



PROSPECTUS

for the admission to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*)

of

Deutsche Annington Finance B.V.

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

as Issuer

EUR 700,000,000 2.125% Senior Unsecured Notes due 2016

ISIN DE000A1HNTJ5 and German Securities Code (WKN) A1HNTJ

EUR 600,000,000 3.125% Senior Unsecured Notes due 2019

ISIN DE000A1HNW52 and German Securities Code (WKN) A1HNW5

with unconditional and irrevocable guarantees as to payment of principal and interest from

Deutsche Annington Immobilien SE

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

as Parent Guarantor

On 25 July 2013 (the **Issue Date**) Deutsche Annington Finance B.V., incorporated in The Netherlands as a private company with limited liability (the **Issuer**) originally issued €700,000,000 in the aggregate principal amount of 2.125% Senior Unsecured Notes due 2016 (the **2016 Notes**) and €600,000,000 in the aggregate principal amount of 3.125% Senior Unsecured Notes due 2019 (the **2019 Notes**, and together with the 2016 Notes, the **Notes**, and each of the 2016 Notes and the 2019 Notes is also referred to as a series of Notes). The 2016 Notes will bear interest at a rate of 2.125% per year. The 2019 Notes bear interest at a rate of 3.125% per year. The Issuer will pay interest on the Notes annually in arrears on 25 July, commencing on 25 July 2014. The Notes of each series are issued only in denominations of €100,000 each.

The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law. Each series of Notes is unconditionally and irrevocably guaranteed by Deutsche Annington Immobilien SE, a European company (*Societas Europaea*) incorporated in Germany (the **Parent Guarantor** and together with all consolidated subsidiaries, **Deutsche Annington** or the **Deutsche Annington Group** or the **Group**). The obligations of the Parent Guarantor under the guarantees (the **Parent Guarantees**) constitute unsecured and unsubordinated obligations of the Parent Guarantor, ranking *pari passu* in right of payment with the Parent Guarantor's other unsecured and unsubordinated obligations, unless such obligations are accorded priority under mandatory provisions of statutory law.

In addition, each series of Notes was initially be unconditionally and irrevocably guaranteed by certain subsidiaries of the Parent Guarantor (each a **Subsidiary Guarantor** and, together with the Parent Guarantor, the **Guarantors** and each a **Guarantor** and such guarantees each a **Subsidiary Guarantee** and, together with the Parent Guarantee, the **Guarantees** and each a **Guarantee**). On 8 October 2013, each Subsidiary Guarantee was automatically released upon the repayment of the Term Loan in full.

Unless previously redeemed or purchased and cancelled in accordance with the terms and conditions of the Notes, the 2016 Notes will be redeemed at par on 25 July 2016 and the 2019 Notes will be redeemed at par on 25 July 2019. Each series of Notes may, and in certain circumstances shall, be redeemed before this date, in whole but not in part, at its principal amount, together with, if applicable, accrued interest, notably in the event of any change in taxation or in an event of default. The Issuer will have the option to redeem any series of Notes prior to maturity, in whole but not in part, at its principal amount, together with accrued interest, if applicable, and a premium. If a change of control occurs, each Holder will have the option to require the Issuer to redeem or, at the Issuer's option, repurchase all or part of the Notes held by such Holder at their principal amount together with, if applicable, accrued interest.

The Notes were originally admitted to trading on the unregulated open-market segment (*Freiverkehr*) of the Frankfurt Stock Exchange on the Issue Date.

This Prospectus has been prepared by the Issuer for the purpose of having the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market on or about the date of this Prospectus. This Prospectus has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the **CSSF**), which is the Luxembourg competent authority for the purpose of the Directive 2003/71/EC (the **Prospectus Directive**), as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, and relevant implementing measures in Luxembourg as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of Luxembourg Act dated 10 July 2005 on prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*) (the **Prospectus Law**).

Application has been made to the CSSF in its capacity as competent authority under the Prospectus Act to approve this document as a prospectus for the purposes of Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market, Bourse de Luxembourg. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

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

RESPONSIBILITY STATEMENT

Deutsche Annington Finance B.V. (the *Issuer*) and Deutsche Annington Immobilien SE (the *Parent Guarantor* and together with all consolidated subsidiaries, *Deutsche Annington* or the *Deutsche Annington Group* or the *Group*) are solely responsible for the information given in this Prospectus. Each of the Issuer and the Parent 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.

PURPOSE OF THE PROSPECTUS

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes.

This Prospectus has been prepared by the Issuer for the purpose of having the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market on or about the date of the Prospectus.

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's regulated market, Bourse de Luxembourg.

NOTICE

This Prospectus should be read and construed with any supplement thereto and with any other documents incorporated by reference.

No person has been authorised by the Issuer or the Parent Guarantor to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Notes or any information supplied by any Issuer or the Parent Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Parent Guarantor.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note 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.

This document may only be communicated or caused to be communicated in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 (*FSMA*) does not apply.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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 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 other 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 no offer or invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or the Parent Guarantor that any recipient of this Prospectus should subscribe for or purchase any 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 Parent Guarantor.

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 either is derived from information by competitors or from data provided by independent research companies.

The language of this Prospectus is English. 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*".

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 the Deutsche Annington Group'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 Group'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 Group'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 following section of this Prospectus: "Description of the Parent Guarantor and the Group". This section include more detailed

descriptions of factors that might have an impact on Deutsche Annington Group'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, the Issuer assumes no obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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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 Parent Guarantor's ability to fulfil its obligations under the Guarantee and Negative Pledge. Any of these risks could have a material adverse effect on the financial condition and results of operations of the 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 a material adverse effect on Deutsche Annington's business activities and financial condition and results of operations.

Words and terms that are defined in the "Terms and Conditions of the Notes" 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 acts as financing subsidiary of the Parent 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 future.

The ongoing business activities of the Issuer depend on the ability of the Parent Guarantor and other companies of the Group to fulfill 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 fulfill its obligations arising from the Notes towards the investors.

Risk factors relating to the Parent Guarantor

Market risks

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 530 cities and communities throughout the Federal Republic of Germany (**Germany**), Deutsche Annington's business activities are affected by numerous demographic, economic and political factors. Economic 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 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 31 December 2013, 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, population and, consequently, demand for housing has 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 the gross domestic product (**GDP**), unemployment rates, purchasing power and the development of the 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 behavior of Deutsche Annington's tenants. These factors have a significant effect on vacancy rates, Deutsche Annington's revenues and the valuation of Deutsche Annington's properties. Accordingly, Deutsche Annington is subject to economic developments in Germany and to the trends in the regional sub-markets in which its portfolio is concentrated.

While Deutsche Annington has taken steps to absorb the effects of expected unfavorable regional demographic and economic developments, Deutsche Annington may nevertheless be negatively affected by unfavorable economic and demographic developments in Germany, or in the regions where its properties are located.

If the macro-economic indicators discussed above develop negatively from Deutsche Annington's perspective, Deutsche Annington's dependence on economic and demographic developments in Germany and the various regions where its properties are located could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow, and results of operations.

The continuing uncertainty regarding the development of the global economy, for example due to the ongoing sovereign debt crises in many parts of the world, particularly in Europe, may result in economic instability, limited access to debt and equity financing and possible defaults by Deutsche Annington's counterparties.

The severe global economic downturn in the years following the global economic and financial crisis of 2008 and 2009 and its effects, in particular, the scarcity of financing, tensions in the capital markets and weak consumer confidence and declining consumption in many markets, adversely impacted the economic development worldwide. This crisis was followed by sovereign debt crises in many parts of the world, particularly in the Eurozone, which are still ongoing and have resulted in recessions in many of the impacted countries. This macroeconomic environment gives rise to economic and political instability, including the possibility of a breakup of the Eurozone. 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 the financial markets for the refinancing of its debt liabilities, any worsening of the economic environment or the capital markets may reduce its ability to refinance its existing and future liabilities. Furthermore, Deutsche Annington's counterparties, in particular its hedging counterparties, may not be able to fulfill their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

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 economic environment is characterized by low interest rates and comparatively high valuations 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 global financial and economic crisis has resulted in increased uncertainty regarding future economic developments. This uncertainty regarding the general economic outlook has increased the popularity of investment opportunities that provide stable and largely predictable cash flows, such as investments in German residential real estate. The increased popularity of investments in residential real estate has resulted in an increase in property prices and the value of residential real estate companies.

These developments could reverse themselves if, for example interest rates rise. A rise in interest rates may result from an improvement in the economic environment, which could increase investor interest in investments with a higher risk profile and decrease their interest in real estate investments. Rising interest rates could adversely impact Deutsche Annington in a number of ways, including:

- The discount rate used to calculate the fair value of the Group's (such fair value hereinafter referred to as the Fair Value) properties 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 "—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 unfavorably, Deutsche Annington may be required to adjust the current Fair Values of its investment properties and recognize significant losses."
- Deutsche Annington's strategy of disposing assets from its Non-Core portfolio segment at or around Fair Value and pursuing sales of assets from its privatization portfolio segment at a premium to Fair Value could be jeopardized. Income from the disposal of properties constitutes an important source of both gross profit (fiscal year 2013: €52.0 million) and cash flow (fiscal year 2013: €270.3 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 property 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 Privatised and Non-Core portfolio segments.
- 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 pertaining to interest payments that will not impair its targeted profit, and to amortization schedules that do not restrict its ability to pay intended dividends. Further, Deutsche Annington 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 31 December 2013, Deutsche Annington took out hedges for an aggregate of 84,7% of Deutsche Annington's loans that bear interest at a variable rate or that are otherwise subject to hedging commitments. As of 31 December 2013, an amount of €1,157.0 million was outstanding under these loans. The valuation of hedging instruments, which itself depends on the level of interest rates, also impacts the Group's equity and, to a lesser extent, the Group's 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 capturing additional growth opportunities by acquiring residential real estate portfolios or 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 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 unfavorable 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 Deutsche Annington 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 privatizing or if they reduce their privatization 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 Parent Guarantor could be forced to pay higher prices or could only be able to acquire fewer (if any) properties.

Any inability to acquire residential real estate portfolios or real estate companies could not only impair Deutsche Annington's strategy to capture external growth opportunities but could also jeopardize 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 sustain demand for a rental property and to generate adequate revenue over the long-term, a property's condition must be maintained or improved to a standard that meets market demand. Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. If maintenance and modernization is required to meet changing legal or market requirements (e.g. with regard to energy saving), 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 modernization 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 constantly reviews the condition of its properties and has established a reporting system to monitor and budget the necessary maintenance and modernization measures, numerous factors may generate substantial unbudgeted costs for maintenance and modernization. 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 76.0% of Deutsche Annington's residential real estate units were built between 1949 and 1980 and approximately 15.4% were built prior to 1949 (calculated on the basis of the floor area as of 31 December 2013).

