutsche Annington Service GmbH, one of the Guarantor's wholly owned subsidiaries through which it offers customers condominium administration services.
DB Fund	A closed-end real estate fund held by DB Real Estate, a subsidiary of Deutsche Bank Aktiengesellschaft.
DBO	Defined benefit obligation.
DCF	The DCF (Discounted Cash Flow) describes a method of calculating value, especially for the valuation of business and also used to determine the market value of real estate.
DDT	Dichlorodiphenyltrichloroethane.
Determination Date	The dates of the Interest Payment Dates per calendar year, each a Determination Date.
Determination Period	The period from (and including) a Determination Date (or, in the case of the first Determination Date, from (and including) the Interest Commencement Date) to, (but excluding) the next Determination Date.
Deutsche Annington	The Guarantor together with all consolidated subsidiaries.
Deutsche Annington Acquisition	Deutsche Annington Acquisition Holding GmbH, a subsidiary of the Guarantor.
DeWAG	A portfolio of around 11,500 residential units managed by DeWAG, taken over by Deutsche Annington as part of the DeWAG Transaction.
DeWAG Transaction	Deutsche Annington's acquisition of DeWAG that closed on 1 April 2014.
DeWAG's Ultimate Holding Companies	DeWAG Holdings S.à r.l. and DeWAG LT Holdings S.à r.l.
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>).
DMS	Deutsche Multimedia Service GmbH, a wholly owned subsidiary of the Guarantor.
DRR	Debt-to-rent ratio.
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 Guarantor or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses).
EHS	Environmental, health and safety.
EMTN Programme	The Guarantor's €4.0 billion medium-term debt issuance programme.
EPRA	European Public Real Estate Association. EPRA is a non-profit organization that represents the interests of European-listed real estate companies.
EPRA NAV	A specific definition of NAV as used by EPRA. It is the sum of the total assets minus the sum of liabilities and the non-controlling shares, which is then adjusted for the balance of deferred tax assets and liabilities and

	the balance of derivative financial instruments held as assets and liabilities.
ESMA Update	The ESMA update of the CESR recommendations of 20 March 2013, ESMA/2013/319.
EU	EU refers to the European Union.
Euroclear	Euroclear Bank SA/NV.
EWGs	Between 94.1% and 94.9% of the shares in ten regional German Railroad housing companies, which represent 65,000 housing units of the BEV.
Exchange Trustees	Commerzbank AG (Kaiserplatz, 60311 Frankfurt) and DZ Bank AG (<i>Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main</i>) (Platz der Republik, 60265 Frankfurt am Main).
Explanatory Financial Information	The consolidated balance sheet of the Guarantor as of 30 September 2014 and the consolidated profit and loss statements for the fiscal year from 1 January 2013 until 31 December 2013 as well as the nine-month period from 1 January 2014 to 30 September 2014 of the Guarantor.
Fair Value	The discount rate used to calculate the value of the Group's properties recorded on the Guarantor's balance sheet in accordance with IAS 40.
FATCA	The U.S. Foreign Account Tax Compliance Act.
FFO	Funds from operations.
FFO Forecast	The forecast for funds from operations (FFO) for the fiscal years 2014 and 2015 set out in this Prospectus.
FFO I	An FFO indicator (not including Adjusted EBITDA Sales) in which Adjusted EBITDA for the respective periods is adjusted for operating income from sales activities (Adjusted EBITDA Sales), net interest expenses excluding special items (<i>e.g.</i> , transaction costs, prepayment penalties, commitment interest) and current income taxes.
FFO I (before maintenance)	An FFO indicator in which maintenance is deducted from FFO I.
FFO II	An FFO indicator in which Adjusted EBITDA Sales is added to FFO I for the respective periods.
Financial Promotion Order	Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Financial Reports	The annual financial statements of the Issuer as of 31 December 2013 and the half-year financial statements of the Issuer as of 30 June 2014 prepared in accordance with Dutch GAAP.
First Call Date	17 December 2021.
First Step-up Date	17 December 2026.
Fitch	Fitch Ratings Ltd.
FSMA	The Financial Services and Markets Act of 2000, as amended.
FTE	Full-time equivalent employee.
FTT	The European Commission's published proposal for a directive for a common financial transactions tax.
Gagfah	The Target together with its consolidated subsidiaries.