Deutsche Annington would incur additional and unexpected costs if the actual costs of maintaining or modernizing its properties were to exceed Deutsche Annington's estimates, if Deutsche Annington is not permitted to raise rents in connection with maintenance and modernization due to statutory or contractual constraints, or if hidden defects that are not covered by insurance or contractual warranties are discovered during the maintenance or modernization 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 square meter on maintenance and modernization. This may restrict the Group's ability to focus on otherwise planned modernizations and may thus result in a sub-optimal allocation of funds.

The Parent Guarantor's failure to undertake appropriate maintenance and modernization 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 any portion of its portfolio on favorable terms or may be unable to do so at all.

The real estate market, in which Deutsche Annington invests and operates, is characterized 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 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 of its portfolio on favorable 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 31 December 2013, approximately 37,000 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 realize 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 integrating acquisitions 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, portfolios or real estate companies that may be acquired in the future may not develop as favorably 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 in with both its existing property portfolio and its current management platform and of which Deutsche Annington believes might improve the quality of its property portfolio. In the past, Deutsche Annington has carried out several takeovers of companies in the relevant industrial area, the last of which are the announced takeovers of certain entities of the Vitus group comprising around 30,000 residential units and of a portfolio of around 11,500 residential units managed by DeWAG, which are intended to be closed in the fourth quarter of 2014 or have been closed on 1 April 2014, respectively.

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. The Parent Guarantor's acquisition of additional property portfolios and real estate companies can be financed by taking on additional debt or by issuing and offering new shares 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 (*EPRA NAV*), and loan-to-value (*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 modernization 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, recognized or evaluated correctly. Thus, legal and/or 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 sufficiency 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, in particular the announced takeovers of certain entities of the Vitus group comprising around 30,000 residential units and of a portfolio of around 11,500 residential units managed by DeWAG, Deutsche Annington could overestimate earning potential and synergies, and underestimate the rental and cost risks, and consequently pay a too high purchase price. Furthermore, the property portfolios could be inaccurately appraised 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 too high purchase price for 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 Parent 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 or companies that may be acquired in the future may not develop as favorably as expected. For example, targeted rent of portfolios 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 unfavorable 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.

The transaction costs expended for future acquisition of real estate, property portfolios or real estate companies could prove to be useless if the transaction is not completed.

In planned acquisitions of real estate, real estate portfolios or real estate companies, as the recently announced takeovers of certain entities of the Vitus group comprising around 30,000 residential units and of a portfolio of around 11,500 residential units managed by DeWAG, unforeseen problems could arise, for example in the form of substantial economic or legal impediments to such takeover or to an acquisition. This could cause Deutsche Annington to withdraw from a planned transaction. If a transaction that has been actively pursued fails, the amounts spent on the project, some of which could be considerable, for example for consultants and due diligence, could prove to be useless. A substantial number of terminated transactions and a rather large amount of useless expenses could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow, and results of operations.

Deutsche Annington plans significant investment in modernization measures, which may not generate the expected return.

From 2014 onwards, Deutsche Annington plans to invest approximately €150 million per year for modernization measures. These modernization measures focus on energy efficient modernization of buildings, modernization 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 return of approximately 7% on the invested capital, which Deutsche Annington expects to contribute approximately one percentage point 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 return of approximately 7% on the invested capital. The amounts invested, 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 program. 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. Further, Deutsche Annington may face management challenges to oversee and organize such enlarged investment programs or may not be in a position to find sufficient investment opportunities to invest the budgeted amount per year. In addition, Deutsche Annington may not be able to pass on the costs of these modernization measures to its customers if the customers are unable to afford rent increases as a result of these modernization measures. Further, the Group may be restricted in its ability to finance the investment programs through loans or other debt instruments depending on Deutsche Annington's current and future debt level and structure.

The materialization 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. The aforementioned restrictions are especially common in connection with the privatization of publicly-owned property, where the selling public authorities 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 31 December 2013, approximately 89,000 of the Group's residential units were subject to certain contractual restrictions. These limitations include in particular:

- *Restrictions on sales.* In total, as at 31 December 2013, approximately 37,000 residential units are subject to selling restrictions (excluding preferential occupancy rights (*Belegungsrechte*)). 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.
- *Preferential pre-emptive purchase rights.* Certain 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 include restrictions on termination for reason of personal and reasonable economic use and in many cases must be accepted by acquirers of the residential units.
- *Minimum maintenance spending and restrictions on maintenance and modernizations.* This covenant requires spending a minimum amount per square meter per year on maintenance and modernization. Some units are also affected by restrictions on maintenance and modernization measures that are aimed at changing the socioeconomic mix of tenants (so-called luxury modernization).
- *Restrictions on rent increases.* Restrictions on rent increases (comprising mainly consent requirements for modernizations that result in a higher rent, including luxury modernizations) may limit Deutsche Annington from fully realizing the potential rents of the affected units.
- *Special protection for employees.* Some Deutsche Annington employees are subject to special protections against dismissal, such as guarantees that their employment cannot be terminated due to personal conditions (e.g. absence due to illness) or the transfer of employment contracts (*Betriebsübergang*). In some cases, 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.

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 restrict the level of rents chargeable on a part of Deutsche Annington's portfolio. Providers of the subsidized loans may also unilaterally exercise their right to increase the rate of interest payable on such loans.*"

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 implemented a new insourcing policy, under which it established a caretaker and craftsmen organization and has recruited a large number of employees. This policy has significantly increased its personnel expenses and other fixed costs and poses management challenges.

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 and on margins previously charged by third-party providers. The Group established its own caretaker organization, which performs traditional caretaker tasks as well as local quality management and coordination, and a craftsmen organization, which handles maintenance and repairs. In this context, Deutsche Annington hired more than 1,000 new employees and almost doubled its headcount.

The increase in headcount has led to a rise in personnel expenses and other fixed costs and will continue to negatively affect such fixed costs in the future.

Further, this 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, the integration of new employees could fail or take longer than scheduled. 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 organization 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 modernization 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 organization.

The materialization 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 single unit sales (privatizations) that leave some units in a property 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 (privatizations). 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 that are 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 modernization, 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.

In addition, pursuant to the Germany 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 that are unfavorable to 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 ordnance, soil conditions and contaminants in building materials, as well as possible building code 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 and/or wartime ordnance. 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 fibers 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 ordnance, 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 ordnance, 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 ordnance 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 ordnance, 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 (*PCBs*), dichlorodiphenyltrichloroethane (*DDT*), pentachlorophenol (*PCP*) and Lindane), or properties acquired may pose other environmental risks and Deutsche Annington may be responsible for its 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 modernize existing buildings so that they comply with these stricter standards. Even though the Parent Guarantor conducts thorough 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 modernization 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 modernization provisions, restrictions regarding modernization 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 31 December 2013 weighted by rental space) which may lead to an additional need for expensive maintenance and modernization 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.

Approximately 15,000 of Deutsche Annington's buildings are located in the Ruhr region; approximately 1,600 buildings thereof are located on sites affected by mining activities conducted at depths of up to 100 meters below the surface. Of these 1,600 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 the mining activities, former mining operators or their legal successors, who are ultimately responsible for any such potential damages, may be able to refute this assumption, may no longer exist or may be immune by statute or due to the fact that Deutsche Annington has waived claims against some of them that it may have had. Furthermore, when real estate is damaged by past or current deep-mining activities in the northern Ruhr area of Germany, the Parent Guarantor's ability to recover the cost of repair and/or any compensation from the relevant mining companies could be impaired by waiver agreements entered into with certain mining companies. Although Deutsche Annington annually monitors potential defects of its properties resulting from current or former mining activities and proactively undertakes measures to mitigate the potential damage (e.g. through measures to increase the stability of the buildings), the cost of any required remediation of mining damage may be substantial. 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 Parent Guarantor may be required to pay compensation.

The occurrence 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.

Deutsche Annington has entered into a strategic partnership with Deutsche Telekom Group and if such partnership is not successful, Deutsche Annington may incur substantial costs. 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 145,000 residential units throughout Germany with modern fiber-optic technology. Work started on implementing the project at the beginning of 2012 and by the end of 2013, 43,000 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 145,000 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 modernizing the cable network according to mandatory legal requirements. As of 31 December 2013, the Group had

recognized contingent liabilities of €178.7 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 modernize the existing residential cable networks of the housing units that may be owned by third parties or to install new cable-networks. If Deutsche Annington cannot secure the necessary consents and cooperation or if the attractiveness of residential units equipped with modern fiber-optic technology falls below the Parent Guarantor's expectations and the related decrease in vacancy rate turns out to be lower than anticipated, Deutsche Annington could incur additional costs that may be substantial.

Deutsche Annington employs and works together with a large number of service providers, including energy providers and providers of minor repairs and maintenance 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 Parent 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.

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

One of the Parent Guarantor's subsidiaries, Deutsche Annington Immobilien-Dienstleistung 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 center 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, the Group 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 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 as adopted by the European Union, 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 Group's consolidated balance sheet at their net present value. The residential building continues to be included as an asset in the Group's consolidated balance sheet and is recorded at Fair Value. As of 31 December 2013, Deutsche Annington's liabilities with respect to the DB Fund amounted to €91.9 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 Group'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 subsidized 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 31 December 2013, approximately 14% of Deutsche Annington's properties 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 31 December 2013, the Group had received subsidized loans with a nominal value of €548.9 million. The public bodies granting a subsidized loan impose maximum rent levels on the properties constructed, acquired or modernized using such subsidized 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 1,282 units in 2014 and on 321 units in 2015.

Moreover, Deutsche Annington's subsidized 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% per annum. 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. Although Deutsche Annington does not expect that the lenders will change their policy and exercise this right extensively, Deutsche Annington faces the risk that the lenders may do so 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 subsidized loans, or if the provider of Deutsche Annington's subsidized 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 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 a material adverse effect 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 has only 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 Parent Guarantor to manage its business operations effectively.

The materialization of one or more of the risks described above could have a material adverse effect 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 Parent 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 considerable 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 labor negotiations, all of which could have a material adverse effect 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. 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 and/or recognized malfunctions can be avoided by appropriate preventive security measures in every case. The materialization 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 unfavorably, Deutsche Annington may be required to adjust the current Fair Values of its investment properties and recognize significant losses.

Deutsche Annington accounts for its investment properties (i.e. properties that are held for the purpose of earning rental income, for capital appreciation or both and are not used by the Group) at Fair Value in accordance with IAS 40 in conjunction with IFRS 13. Until and including the fiscal year 2012, the Group used the income capitalization method. Hereby, the fair value of investment properties is calculated on the basis of contract or market rents and risk adjusted capitalised interest rates. From the beginning of 2013 onwards, 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. 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 relevant 10-year period is estimated using forecasts of the then-expected stabilised net operating income and appropriate capitalization rates and then discounted to the date of valuation. The applied discount rate reflects the market situation, location, condition and letting situation of the property, the yield expectations of a potential investor and the level of uncertainty and the inherent risk of the forecasted future cash flows, while the applicable exit capitalization rate is derived from the applied discount rate. 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 values of the total portfolio on the consolidated balance sheet downwards.