Gagfah Shareholders	All shareholders of the Target.
Gagfah Shares	All shares of the Target.
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.
Germany	The Federal Republic of Germany.
Global Notes	The Temporary Global Note together with the Permanent Global Note.
GRAND	German Residential Asset Note Distributor P.L.C.
Group	The Guarantor together with all consolidated subsidiaries.
Guaranteed Obligations	Discharged upon the full and irrevocable satisfaction of all claims guaranteed pursuant to section 1 of the Subordinated Guarantee.
Guarantor	Deutsche Annington Immobilien SE, a European company (<i>Societas Europaea</i>) incorporated in Germany and governed by European and German law.
Holders	The holders of the Notes.
ICR	The quotient of net rental and lease income of borrowing companies (after deduction of operating cost as defined in the respective loan agreement) and the interest payable by these companies (also considering payments from interest hedges and interest on other senior or equally-ranking debt as well as, in one case, the scheduled amortisation of senior or equally-ranking debt).
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.
IFRS/IAS	International Financial Reporting Standards/International Accounting Standards. In this Prospectus “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 .
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.
IPO	Initial public offering.
Issue Date	17 December 2014.
Issuer	Deutsche Annington Finance B.V., a Dutch private company with limited liability governed by Dutch law.
July 2013 Notes	The Guarantor’s notes with a nominal amount of €700 million due 2016 and notes with a nominal amount of €600 million due 2019, both issued on 25 July 2013.
Junior Obligations of the Guarantor	(i) The ordinary shares and preferred shares (if any) of the Guarantor, (ii) any present or future share of any other class of shares of the Guarantor, (iii) any other present or future security, registered security or other instrument of the Guarantor under which the Guarantor’s obligations rank

or are expressed to rank *pari passu* with the ordinary shares or the preferred shares (if any) of the Guarantor and (iv) any present or future security, registered security or other instrument which is issued by any Subsidiary of the Guarantor and guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i), (ii) and (iii).

Junior Obligations of the Issuer	(i) The ordinary shares and preferred shares (if any) of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security, registered security or other instrument of the Issuer under which the Issuer's obligations rank or are expressed to rank <i>pari passu</i> with the ordinary shares or the preferred shares (if any) of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumptions of liability rank or are expressed to rank <i>pari passu</i> with the instruments described under (i), (ii) and (iii).
KfW	Kreditanstalt für Wiederaufbau.
KPMG	KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, Germany.
Leopard Portfolio	The part of the portfolio of the newly acquired Vitus Group comprising of around 9,600 residential units and located in North Rhine Westphalia, sold by Deutsche Annington to a subsidiary of LEG Immobilien AG on 9 October 2014.
LTIP	Long term incentive programme.
LTIP 2010	A long-term incentive plan comparable to the LTIP 25 introduced in 2010 to succeed it.
LTIP 25	A long-term incentive plan introduced in 2007 for the Guarantor's top 25 employees below the Management Board level.
LTV-Ratio	Loan-to-value ratio, i.e., 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).
MAKAB	MAKAB Grundstücks-Verwaltungsgesellschaft mbH.
Management Board	The management board of the Guarantor.
Manager	J.P. Morgan Securities plc
Market Interest Rate	The current interest rate on the capital market, which typically changes on a daily basis.
McKinley New Subsidiaries	A part of Deutsche Annington's real property portfolio in Germany transferred to newly established partnerships in connection with the GRAND restructuring.
McKinley Split	The transfer of part of Deutsche Annington's real property portfolio in Germany to newly established partnerships as part of the GRAND restructuring.
Minimum Acceptance Rate	The minimum acceptance rate of 57% of the outstanding Gagfah Shares at the time of publication of the Offer Document.