Any significant fair value adjustments Deutsche Annington is required to recognize would have significant negative effects on its EPRA NAV and LTV-Ratio and could have a material adverse effect on Deutsche Annington's net assets, financial condition and results of operations.

Financial risks

Under its new financing strategy, Deutsche Annington plans to satisfy a significant portion of its future financing needs through the issuance of unsecured corporate bonds. This new financing strategy, including the issuance of the Notes, entails certain risks which could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow, and results of operations, if they materialise.

In 2013, Deutsche Annington changed its financing strategy to satisfy a significant portion of its future financing needs through the issuance of unsecured corporate bonds. Deutsche Annington 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.

To further enhance Deutsche Annington's credit structure for further unsecured bond offerings, the Group has taken the following steps:

- On 3 June 2013, the Parent Guarantor entered into a term loan agreement with J.P. Morgan Limited and Morgan Stanley Bank International Limited, which are affiliates of the Arrangers, as arrangers and (several) original lenders, which was an unsecured €2.5 billion term loan facility (the **Term Loan**) and made draw-downs in the aggregate amount of €2.3 billion. The Term Loan was fully repaid on 8 October 2013;
- On 18 July 2013, the REF Notes, which were collateralised real estate funding notes issued by the REF Note Issuers (several entities of Deutsche Annington Group) to German Residential Asset Note Distributor P.L.C. in order to allow the repayment in full of the commercial mortgage-backed securities issued by GRAND (the **GRAND Notes**) and the entire relate transaction, (the **GRAND Securitisation**), were repaid in full. The repayment was funded, in particular, by utilizing an amount of €2.3 billion under the Term Loan. Subsequently, all amounts due under the GRAND Securitisation to the holders of GRAND Notes were fully repaid on 22 July 2013;
- The proceeds of the issuance of the Existing Notes, the US Dollar Notes and the October Notes were used to repay the Term Loan in October 2013;
- By 30 June 2014, the Group intends to repay a number of secured loans in order to create a pool of unencumbered assets of around 50% of the Group's properties (measured by Fair Value); and
- In addition to issuing the Existing Notes, the US Dollar Notes, the October Notes and the Hybrid Notes, the Group has initiated the preparation of the issuance of further unsecured corporate bonds, in particular the issuance of the Notes, in an amount that would permit repayment of a significant amount of existing debt in 2014.

If Deutsche Annington were to lose its investment grade rating, future issuances of unsecured bonds may become significantly more expensive or may be impossible in the targeted amounts. If any of the risks described above were to materialize, this could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

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

Deutsche Annington intends to refinance maturing debt with other debt instruments. 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 Deutsche Annington or other Group companies.

This could have a material adverse effect on Deutsche Annington's business, net assets, financial condition, cash flow and results of operations.

If the Issuer, the Parent Guarantor or other Group companies breach financial covenants or other provisions in connection with the Existing Notes, the US Dollar Notes, the October Notes other debt instruments or under their loan agreements, Deutsche Annington may be required to bear higher interest costs or fully repay the relevant notes or loans before they become due, and security trustees or creditors could seize or realize significant collateral furnished by Deutsche Annington to secure such notes or loans.

The noteholders of the Existing Notes, of the US Dollar Notes, the October Notes and the Deutsche Annington lenders are entitled to terminate their financing agreements if Deutsche Annington companies breach material provisions under their respective financing agreements and are not in a position to cure such breaches. The loan agreements and the Existing Notes and the US Dollar Notes as well as the October Notes require, in particular, that Deutsche Annington complies with certain financial covenants, such as a maximum LTV-Ratio and minimum debt-service or interest cover ratios. A failure to comply with such financial covenants or other material provisions of the financing agreements and the terms and conditions of the Existing Notes, of the US Dollar Notes, the October Notes and the Hybrid Notes could have severe consequences, including that:

- the lenders or noteholders of Existing Notes, the US Dollar Notes and the October Notes, as applicable, may have the right to terminate the relevant loan agreement or the Existing Notes or the US Dollar Notes or the October Notes, respectively, and outstanding amounts could become immediately due and payable;
- other lenders or noteholders could be entitled to terminate their financing agreements 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 Existing Notes, the US Dollar Notes and the October Notes may be entitled to require the Issuer to redeem, in whole or in part, the Existing Notes, the US Dollar Notes and the October Notes, respectively, at their principal amount, together with accrued interest; or
- the right of the Parent Guarantor or its subsidiaries to distribute profits and income from the properties which serve as security for the respective loans may be restricted, and may therefore limit Deutsche Annington's ability to service its other obligations.

If the Existing Notes, the US Dollar Notes, the October Notes, other debt instruments or one or more of Deutsche Annington's 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 favorable terms.

To secure its financial obligations under certain financing agreements (other than the Existing Notes, the US Dollar Notes, the October Notes and the Hybrid Notes), Deutsche Annington 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 programs. 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 realize collateral, including real property, pledged shares and bank accounts, without further negotiation. This could cause Deutsche Annington to lose parts of its real estate portfolio in a forced sale on economically unfavorable terms. Contractual restrictions limit the voluntary sale of properties ahead of a forced public auction which could have an amplified negative effect.

Approximately 9.6% 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 fulfill 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 realization of any of the aforementioned risks could have a material adverse effect on Deutsche Annington's business, net assets, financial condition, cash flow, and results of operations.

The Parent Guarantor's cash flows are dependent on the profitability of its subsidiaries or must be augmented by borrowed capital.

The Parent 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 Parent 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 its payment obligations. If the funds are insufficient, Deutsche Annington would need to obtain additional funds, which could have a material adverse effect 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, which provides for substantial tenant protection and restricts action regarding tenant eviction. Moreover, there are current political efforts to further restrict rent increases. German courts often declare clauses in tenancy agreements invalid. Deutsche Annington uses standardized tenancy agreements, which increases the potential impact if any clause is held to be invalid.

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, in a number of German municipalities, 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 recognized scientific principles and recognized by the municipality or by representatives of local lessors and lessees, the rent indices are recognized 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 the state government of Bavaria reduced the capping limit to 15% for the city of Munich and a number of other Bavarian municipalities. Besides this, the state government of Berlin has enacted a similar law which came into effect in May 2013. North Rhine Westphalia has announced plans to consider reducing the

capping limit to 15% for specified municipalities in which Deutsche Annington-owned properties are located. In addition, Hamburg has enacted a capping limit, which came into effect on 1 September 2013. Other states may follow.

- In addition, for modernization measures through which (i) sustainable energy savings (energy-related modernization measures, *energetische Modernisierung*) 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) modernization measures that are conducted due to circumstances for which the landlord is not responsible and which do not qualify as maintenance measures, 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 are given the option to 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. For example, the German Government is planning to propose a law in 2014 that would effectively limit rent increases and establish maximum rent levels (*Mietpreisbremse*). 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 a material adverse effect on its business, financial condition and results of operations. For example, current proposals aim to restrict rent increases for new leases to a maximum of 10% above the locally prevailing comparative rent levels and to a maximum of 15% above the locally prevailing comparative rent levels for existing leases for a period of four years.

Further, German law and German courts provide tenants with protection against termination and tenant evictions. Extended leases and/or delayed evictions resulting from these protections can lead to substantial losses until the property is actually vacated. However, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has introduced provisions that are intended to give the landlord a cost-saving option and to expedite the eviction process.

Deutsche Annington maintains legal relationships with a large number of persons, primarily employees, purchasers, and tenants of residential properties. In this context, it also uses standardized documents and standard-form contracts. Standardized terms under German law 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, standardized terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party. Due to the frequent changes in the legal framework, particularly with regard to court decisions relating to general terms and conditions, it is impossible to fully protect oneself against risks from the use of such standardized 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 holds the landlord responsible

for maintenance measures and the increased costs incurred in connection therewith. Even if contracts are prepared with legal advice, it is impossible 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 a material adverse effect 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 modernization provisions, restrictions regarding modernization 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 authorized 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. The city of Munich and Berlin have also enacted a municipal bylaw with the aforementioned restrictions. For specific risks in connection with German tenancy law, see "*—Deutsche Annington's ability to increase rents is limited by German law, which provides for substantial tenant protection and restricts action regarding tenant eviction. Moreover, there are current political efforts to further restrict rent increases. German courts often declare clauses in tenancy agreements invalid. Deutsche Annington uses standardized tenancy agreements, which increases the potential impact if any clause is held to be invalid.*"

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 (*Erlöse aus abrechenbaren Betriebskosten*) or modernization 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, at the latest, owners of properties with a centralised hot water production facility are obliged to test the level of potential legionella contamination and to 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*) prescribes specified investments in renovation work aimed at reducing energy consumption (with respect to thermal insulation for instance) and requires a landlord to present an energy certificate that discloses the property's energy efficiency upon request from a potential tenant prior to an entry into a new lease agreement. The same applies with respect to the sale of properties. However a draft bill revising the Energy Savings Ordinance (*Energieeinsparverordnung*) that would result in additional costs is currently pending in the legislative procedure. The draft bill, which is not expected to be enacted before 2014, requires the landlord or seller of a property to hand over an energy certificate to the other party even if the other party does not request such a certificate. 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, requirements may be imposed in order to increase the supply of handicap-accessible and adapted housing (see "*—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.").

If, during the course of a maintenance or modernization measure, it is discovered that a building undergoing such processes is subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the maintenance or modernization process, or may result in an inability to carry out particular maintenance or modernization measures, or could generate significantly higher costs for the particular project. These factors could render Deutsche Annington incapable of performing its contractual obligations to a buyer, with the consequence that the buyer's obligation to pay the purchase price could be waived or deferred.

Any of these factors could have a material adverse effect 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 maintenance and modernization 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 liability 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 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 a material adverse effect 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 its 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 Parent Guarantor has introduced a mandatory code of conduct for its major business partners. Legal and compliance risks are addressed by the Parent Guarantor's risk management.

Although Deutsche Annington believes that the aforementioned compliance arrangements will offer a high degree of protection, they may not be sufficient to completely prevent all unauthorized practices, legal infringements or corruption within Deutsche Annington. Any failure in compliance could have a material adverse effect on its net assets, financial condition, cash flow, results of operations, and its reputation.

Deutsche Annington is subject to the general tax environment in Germany. The Group's tax burden may increase as a consequence of 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 even 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 facts 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 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 periods for which no assessment has been received, 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 obligations and, additionally, could give rise to interest payable on the additional amount of taxes at a rate of 6% per annum 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 outstanding taxes after deducting tax prepayments to the revenue 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 May 2013 and covered the fiscal years up to and including 2004. As of the date of this Prospectus, a tax audit regarding the fiscal years 2005 to 2012 is being conducted and is not yet closed for the Parent Guarantor's significant subsidiaries. These tax audits and/or 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 reorganization 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.

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

The materialization 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 reorganizations 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 reorganizations, involving, among other things, the transfer of legal or beneficial title to real estate. In certain transactions which involved actions that could potentially be seen as a direct or indirect transfer of a property's legal or beneficial title, binding tax rulings were issued by the tax authorities. 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 with respect to German thin capitalisation rules. Further, the Group's tax burden may increase as a consequence of a future change in the Parent Guarantor's shareholder and/or group 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 German thin capitalization rules 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 entities specified for these purposes and of any particular business within this group of entities 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 (non-consolidation exemption); or (iii) the equity ratio test is met, i.e. where the equity ratio of the business in question is by no more than 2 percentage points lower or higher than, the equity ratio of the consolidated group (escape clause). However, the non-consolidation exemption and the equity escape clause can be applied only if no detrimental shareholder financing within the meaning of Section 8a paragraph 2 and 3 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*) exists. As far as 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 materialize, the Group may not be able to fully deduct the interest expenses owed under existing and possibly future debt, thus increasing its tax burden, which could 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 Parent Guarantor. If, for example, Deutsche Annington's parent company, Monterey Holdings I S.à r.l., Luxembourg (*Monterey*), ceases to be part of the Group in the future, the equity ratio of the Group may change and the Parent Guarantor may not be able to maintain its subsidiaries' ability to make use of the escape clause. If this risk were to materialize, the tax deductibility of 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 Parent Guarantor and could have 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 Parent Guarantor or in a subsidiary within a five-year period may trigger German real estate transfer tax.

The Group is functionally divided into service or management companies on the one hand, and property companies on the other. All significant property companies are established as limited partnerships and hold the legal or beneficial title to most parts of the Group's real estate portfolio. German RETT is potentially triggered if, within any period of five years, 95% or more of the shares of the Parent Guarantor or 95% or more of the interests in a partnership that holds real estate properties is directly or indirectly transferred from the current partners to new partners or to other entities. In the event of such a transfer, the real estate owning partnerships would have to pay RETT in the 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 hold 5.1% of the ownership rights in each of Deutsche Annington's significant property holding subsidiaries (hereinafter referred to as ***Third-Party Owners***). In the face of a change in law in June 2013, which introduced a so-called "look-through" 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 view will also lead to a wider interpretation of direct and indirect transfers of 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 Owners to be sufficient to prevent RETT from being triggered, particularly in the event that the current Third-Party Owners sell their stakes to other parties that are deemed to be controlled by the Parent 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 intends to conduct in the future. There can be no assurance that none of these transactions has or will result in negative tax consequences.

If the aforementioned risks materialize, 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 the transfer of title or ownership interests in real property with built-in gains may not be completely set off by tax roll-over relief.

Under the German Income Tax Act (*Einkommensteuergesetz*), roll-over relief, i.e. the possibility of a tax neutral transfer of certain assets with built-in gains (*stille Reserven*), is available, subject to certain conditions for a disposal of real estate, for newly acquired or constructed real estate within a certain period of time (Section 6b German Income Tax Act (*Einkommensteuergesetz*)). The roll-over amount can either be used for a direct reduction in the tax base of the new real estate by the amount of capital gains realised upon sale of the properties in the same tax year or by forming a reserve (***6b Reserve***) and 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, if an extension is granted, six years), then generally it has to be dissolved, thereby increasing the taxable income. In addition, in such case the taxable income is further increased by interest at 6% per annum applied to the amount written off for each full fiscal 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 set off against a roll-over relief as specified in Section 6b of the German Income Tax Act (*Einkommensteuergesetz*). Deutsche Annington's management believes that Deutsche Annington fulfills the requirements for the application of the roll-over relief and covered its position, *inter alia*, by appropriate advance rulings of the competent tax authorities. On this basis Deutsche Annington has made use of roll-over relief in order to offset capital gains arising from such transactions in the past.

However, if the statutory requirements for the application of the roll-over relief have not been fulfilled or will not be fulfilled in the future and the competent tax authorities decide accordingly, Deutsche Annington would be unable to set-off capital gains arising out of the property sales in the past or as the case may be, future divestitures against roll-over relief.

The materialization 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.

In 2010, the German Federal Tax Court (*Bundesfinanzhof*) issued a judgment on the trade tax treatment of limited partnerships organized like most of the Parent Guarantor property-holding subsidiaries. In contrast to the former approach of the German tax authorities, the German Federal Tax Court ruled that limited partnerships so organized are not only transparent for corporate income tax purposes, but also for trade tax purposes. As a consequence of this ruling, only the Deutsche Annington 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 need to be fulfilled by the respective Deutsche Annington general partner. However, none of the Deutsche Annington general partners within the Group currently fulfills 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 qualify for the extended trade tax privilege, provided that all other requirements of the extended trade tax privilege are fulfilled. As an adverse consequence for trade tax purposes, trade tax losses that may arise in one partnership cannot be set-off against 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 materialize, 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 REF Notes that were issued and sold by the Group to GRAND in the course of a complex securitisation transaction in 2006. Since real estate has been 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 Parent Guarantor.

Deutsche Annington changed the terms of various classes of REF Notes and converted some of these notes into subordinated Class "S" REF Notes based on 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 a newly established partnership (the transfer of properties is hereinafter referred to as the *McKinley Split* and the new entity is referred to as the *McKinley New Subsidiary*).

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 set-off by the profits of the McKinley New Subsidiary or the profits of its partners, (ii) RETT may be triggered upon the sale and transfer of the assets to the McKinley New Subsidiary, (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 suspension 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 Subsidiary may trigger Value-Added Tax (VAT) (*Mehrwertsteuer*) 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 Subsidiary to make use of the "escape clause" by ensuring that sufficient equity exists for the McKinley New Subsidiary to have an equity ratio that corresponds to the equity ratio of DABG for purposes of the thin capitalization rules. Nevertheless, no assurance can be given that the McKinley New Subsidiary 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, the implementation of measures against "base erosion and profit shifting" and the establishment of a common consolidated corporate tax base (CCCTB). 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 materialize, it could have material adverse effects on Deutsche Annington's business, net assets, financial condition, cash flow, and results of operations.

Risk factors relating to 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 get their own idea about the investment.

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 or incorporated by reference into the 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 relevant 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 until the maturity of the relevant 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 its investment and ability to bear the applicable risks.

The market-value of Notes with fixed interest rates is dependent on market interest rates.

A Holder of a fixed interest rate Note carries the risk that the prices of the Notes can fall as a result of changes in the interest rate on the market. While the nominal interest rate of a Note with a fixed interest rate is fixed for the entire duration of such Notes, the current interest rate on the capital market (***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. If the Holder of a Note with a fixed interest rate holds them until maturity, changes of the market interest rate will be irrelevant as the Notes will be redeemed at a fixed redemption amount, which is normally the nominal amount of such Notes.

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

The Issuer may redeem all outstanding Notes for reason of minimal outstanding amount or 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 Parent Guarantor is obligated to pay additional amounts in respect to the 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. In addition, the Issuer may optionally choose to redeem the Notes if the prevailing interest rates are relatively low or to redeem the Notes early in case of an event described in more detail in the Terms and Conditions of the Notes. If the Notes are redeemed prior to maturity, a Holder of such Notes is exposed to the risk that due to such early 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 relevant Notes.

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

Any person who purchases the Notes is relying on the creditworthiness of the Issuer and the Parent 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 Parent Guarantor to make interest and/or redemption payments that the Issuer or the Parent Guarantor is obliged to make under the Notes or the Guarantee, respectively. The worse the creditworthiness of the Issuer or the Parent Guarantor, the higher the risk of loss (see also "*Risks relating to the Parent Guarantor*" above). A materialisation of the credit risk may result in partial or total failure of the Issuer or the Parent Guarantor to make interest and/or redemption payments under the Notes or the Guarantee, respectively.

In addition, even if the likelihood that the Issuer or the Parent Guarantor will be in a position to fully perform all obligations under the Notes or the 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 such opinion if market participants' assessment of the creditworthiness of corporate debtors in general or debtors operating in the industries sector adversely change. 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. The market value of the Notes may therefore decrease.

There is no active public trading market for the Notes.

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. If Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell Notes at any time at fair market prices. The possibility to sell Notes might additionally be restricted by country specific reasons. A buyer of a Note must therefore be prepared to retain the Notes until the day of maturity or final redemption.

An investment in the Notes may be subject to the risk of inflation.

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 is equal to or higher than the nominal yield, the real yield is zero or even negative.

The Notes and the Guarantee will be effectively subordinated to Deutsche Annington Group's debt to the extent such debt is secured by assets that are not also securing the Notes.

Although the Terms and Conditions of the Notes and the Guarantee require the Parent Guarantor and its Material Subsidiaries to secure the Notes equally if they provide security for the benefit of Capital Markets Indebtedness, the requirement to provide equal security to the Notes is subject to a number of significant exceptions and carve-outs as set out in detail in the Terms and Conditions of the Notes. To the extent the Parent Guarantor or any of its subsidiaries provides security interest over their assets for the benefit of other debt without also securing the Notes, the Notes and the Guarantee will be effectively junior to such debt to the extent of such assets. As a result of the foregoing, holders of (present or future) secured debt of Deutsche Annington Group may recover disproportionately more on their claims than the Holders in an insolvency, bankruptcy or similar proceeding. The Issuer and the Parent Guarantor may not have sufficient assets remaining to make payments under the Notes or the Guarantee, respectively.

The Notes and the Guarantee restrict, but do not eliminate, Deutsche Annington Group's ability to incur additional debt, create liens or take other action that could negatively impact the Holders.

The Terms and Conditions of the Notes and the Guarantee restrict Deutsche Annington Group's ability to incur additional indebtedness and to create liens on its assets by requiring the maintenance of certain loan-to-value, interest coverage and unencumbered asset ratios. In addition, the Terms and Conditions of the Notes permit Holders to require the Issuer to redeem or, at the Issuer's option, repurchase the Notes upon the occurrence of a change of control event relating to the Parent Guarantor. However, these restrictions and undertakings may nonetheless allow the Parent Guarantor and its subsidiaries to incur significant additional (secured or unsecured) indebtedness, to grant additional security for the benefit of existing and future indebtedness and to enter into transactions, including reorganisations, mergers, acquisitions and other similar corporate transactions that may adversely affect the Holders. As a result of the foregoing, the Issuer and the Parent Guarantor may not have sufficient assets to make payments on the Notes or the Guarantee, respectively.