Monterey	Monterey Holdings I S.à r.l., the Guarantor's former major shareholder.
Moody's	Moody's Investor Services Limited.
Morgan Stanley	Morgan Stanley Bank International 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 (e.g., 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.
New LTIP	A new long-term incentive agreement which replaced the Pre-IPO LTIP.
Notes	€1,000,000,000 Subordinated Notes subject to Interest Rate Reset with a First Call Date 2021 guaranteed by the Guarantor on a subordinated basis.
Offer Consideration	The consideration offered by the Guarantor to the Gagfah Shareholders for every 14 Gagfah Shares, consisting of €122.52 in cash as well as five DA Offer Shares.
Offer Document	The document prepared by the Guarantor in connection with the Takeover Offer pursuant to Sections 34, 14 para. 2 and 3 German Securities Acquisition and Takeover Act (<i>Wertpapiererwerbs- und Übernahmegesetz – WpÜG</i>).
Officers' Certificate	A certificate signed by two members of the management board (<i>Vorstand</i>) of the Guarantor.
Parity Obligations of the Guarantor	Any present or future obligation which (i) is issued by the Guarantor and the obligations under which rank or are expressed to rank <i>pari passu</i> with the Guarantor's obligations under the Subordinated Guarantee, or (ii) benefits from a guarantee or support agreement that ranks or is expressed to rank <i>pari passu</i> with its obligations under the Subordinated Guarantee.
Parity Obligations of the Issuer	Any present or future obligation which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank <i>pari passu</i> with the Issuer's obligations under the Notes, or (ii) benefits from a guarantee or support agreement expressed to rank <i>pari passu</i> with its obligations under the Notes.
Participating Member States	Member states participating in the FTT: Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.
PCB	Polychlorinated Biphenyl.
PCP	Pentachlorophenol.
Performance Measures	Adjusted EBITDA, NAV, the LTV-Ratio, FFO 1, AFFO and FFO 2.
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 organisation, limited liability company or government (or any agency or political subdivision thereof) or other entity.

Pre-IPO LTIP	The pre-IPO long-term incentive plan for the members of the Management Board.
Principal Paying Agent	Deutsche Bank Aktiengesellschaft.
Prospectus	This prospectus.
Prospectus Directive	The European Union's Directive 2003/71/EC.
PwC	The auditor of the Issuer's annual financial statements for the 2013 fiscal year is PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 A V Rotterdam, The Netherlands.
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, Moody's or Fitch or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Guarantor.
REF Notes	Collateralised real estate funding notes issued by several entities of the Group. Deutsche Annington entered into a €2.5 billion term loan agreement in June 2013 with Morgan Stanley to repay these notes.
Reference Banks	The five leading swap dealers in the interbank market.
Regulation S	Regulation S under the Securities Act.
Representative Amount	An amount that is representative for a single transaction in the swap market at the relevant time.
Reset Date	The First Call Date and each fifth anniversary of the First Call Date.
Reset Period	Each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.
Reset Rate	
Determination Date	The second Business Day prior to the relevant Reset Date.
Reset Rate of Interest	Reset Rate of Interest means the Reset Reference Rate for the relevant Reset Period in which the relevant Interest Period falls, plus the relevant Margin for the relevant Interest Period.
Reset Reference Rate	The relevant 5-year Swap Rate for the relevant Reset Period, as determined by the Calculation Agent.
Retained Vitus Group	The Vitus Group excluding the entities resold to a subsidiary of LEG Immobilien AG on 9 October 2014.
Retained Vitus Portfolio	The portfolio owned by the Retained Vitus Group.
RETT	Real Estate Transfer Tax (<i>Grunderwerbsteuer</i>).
S&P	Standard & Poor's Ratings Services.
SchVG	The German Act on Issues of Debt Securities (<i>Gesetz über Schuldverschreibungen aus Gesamtemissionen</i>).
SE	European company (<i>Societas Europaea</i>).
Second Step-up Date	17 December 2041.