There may be transaction costs and/or charges in connection with the purchase or sale of the Notes.

When the Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Note. 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, Holders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). These incidental costs may significantly reduce or eliminate any profit from holding the Notes.

The income under the Notes may be reduced by taxes.

Potential purchasers and sellers of the Notes 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.

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 Parent Guarantor and by the credit rating of the Parent Guarantor and a number of other factors including market interest and rate of return and the remaining time until the day of maturity.

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. The Holders are therefore exposed to the risk of an unfavourable development of market prices of their Notes which materialise if the Holders sell the Notes prior to the maturity of such Notes. If a holder of Notes decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the Terms and Conditions of the 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 its Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

Credit ratings may not reflect all risks and are subject to change.

Ratings assigned to the Parent Guarantor by rating agencies are an indicator of the Parent Guarantor's ability to meet its obligations under the 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 Parent 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. An investor may thus incur financial disadvantages as he may not be able to sell the Notes at a fair price. 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. 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.

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 of the Notes are based on the laws of the Federal Republic 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 to 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 or the Parent Guarantor 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, that 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 or the Parent Guarantor 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, an investor may not adequately understand the risks inherent with an investment in the Notes and may lose parts or all of his capital invested without taking such or other risks into consideration before investing in the Notes.

Although the occurrence of specific change of control events will permit Holders to require redemption or repurchase of the Notes, the Issuer may not be able to redeem or repurchase such Notes.

Upon the occurrence of specific change of control events, the Holders will have the right to require the redemption or, at the option of the Issuer, to require repurchase of all of their Notes at their principal amount, plus accrued and unpaid interest. The Issuer's or the Parent Guarantor's ability to redeem or repurchase Notes upon such a change of control event will be limited by its access to funds at the time of the redemption or repurchase. Upon a change of control event, the Parent Guarantor may be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by it under other debt outstanding. The source of funds for these repayments would be the available cash or cash generated from other sources. However, there can be no assurance that there will be sufficient funds available upon a change of control event to make these repayments and any required redemption or repurchases of tendered Notes.

In case of certain Events of Default, each series of Notes will only be redeemable if Holders of at least 10 per cent of the aggregate principal amount of the respective series of Notes then outstanding declare such series of Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Holders of such series of Notes.

The Terms and Conditions of each series of Notes provide that, in case of certain events of default, any notice declaring the respective series of Notes due and payable shall become effective only when the Paying Agent has received default notices from Holders representing at least 10 per cent of the aggregate principal amount of such series of Notes then outstanding. In addition, under the German Act on Debt Securities (*Schuldverschreibungsgesetz – SchVG*), even if a default notice had been given by a sufficient number of Holders of the respective series of Notes, the Holders of such series of Notes could rescind such acceleration by majority resolution within three months. A simple majority of votes would be sufficient for a resolution on the rescission of such acceleration but, in any case, more Holders would have to consent to a rescission than have delivered default notices.

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

The Terms and Conditions and the terms of the 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 of the respective series of Notes. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of any series of Notes outstanding.

The Terms and Conditions of each series of Notes or the Guarantee may be amended or other measures relating to such Notes or the Guarantee may be taken by majority resolution of the Holders of such Notes. The voting process under the Terms and Conditions of the Notes will be governed in accordance with the SchVG, pursuant to which the required participation of Holder votes (*quorum*) is principally set at 50 per cent of the aggregate principal amount of outstanding Notes of the respective series in a vote without a

meeting. In case there is no sufficient quorum in the vote without a meeting, there is no minimum quorum requirement in a second meeting or voting on the same resolution (unless the resolution to be passed requires a qualified majority, in which case Holders representing at least 25 per cent 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 Notes of the respective series outstanding, the aggregate principal amount such Notes 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 Parent Guarantor against his will in the event that Holders holding a sufficient aggregate principal amount of the relevant series of Notes participate in the vote and agree to amend the Terms and Conditions or the terms of the Guarantee of such series of Notes or on other matters relating to the Notes or the Guarantee by majority vote in accordance with the Terms and Conditions of the Notes and the SchVG.

Since no Holders' Representative will be appointed as from the issue date of Notes, it will be more difficult for Holders to take collective action with respect to the Notes and the Guarantee

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

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

Exchange rate risks and exchange controls.

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.

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

The U.S. "Foreign Account Tax Compliance Act" (or ***FATCA***) imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FACTA will affect the amount of any payment received by the clearing systems. However, FACTA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FACTA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FACTA, or an ultimate investor that fails to

provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FACTA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FACTA or other laws or agreements related to FACTA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FACTA withholding. The Issuer's obligation under the Notes is discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "Taxation – Foreign Account Tax Compliance Act".

The Financial Transactions Tax could apply the 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. Prospective investors should refer with respect to the FTT to the section "Taxation – The proposed financial transactions tax (FTT)".

TERMS AND CONDITIONS OF THE 2016 NOTES

§ 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 € 700,000,000 (in words: seven hundred million) in denominations of € 100,000 (the **Specified Denomination**) on 25 July 2013 (the **Issue Date**).
- (2) *Global Note.* The Notes are represented by a global certificate (the **Global Note**) in bearer form without interest coupons. The Global Note shall be signed by two authorized signatories of the Issuer and shall be authenticated by or on behalf of the Paying Agent. Definitive certificates representing individual Notes and interest coupons will not be issued.
- (3) *Custody.* The Global Note representing the Notes will be kept in custody by or on behalf of Clearstream Banking AG, Frankfurt am Main (**CBF**) until all obligations of the Issuer under the Notes have been satisfied. The Notes shall be transferable by appropriate entries in securities accounts in accordance with applicable rules of CBF and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity.
- (4) *Holder of Notes.* **Holder** means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.
- (5) *Book-Entry Register.* The Issuer and CBF have agreed that CBF will act as the Issuer's book-entry registrar in respect of the Notes. In such capacity and without prejudice to the issuance of the Notes in bearer form and their status as notes in bearer form under German law, CBF has agreed, as agent of the Issuer, to maintain records of the Notes credited to the accounts of the accountholders of CBF.

§ 2

STATUS; PARENT GUARANTEE, INITIAL SUBSIDIARY GUARANTEES AND ADDITIONAL SUBSIDIARY GUARANTEES

- (1) *Status.* The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.
- (2) *Guarantee of Parent Guarantor.* Deutsche Annington Immobilien SE (the **Parent Guarantor**) has given an unconditional and irrevocable guarantee (the **Parent Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. The Parent 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 Parent Guarantee directly from the Parent Guarantor and to enforce the Parent Guarantee directly against the Parent Guarantor. Copies of the Parent Guarantee may be obtained free of charge at the specified office of the Paying Agent.
- (3) *Guarantee of Initial Subsidiary Guarantors.* Each Initial Subsidiary Guarantor has given an unconditional and irrevocable guarantee (each an **Initial Subsidiary Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Initial Subsidiary 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 such Initial Subsidiary Guarantee directly from the relevant Initial Subsidiary Guarantor and to enforce such Initial Subsidiary Guarantee directly against the relevant Initial Subsidiary Guarantor. Copies of each Initial Subsidiary Guarantee may be obtained free of charge at the specified office of the Paying Agent.

Each Initial Subsidiary Guarantee provides that, without prejudice to any other mode of service allowed under any relevant law, the relevant Initial Subsidiary Guarantor irrevocably appoints the Parent Guarantor as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to such Initial Subsidiary Guarantee and that any service of process, notice or demand in respect of such Initial Subsidiary Guarantee made or given by a Holder to the Parent Guarantor shall be deemed to have been validly made or given to such Initial Subsidiary Guarantor.

- (4) *Additional Subsidiary Guarantees.* The Parent Guarantor has undertaken in the Parent Guarantee that on the date on which any of Deutsche Annington WOGÉ Vier Bestands GmbH & Co. KG (**WOGÉ Vier Bestands**), Deutsche Annington WOGÉ Vier GmbH & Co. KG (**WOGÉ Vier**), Viterra Holdings Eins GmbH (**VH1**) and Viterra Holdings Zwei GmbH (**VH2**) and, together with WOGÉ Vier Bestands, WOGÉ Vier and VH1, the **Additional Subsidiary Guarantors** and the Additional Subsidiary Guarantors together with the Initial Subsidiary Guarantors and the Parent Guarantor, the **Guarantors** and each a **Guarantor**) grants a guarantee to secure the Term Loan, the Parent Guarantor shall procure that the respective Additional Subsidiary Guarantor will concurrently give an unconditional and irrevocable guarantee on substantially the same terms as the guarantees granted to secure the Term Loan (each an **Additional Subsidiary Guarantee** and, together with the Initial Subsidiary Guarantees and the Parent Guarantee, the **Guarantees** and each a **Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Additional Subsidiary Guarantee will constitute 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 such Additional Subsidiary Guarantee directly from the relevant Additional Subsidiary Guarantor and to enforce such Additional Subsidiary Guarantee directly against the relevant Additional Subsidiary Guarantor. Copies of each Additional Subsidiary Guarantee may be obtained free of charge at the specified office of the Paying Agent.

Each Additional Subsidiary Guarantee shall provide that, without prejudice to any other mode of service allowed under any relevant law, the relevant Additional Subsidiary Guarantor irrevocably appoints the Parent Guarantor as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to such Additional Subsidiary Guarantee and that any service of process, notice or demand in respect of such Additional Subsidiary Guarantee made or given by a Holder to the Parent Guarantor shall be deemed to have been validly made or given to such Additional Subsidiary Guarantor.

(5) *Release of Guarantees.*

- (a) The Parent Guarantee shall be released only upon discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon and all other amounts under the Notes then due and owing.
- (b) Pursuant to its terms, an Initial Subsidiary Guarantee and, as applicable, an Additional Subsidiary Guarantee (but not any payment obligation under any Guarantee which has already become due and payable) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect) upon the earlier of:
- (i) the release of the guarantee of such Initial Subsidiary Guarantor or, as applicable, Additional Subsidiary Guarantor granted to secure the Term Loan;
 - (ii) the discharge in full of all amounts outstanding under the Term Loan; or

- (iii) the discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon, and all other amounts under the Notes then due and owing as provided in § 5(3).
- (6) *Limitation of Subsidiary Guarantees.* The obligations under the Initial Subsidiary Guarantees and Additional Subsidiary Guarantees (collectively, the ***Subsidiary Guarantees***) will be limited as necessary under the terms of such Subsidiary Guarantees to prevent the Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules.
- (7) *Terms of Guarantees.* The provisions of the Parent Guarantee and the Initial Subsidiary Guarantee are set out in the annex to the Global Note for informational purposes.

§ 3 NEGATIVE PLEDGE

- (1) *Negative Pledge of the Issuer.* The Issuer undertakes, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist any form or security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Issuer in respect of Capital Market Indebtedness unless, subject to § 3(3), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.
- (2) *Negative Pledge of the Parent Guarantor.* The Parent Guarantor has undertaken in the Parent Guarantee, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its Material Subsidiaries will create or permit to subsist, any form or security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Parent Guarantor or any of its Subsidiaries in respect of Capital Market Indebtedness unless, subject to § 3(3), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.
- (3) *Limitation.* The undertakings pursuant to § 3(1) and § 3(2) shall not apply:
- (a) to any security interest which is mandatory according to applicable laws or required as prerequisite for governmental approvals; or
 - (b) with respect to any security right *in rem* (*dingliches Sicherungsrecht*) provided by any Subsidiary over any of such Subsidiary's claims against the Parent Guarantor, which claims arise as a result of the passing on to the Parent Guarantor of the proceeds from the issue by such Subsidiary of any Capital Market Indebtedness, *provided that* any such security serves solely to secure obligations under such Capital Market Indebtedness issued by such Subsidiary.
- (4) *Provision of Additional Security.* Whenever the Issuer or the Parent Guarantor, as the case may be, becomes obligated to secure (or procure that a Material Subsidiary secures) the Notes pursuant to this § 3, the Issuer or the Parent Guarantor, as applicable, shall be entitled to discharge such obligation by providing (or procure that the relevant Material Subsidiary provides) a security interest in the relevant collateral to a security trustee, such security trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally (*dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig*), for the benefit of the Holders and the holders of the Capital Market Indebtedness secured by the security interest that gave rise to the creation of such security interest in such collateral.

§ 4 INTEREST

- (1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 2.125 per cent. *per annum* from (and including) 25 July 2013 (the ***Interest Commencement Date***) to (but excluding) the Maturity Date (as defined in § 6(1)). Interest shall be payable annually in arrears on 25 July in each year (each such date, an ***Interest Payment Date***). The first payment of interest shall be made on 25 July 2014.
- (2) *Late Payments.* If the Issuer for any reason fails to redeem the Notes when due, interest shall continue to accrue on the principal amount from (and including) the due date until (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law¹. Claims for further damages in case of late payment are not excluded.
- (3) *Calculation of Interest for Periods of less than one Year.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).
- (4) *Day Count Fraction.* ***Day Count Fraction*** 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 Interest 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 (i) the number of days in such Interest Period and (ii) the number of Interest Payment Dates (as specified in § 4(1)) that would occur in one calendar year; or
 - (b) if the Calculation Period is longer than the Interest Period during which the Calculation Period ends, the sum of: (A) the number of days in such Calculation Period falling in the Interest Period in which the Calculation Period begins divided by the product of (1) the number of days in such Interest Period and (2) the number of Interest Payment Dates that would occur in one calendar year and (B) the number of days in such Calculation Period falling in the next Interest Period divided by the product of (i) the number of days in such Interest Period and (ii) the number of Interest Payment Dates that would occur in one calendar year.

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

§ 5 PAYMENTS

- (1) *Payment of Principal and Interest.* Payment of principal and interest in respect of Notes shall be made, subject to subparagraph (2) below, to the Paying Agent for forwarding to CBF or to its order for credit to the accounts of the relevant accountholders of CBF.
- (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.
- (3) *Discharge.* The Issuer or, as the case may be, a Guarantor shall be discharged by payment to, or to the order of, CBF.

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

- (4) *Business Day*. If the date for payment of any amount in respect of any Note is not a Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, ***Business Day*** means a day (other than a Saturday or a Sunday) on which banks are open for general business in Frankfurt am Main and on which CBF as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2) are operational to effect payments.
- (5) *References to Principal and Interest*. References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount, the Early Call Redemption Amount, the Early Put 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 Additional Amounts which may be payable under § 8.
- (6) *Deposit of Principal and Interest*. The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 6 REDEMPTION

- (1) *Redemption at Maturity*. Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 25 July 2016 (the ***Maturity Date***). The ***Final Redemption Amount*** in respect of each Note shall be its principal amount.
- (2) *Early Redemption for Reasons of Taxation*. If as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction in respect of the Issuer or, as applicable, any Guarantor affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on or after the date on which the Notes were issued, the Issuer or, as the case may be, any Guarantor is required to pay Additional Amounts on the next succeeding Interest Payment Date, and this obligation cannot be avoided by the use of measures available to the Issuer 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, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15 to the Holders, at the principal amount together with interest accrued to (but excluding) the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant 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.

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

- (3) *Early Redemption at the Option of the Issuer*. The Issuer may upon not less than 30 days' nor more than 60 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Holders redeem on any date specified by it (each a ***Call Redemption Date***), at its option, the Notes (except for any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under § 6(4)) in whole but not in part, at their Early Call Redemption Amount.

The **Early Call Redemption Amount** per Note shall be an amount equal to the sum of:

- (i) the principal amount of the relevant Note to be redeemed; and
- (ii) the Applicable Premium on the relevant Call Redemption Date; and
- (iii) accrued but unpaid interest, if any, to (but excluding) the relevant Call Redemption Date.

The Early Call Redemption Amount shall be calculated by the Calculation Agent.

Applicable Premium means on any Call Redemption Date the excess, if any, of

- (i) the present value on such redemption date of
 - (A) 100 per cent. of the principal amount of the Notes, plus
 - (B) all remaining scheduled interest payments on such Note through to the Maturity Datediscounted with the Bund Rate plus 35 basis points over
- (ii) the principal amount of such Note.

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

Redemption Calculation Date means the sixth Business Day prior to the date on which the Notes are redeemed in accordance with this § 6(3).

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

- (a) If a Change of Control occurs after the Issue Date, each Holder shall have the right, but not the obligation, to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes at the Early Put Redemption Amount (the **Put Option**). Such Put Option shall operate as set out below under § 6(4) (b)-(c).

Change of Control shall be deemed to have occurred at each time (whether or not approved by the board of executive directors or supervisory board of the Parent Guarantor) that:

- (i) In the event of a public tender offer for shares of the Parent Guarantor a situation arises in which
 - (i) 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 per cent. of the voting rights in the Parent Guarantor and
 - (ii) 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 Parent Guarantor any Person or Persons control(s) 30 per cent. or more of the voting shares in the Parent 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 Parent 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 of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*)) of, in the aggregate, more than 50 per cent. of the voting shares of the Parent Guarantor which does not constitute, at the same time, a Portfolio Restructuring.

Controlled Subsidiary means any entity controlled (*abhängiges Unternehmen*) by the Parent 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 Parent 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 of all of the Terra Firma Deutschland Annington Funds.

Early Put Redemption Amount means for each Note 100 per cent. of the principal amount of such Note, plus accrued and unpaid interest up to (but excluding) the Put Date.

- (b) If a Change of Control occurs, then the Issuer shall, without undue delay, after the Parent Guarantor becoming aware thereof, give notice of the Change of Control (a **Put Event Notice**) to the Holders in accordance with § 15 specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this § 6(4) (including the information on the CBF account of the Paying Agent for purposes of subparagraph (c)(ii)(x) of this § 6(4)).
 - (c) To exercise the Put Option, the Holder must deliver on any Business Day within 30 days after a Put Event Notice has been published (the **Put Period**) (i) to the Paying Agent at its specified office a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agent (a **Put Notice**) and (ii) the aggregate Specified Denomination of Notes for which the Holder wishes to exercise its Put Option either (x) by transferring such Notes to the CBF account of the Paying Agent or (y) by giving an irrevocable instruction to the Paying Agent to withdraw such Notes from a securities account of the Holder with the Paying Agent. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Note(s) on the date (the **Put Date**) seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. Payment in respect of any Note so delivered will be made in accordance with the customary procedures through CBF. A Put Notice, once given, shall be irrevocable.
- (5) *Early Redemption in case of minimal outstanding aggregate principal amount of the Notes.* If 80 per cent. or more of the aggregate principal amount of the Notes then outstanding have been redeemed or purchased by the Issuer, the Parent Guarantor or any direct or indirect Subsidiary of the Parent Guarantor pursuant to the provisions of this § 6, the Issuer may, on not less than 30 or more than 60 days' notice to

the Holders given in accordance with § 15, redeem, at its option, the remaining Notes as a whole at the principal amount thereof plus interest accrued to but excluding the date of such redemption.

§ 7 PAYING AGENT, CALCULATION AGENT

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

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

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent and to appoint another Paying Agent, additional or other paying agents or another Calculation Agent. The Issuer shall at all times maintain a Paying Agent and a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 15.
- (3) *Agent of the Issuer.* The Paying Agent, 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 each Guarantee shall provide that all amounts payable in respect of such 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 such 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 such 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 each Guarantee shall provide that, if such withholding with respect to amounts payable in respect of such Guarantee is required by law, the relevant 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:

- (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 relevant 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 relevant 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 through which payment on the Notes is made), following a written request by or on behalf of the Issuer or a Guarantor or a Paying Agent addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of 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
- (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 § 15, whichever occurs later, or
- (g) any combinations of items (a)-(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.

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.

§ 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.

§ 10
EVENTS OF DEFAULT

- (1) *Events of default.* If an Event of Default occurs and is continuing, each Holder shall be entitled to declare due and payable by submitting a Termination Notice pursuant to § 10(2) to the Paying Agent its entire claims arising from the Notes and demand immediate redemption thereof at the principal amount together with accrued interest (if any) to (but excluding) the date of repayment. Each of the following is an **Event of Default**:
- (a) The Issuer or, failing which, any of the Guarantors fails to pay principal, interest or any other amounts due under the Notes or the Guarantees within 30 days from the relevant due date; or
 - (b) The Issuer or any of the Guarantors fails to duly perform any other obligation arising from the Notes or the Guarantees and such failure, if capable of remedy, continues unremedied for more than 60 days after the Paying Agent has received a written request thereof in the manner set forth in § 10(2) from a Holder to perform such obligation; or
 - (c) (i) Any Financial Indebtedness of the Parent Guarantor or any Material Subsidiary (other than under the Notes) becomes due and payable prior to its specified maturity (whether by declaration, automatic acceleration or otherwise) as a result of an event of default (howsoever described), or (ii) any Financial Indebtedness of the Parent Guarantor or any Material Subsidiary (other than under the Notes) is not paid within 30 days from its due date nor within any originally applicable or subsequently agreed grace period, *provided that* the aggregate amount of Financial Indebtedness falling within (i) and (ii) above amounts to at least € 25,000,000 (or its equivalent in other currencies). For the avoidance of doubt, this subparagraph (1)(c) shall not apply, where the Parent Guarantor or the relevant Material Subsidiary contests in good faith that such payment obligation exists or is due; or
 - (d) The Parent Guarantor or any Material Subsidiary announces its inability to meet its financial obligations or ceases its payments generally; or
 - (e) Insolvency proceedings against the Parent Guarantor or any Material Subsidiary are instituted and have not been discharged or stayed within 90 days, or the Parent Guarantor or any Material Subsidiary applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally; or
 - (f) The Parent Guarantor or the Issuer enters into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes all obligations of the Issuer in connection with the Notes or the Parent Guarantor in connection with the Parent Guarantee, as applicable; or
 - (g) Any governmental order, decree or enactment is made in or by the Federal Republic of Germany or the Kingdom of the Netherlands whereby the Issuer or the Parent Guarantor is prevented from observing and performing in full its obligations under the Notes or the Parent Guarantee and this situation is not cured within 90 days; or
 - (h) Cessation of business operations of the Parent Guarantor or the Issuer; or