Securities Act	U.S. Securities Act of 1933, as amended.
Senior Management.....	Five chief representatives responsible for the operational management of the Guarantor reporting directly to the Chief Executive Officer, the Chief Financial Officer or the Chief Operating Officer.
S-Notes.....	Subordinated loans that the Guarantor's former major shareholder Monterey had contributed as contribution in kind to the capital reserves of the Guarantor.
Solicited Rating.....	A rating assigned by a Rating Agency with whom the Guarantor has a contractual relationship under which the Qualifying Debt Securities are assigned a rating.
Specified Denomination	The Notes are being in denominations of €100,000.
Standard & Poor's.....	Standard & Poor's Credit Market Services Europe Limited (Niederlassung Deutschland) (German Branch).
STIP	Short term incentive programme.
Subordinated Guarantee...	The guarantee given by the Guarantor in respect to the Notes on a subordinated basis.
Subscription Agreement ...	The subscription agreement entered into between the Issuer, the Guarantor and the Manager on 15 December 2014.
Subsidiary of the Guarantor.....	Any Person that must be consolidated with the Guarantor for the purposes of preparing Consolidated Financial Statements of the Guarantor.
Subsidiary of the Issuer.....	Any corporation, partnership or other enterprise in which the Guarantor directly or indirectly holds in the aggregate more than 50% of the capital or the voting rights.
Supervisory Board.....	The supervisory board of the Guarantor.
Takeover Offer.....	The Guarantor's offer to the Gagfah Shareholders to purchase their Gagfah Shares with a par value of €1.25 through a voluntary public takeover offer.
Target	Gagfah S.A.
Temporary Global Note	Temporary global bearer note without interest coupons, which will be delivered on or around the Issue Date to a common depositary, the Clearing System.
Terms and Conditions.....	The terms and conditions of the Notes.
Terra Firma Group	Terra Firma Investments (DA) Limited (TFIDA); Terra Firma Investments (DA) II Limited (TFIDA II); any associate of TFIDA or TFIDA II; any fund managed and/or advised by TFIDA or TFIDA II and/or an associate thereof; and/or any successor of TFIDA and/or TFIDA II as general partner and/or manager of any of all of the Terra Firma Deutschland Annington Funds.
Third-Party Shareholders	Various third parties holding 5.1% of the ownership rights in each of Deutsche Annington's significant property holding subsidiaries.
TSR	Total shareholder return percentage, used as a performance indicator by comparing the Group's TSR per share for the relevant year against the average TSR per share of listed German peers in the Comparator Group over the same period (and weighted by their average market capitalisation over the relevant period). TSR per share is calculated on the basis of the

share price at the end of the relevant year (taking into account any dividend pay-outs) compared to the share price at the beginning of such year.

United States	The United States of America.
USD Notes	Notes issued on 2 October 2013 in United States currency, in the form of \$750 million principal amount notes due 2017 and \$250 million principal amount notes due 2023 and guaranteed by the Guarantor.
Valuation Report	The valuation report comprising valuations of the residential real estate portfolios of DeWAG as of 31 March 2014 and of Deutsche Annington as of 30 June 2014, respectively, pursuant to IAS 40 in conjunction with IFRS 13 and prepared by the independent appraiser CBRE.
VAT	Value added tax.
ver.di	The United Services Union (<i>ver.di – Vereinte Dienstleistungsgewerkschaft e.V.</i>).
Vitus Group	The transferred entities, comprising of around 30,000 residential units, as part of the Vitus Group Takeover.
Vitus Group Takeover	Deutsche Annington's acquisition of Vitus Group, which closed on 1 October 2014.
WoBauG	The Federal Act on the Promotion of Housing Construction and Family Homes (<i>Wohnungsbau- und Familienheimgesetz</i>).
WoBindG	The German Act on Safeguarding the Specific Purpose of Subsidised Housing (<i>Gesetz zur Sicherung der Zweckbestimmung von Sozialwohnungen</i>).
WoFG	The German Housing Development Act (<i>Wohnraumförderungsgesetz</i>).
Working Capital Facility ..	The revolving credit facility agreement entered into between Deutsche Annington and Commerzbank Aktiengesellschaft on 4 March 2014.

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