- (i) Subject to § 2(5), any Guarantee ceases to be in full force and effect or is declared null and void in a judicial proceeding, *provided, however*, that no Event of Default will occur under this § 10(1)(i) with respect to the unenforceability, invalidity or ineffectiveness of any Subsidiary Guarantee if the guarantee of the relevant Subsidiary Guarantor granted to secure the Term Loan is affected by such unenforceability, invalidity or failure to be in full force and effect, as the case may be, to the same extent as such Subsidiary Guarantee.
- (2) *Termination Notices.* Any notice by a Holder (i) in accordance with § 10(1)(b) or (ii) to terminate its Notes in accordance with § 10 (a ***Termination Notice***) shall be made by means of a written declaration to the Paying Agent in the German or English language delivered by hand or registered mail together with evidence by means of a certificate of the Holder's Custodian (as defined in § 17(3)) that such Holder, at the time of such Termination Notice, is a holder of the relevant Notes.
- (3) *Cure.* For the avoidance of doubt, the right to declare Notes due in accordance with this § 10 shall terminate if the situation giving rise to it has been cured before the right is exercised.
- (4) *Quorum.* In the events specified in subsection (1)(b) and (1)(c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subsection (1)(a) and (1)(d)-(i) entitling Holders to declare their Notes due has occurred, become effective only when the Paying Agent has received such default notices from the Holders representing at least 10 per cent. of the aggregate principal amount of the Notes then outstanding.

§ 11 COVENANTS

- (1) *Limitations on Incurrence of Financial Indebtedness.* The Parent Guarantor has undertaken in the Parent Guarantee that it will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Financial Indebtedness if, immediately after giving effect to the incurrence of such additional Financial Indebtedness and the application of the net proceeds of such incurrence,
 - (a) the sum of (i) the Consolidated Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 60 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness); or
 - (b) the sum of (i) the Consolidated Secured Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Secured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 45 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to

the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness).

- (2) *Maintenance of Consolidated Coverage Ratio.* The Parent Guarantor has undertaken in the Parent Guarantee that
- (a) on each Reporting Date falling on or before 30 September 2013, the Consolidated Coverage Ratio will be at least 1.40 to 1.00; and
 - (b) on each Reporting Date falling after 30 September 2013, the Consolidated Coverage Ratio will be at least 1.80 to 1.00.
- (3) *Maintenance of Total Unencumbered Assets.* The Parent Guarantor has undertaken in the Parent Guarantee that from the Issue Date the sum of (i) the Unencumbered Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Unencumbered Assets newly recorded since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published will at no time be less than 125 per cent. of the sum of (x) the Unsecured Financial Indebtedness as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (y) the Net Nominal Unsecured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published.
- (4) *Reports.* For so long as any Notes are outstanding, the Parent Guarantor shall post on its website,
- (a) within 120 days after the end of each of the Parent Guarantor's fiscal years, annual reports containing the following information:
 - (i) audited consolidated financial statements in accordance with IFRS as adopted by the EU and the management report in accordance with section 315 of the German Commercial Code (*Handelsgesetzbuch*);
 - (ii) in addition to the requirements of IFRS and of the German Commercial Code (*Handelsgesetzbuch*) the notes to the consolidated financial statements should include information on compliance by the Parent Guarantor with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets"; and
 - (iii) the audit opinion of the independent auditors on the consolidated financial statements;
 - (b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Parent Guarantor, unaudited condensed consolidated quarterly financial statements in accordance with IFRS as adopted by the EU and the requirements of section 37w of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), which will include information on compliance with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets".

§ 12

SUBSTITUTION, TRANSFER OF DOMICILE

- (1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer the Parent Guarantor or any Affiliate of the Parent 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) each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) declares that its Guarantee shall with respect to the Notes also apply to the Substitute Debtor (each such declaration a ***Substitution Guarantee***);
- (c) the obligations under any Guarantee will not be limited in any way solely as a consequence of the Issuer being substituted by the Substitute Debtor;
- (d) the Substitute Debtor, the Issuer and each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the issue by each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) of a Substitution Guarantee, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Notes and the obligations assumed by each Guarantor (*provided that* such 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;
- (e) 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 Parent Guarantor (*provided that* the Parent 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;
- (f) 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
- (g) the Issuer shall have delivered to an agent appointed for that purpose one Opinion of Counsel for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a) to (f) above have been satisfied.

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

- (2) ***Notice.*** Any substitution of the Issuer pursuant to this § 12 and the date of effectiveness of such substitution shall be published in accordance with § 15.
- (3) ***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. Furthermore, in the event of such substitution, § 10(1)(i) shall be deemed to be amended to the effect that it shall be an Event of Default if a Substitution Guarantee ceases to be valid or binding on or enforceable against a Guarantor (*provided that* such Guarantor is not itself the Substitute Debtor).
- (4) ***Release from Obligations.*** Upon effective substitution of the Issuer as set forth in this § 12, 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 paragraph (1) above, the Substitute Debtor may, without the consent of the Holders, effect a further substitution *provided that* all the provisions specified in paragraphs (1) to (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 § 12 have the effect of releasing any Guarantor from any of its obligations under its respective Guarantee.

- (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 paragraphs (1) and (2) above are complied with accordingly. Paragraph (3) second half-sentence shall apply *mutatis mutandis*.

§ 13

FURTHER ISSUES, PURCHASES AND CANCELLATION

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

§ 14

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

- (1) *Amendment of the Terms and Conditions.* The Issuer may agree with the Holders on amendments to the Terms and Conditions by 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 § 14(2) below. A duly passed majority resolution shall be binding equally upon all Holders.
- (2) *Majority.* Except as provided by the following sentence and *provided that* the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a *Qualified Majority*).
- (3) *Vote without a meeting.* Subject to § 14(4), resolutions of the Holders shall exclusively be made by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 of the SchVG. The request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

- (4) *Second Noteholders' Meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to § 14(3), the scrutineer (*Abstimmungsleiter*) may convene a noteholders' meeting, which shall be deemed to be a second noteholders' meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second noteholders' meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second noteholders' meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the noteholders' meeting.
- (5) *Holdings' representative.* The Holdings may by majority resolution provide for the appointment or dismissal of a joint representative (the **Holdings' Representative**), the duties and responsibilities and the powers of such Holdings' Representative, the transfer of the rights of the Holdings to the Holdings' Representative and a limitation of liability of the Holdings' Representative. Appointment of a Holdings' Representative may only be passed by a Qualified Majority if such Holdings' Representative is to be authorised to consent, in accordance with § 14(2) hereof, to a material change in the substance of the Terms and Conditions.
- (6) *Publication.* Any notices concerning this § 14 shall be made exclusively pursuant to the provisions of the SchVG.
- (7) *Guarantees.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to any Guarantee.

§ 15 NOTICES

- (1) All notices concerning the Notes except as stipulated in § 14(6) shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice so given will be deemed to be validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).
- (2) *Notification to CBF.* The Issuer may, in lieu of publication set forth in subparagraph (1) above, deliver the relevant notice to CBF, for communication by CBF to the Holdings, *provided that* the rules of the stock exchange on which the Notes are listed permit such form of notice. Any such notice shall be deemed to have been given to the Holdings on the fifth day after the day on which the said notice was given to CBF.
- (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. Such notice may be given by any Holder to the Paying Agent through CBF in such manner as the Paying Agent and CBF may approve for such purpose.

§ 16 DEFINITIONS

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

Additional Subsidiary Guarantee has the meaning assigned to such term in § 2(4).

Additional Subsidiary Guarantors has the meaning assigned to such term in § 2(4).

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

Applicable Premium has the meaning assigned to such term in § 6(3).

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

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

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

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

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

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

CBF has the meaning assigned to such term in § 1(3).

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

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

Consolidated Adjusted EBITDA means the number set out under the heading "EBITDA (adjusted)" in the Consolidated Financial Statements of the Parent Guarantor covering the applicable Relevant Period.

Consolidated Coverage Ratio means the ratio of (A) the aggregate amount of Consolidated Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period.

Consolidated Financial Indebtedness means Financial Indebtedness of the Parent Guarantor and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS.

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

Consolidated Secured Financial Indebtedness means that portion of the Consolidated Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Parent Guarantor or any of its Subsidiaries.

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

Controlled Subsidiary has the meaning assigned to such term in § 6(4)(a).

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

Day Count Fraction has the meaning assigned to such term in § 4(4).

Default means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

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

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

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

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

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

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

- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers, debentures, loan stock or any similar instrument;
- (iv) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (v) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Parent Guarantor or a Subsidiary under which the Parent Guarantor or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favour of a person who agrees to purchase a Real Estate Property owned by the Parent Guarantor or a Subsidiary;
- (vi) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (vii) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above.

Global Note has the meaning assigned to such term in § 1(2).

GRAND Finance Documents means (a) the global facilities agreement dated 3 August 2006, as amended from time to time, most recently on 21 December 2012; or (b) any “Transaction Document” as defined therein.

Group means the Parent Guarantor together with its Subsidiaries.

Guarantee(s) has the meaning assigned to such term in § 2(4).

Guarantor(s) has the meaning assigned to such term in § 2(4).

Holder has the meaning assigned to such term in § 1(4).

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

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

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

Initial Subsidiary Guarantor means each of Deutsche Annington Beteiligungsverwaltungs GmbH, Deutsche Annington Vermögensgesellschaft mbH & Co. KG, Deutsche Annington Bestands GmbH & Co. KG and Deutsche Annington Bewirtschaftungs GmbH & Co. KG.

Initial Subsidiary Guarantee has the meaning assigned to such term in § 2(3).

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

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

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

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

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

Lien means (without duplication) any lien, mortgage, trust deed, deed of trust, deed, pledge, security interest, assignment for collateral purposes, deposit arrangement, or other security agreement, excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and any other like agreement

granting or conveying a security interest *in rem* (*dingliches Sicherungsrecht*), to a Person that is not a member of the Group, in each case to secure outstanding Financial Indebtedness, but in each case excluding

- (i) any encumbrance registered in department 2 (*Abteilung 2*) of a German land register (*Grundbuch*);
- (ii) any Lien arising in connection with a disposal of an asset in the ordinary course of business including, without limitation, any Lien created in assets subject to a sale agreement for the purposes of financing the purchase price;
- (iii) any Lien securing Financial Indebtedness outstanding on the Issue Date;
- (iv) any Lien in respect of which an unconditional deletion consent (*Löschungsbewilligung*) has been delivered to the relevant member of the Group;
- (v) any Lien arising by operation of law (or by agreement having the same effect) or in the ordinary course of business, *provided that* any Lien arising in the ordinary course of business over Real Estate Property shall not be excluded;
- (vi) any cash collateral posted in connection with cross-currency and interest rate hedging transactions; and
- (vii) any Lien on bank accounts under general terms and conditions of any provider of such bank accounts.

Material Subsidiary means any Subsidiary of the Parent Guarantor whose total assets are at least equal to 5 per cent. of the total assets of the Group.

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

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

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

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

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

Net Unencumbered Assets means, on a consolidated basis determined in accordance with IFRS, the value of any Real Estate Property of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired plus the value of all other assets of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired minus the value of such assets which (i) have been disposed of or (ii) have become subject to a Lien.

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

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

Parent Guarantee has the meaning assigned to such term in § 2(2).

Parent Guarantor has the meaning assigned to such term in § 2(2).

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

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.

Portfolio Restructuring has the meaning assigned to such term in § 6(4)(a).

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

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

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

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

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

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

Real Estate Property means the real estate property of such Person and its subsidiaries.

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

Relevant Period means for the period (i) from (and including) the Issue Date until (and including) 30 September 2013, the quarter ended 30 June 2013, (ii) from (and including) 1 October 2013 until (and including) 31 December 2013, the half year ended 30 September 2013, (iii) from (and including) 1 January 2014 until (and including) 31 March 2014, the nine-month period ended 31 December 2013, and (iv) after 31 March 2014, the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio.

Relevant Person(s) has the meaning assigned to such term in § 6(4)(a).

Relevant Taxing Jurisdiction has the meaning assigned to such term in § 8.

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

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

Secured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Group.

Securities Act means the U.S. Securities Act of 1933, as amended.

Securitised Capital Market Indebtedness means any Capital Market Indebtedness incurred in respect of or in connection with any securitisation or similar financing arrangement relating to assets owned by the Parent Guarantor or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Parent Guarantor is limited solely to such assets or any income generated therefrom. For the avoidance of doubt, Securitised Capital Market Indebtedness includes Capital Market Indebtedness incurred under the GRAND Finance Documents.

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

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

Subsidiary Guarantee has the meaning assigned to such term in § 2(6).

Subsidiary Guarantors means the Initial Subsidiary Guarantors together with the Additional Subsidiary Guarantors.

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

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

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

Term Loan means the € 2,500,000,000 Term Facilities Agreement dated 3 June 2013 for the Parent Guarantor as amended on 15 July 2013 arranged by J.P. Morgan Limited and Morgan Stanley Bank International Limited.

Terra Firma Group has the meaning assigned to such term in § 6(4)(a).

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

Unencumbered Assets means without duplication, (i) the value of any Real Estate Property, on a consolidated basis determined in accordance with IFRS, of the Parent Guarantor and its Subsidiaries that is not subject to any Lien, plus (ii) the value of all other assets of the Parent Guarantor and its Subsidiaries that is not subject to any Lien (where in case of (i) and (ii) the value of Real Estate Property, on a consolidated basis determined in accordance with IFRS, and other assets shall be equal to such amounts that appear, or would appear, on a consolidated balance sheet of the Parent Guarantor prepared in accordance with IFRS).

Unsecured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is not Secured Financial Indebtedness.

VH1 has the meaning assigned to such term in § 2(4).

VH2 has the meaning assigned to such term in § 2(4).

WOGÉ Vier has the meaning assigned to such term in § 2(4).

WOGÉ Vier Bestands has the meaning assigned to such term in § 2(4).

§ 17

APPLICABLE LAW, PLACE OF JURISDICTION, ENFORCEMENT AND JUDGMENT CURRENCY

- (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 German law, 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 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 CBF 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 authorized officer of CBF or a depository of CBF, without the need for production in such proceedings of the actual records or the Global Note representing the Notes. For purposes of the foregoing, **Custodian** means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes CBF. 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.
- (4) *Process Agent.* The Issuer has appointed the Parent Guarantor as its agent for service of process (*Zustellungsbevollmächtigter*) in relation to any proceedings before the German courts in connection with the Notes.

§ 18
LANGUAGE

These Terms and Conditions are written in the English language only.

* * *

TERMS AND CONDITIONS OF THE 2019 NOTES

§ 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 € 600,000,000 (in words: six hundred million) in denominations of € 100,000 (the **Specified Denomination**) on 25 July 2013 (the **Issue Date**).
- (2) *Global Note.* The Notes are represented by a global certificate (the **Global Note**) in bearer form without interest coupons. The Global Note shall be signed by two authorized signatories of the Issuer and shall be authenticated by or on behalf of the Paying Agent. Definitive certificates representing individual Notes and interest coupons will not be issued.
- (3) *Custody.* The Global Note representing the Notes will be kept in custody by or on behalf of Clearstream Banking AG, Frankfurt am Main (**CBF**) until all obligations of the Issuer under the Notes have been satisfied. The Notes shall be transferable by appropriate entries in securities accounts in accordance with applicable rules of CBF and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity.
- (4) *Holder of Notes.* **Holder** means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.
- (5) *Book-Entry Register.* The Issuer and CBF have agreed that CBF will act as the Issuer's book-entry registrar in respect of the Notes. In such capacity and without prejudice to the issuance of the Notes in bearer form and their status as notes in bearer form under German law, CBF has agreed, as agent of the Issuer, to maintain records of the Notes credited to the accounts of the accountholders of CBF.

§ 2

STATUS; PARENT GUARANTEE, INITIAL SUBSIDIARY GUARANTEES AND ADDITIONAL SUBSIDIARY GUARANTEES

- (1) *Status.* The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.
- (2) *Guarantee of Parent Guarantor.* Deutsche Annington Immobilien SE (the **Parent Guarantor**) has given an unconditional and irrevocable guarantee (the **Parent Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. The Parent 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 Parent Guarantee directly from the Parent Guarantor and to enforce the Parent Guarantee directly against the Parent Guarantor. Copies of the Parent Guarantee may be obtained free of charge at the specified office of the Paying Agent.
- (3) *Guarantee of Initial Subsidiary Guarantors.* Each Initial Subsidiary Guarantor has given an unconditional and irrevocable guarantee (each an **Initial Subsidiary Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Initial Subsidiary 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 such Initial Subsidiary

Guarantee directly from the relevant Initial Subsidiary Guarantor and to enforce such Initial Subsidiary Guarantee directly against the relevant Initial Subsidiary Guarantor. Copies of each Initial Subsidiary Guarantee may be obtained free of charge at the specified office of the Paying Agent.

Each Initial Subsidiary Guarantee provides that, without prejudice to any other mode of service allowed under any relevant law, the relevant Initial Subsidiary Guarantor irrevocably appoints the Parent Guarantor as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to such Initial Subsidiary Guarantee and that any service of process, notice or demand in respect of such Initial Subsidiary Guarantee made or given by a Holder to the Parent Guarantor shall be deemed to have been validly made or given to such Initial Subsidiary Guarantor.

- (4) *Additional Subsidiary Guarantees.* The Parent Guarantor has undertaken in the Parent Guarantee that on the date on which any of Deutsche Annington WOGÉ Vier Bestands GmbH & Co. KG (**WOGÉ Vier Bestands**), Deutsche Annington WOGÉ Vier GmbH & Co. KG (**WOGÉ Vier**), Viterro Holdings Eins GmbH (**VH1**) and Viterro Holdings Zwei GmbH (**VH2**) and, together with WOGÉ Vier Bestands, WOGÉ Vier and VH1, the **Additional Subsidiary Guarantors** and the Additional Subsidiary Guarantors together with the Initial Subsidiary Guarantors and the Parent Guarantor, the **Guarantors** and each a **Guarantor**) grants a guarantee to secure the Term Loan, the Parent Guarantor shall procure that the respective Additional Subsidiary Guarantor will concurrently give an unconditional and irrevocable guarantee on substantially the same terms as the guarantees granted to secure the Term Loan (each an **Additional Subsidiary Guarantee** and, together with the Initial Subsidiary Guarantees and the Parent Guarantee, the **Guarantees** and each a **Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Additional Subsidiary Guarantee will constitute 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 such Additional Subsidiary Guarantee directly from the relevant Additional Subsidiary Guarantor and to enforce such Additional Subsidiary Guarantee directly against the relevant Additional Subsidiary Guarantor. Copies of each Additional Subsidiary Guarantee may be obtained free of charge at the specified office of the Paying Agent.

Each Additional Subsidiary Guarantee shall provide that, without prejudice to any other mode of service allowed under any relevant law, the relevant Additional Subsidiary Guarantor irrevocably appoints the Parent Guarantor as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to such Additional Subsidiary Guarantee and that any service of process, notice or demand in respect of such Additional Subsidiary Guarantee made or given by a Holder to the Parent Guarantor shall be deemed to have been validly made or given to such Additional Subsidiary Guarantor.

(5) *Release of Guarantees.*

- (a) The Parent Guarantee shall be released only upon discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon and all other amounts under the Notes then due and owing.
- (b) Pursuant to its terms, an Initial Subsidiary Guarantee and, as applicable, an Additional Subsidiary Guarantee (but not any payment obligation under any Guarantee which has already become due and payable) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect) upon the earlier of:
- (i) the release of the guarantee of such Initial Subsidiary Guarantor or, as applicable, Additional Subsidiary Guarantor granted to secure the Term Loan;
 - (ii) the discharge in full of all amounts outstanding under the Term Loan; or

- (iii) the discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon, and all other amounts under the Notes then due and owing as provided in § 5(3).
- (6) *Limitation of Subsidiary Guarantees.* The obligations under the Initial Subsidiary Guarantees and Additional Subsidiary Guarantees (collectively, the ***Subsidiary Guarantees***) will be limited as necessary under the terms of such Subsidiary Guarantees to prevent the Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules.
- (7) *Terms of Guarantees.* The provisions of the Parent Guarantee and the Initial Subsidiary Guarantee are set out in the annex to the Global Note for informational purposes.

§ 3 NEGATIVE PLEDGE

- (1) *Negative Pledge of the Issuer.* The Issuer undertakes, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist any form or security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Issuer in respect of Capital Market Indebtedness unless, subject to § 3(3), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.
- (2) *Negative Pledge of the Parent Guarantor.* The Parent Guarantor has undertaken in the Parent Guarantee, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its Material Subsidiaries will create or permit to subsist, any form or security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Parent Guarantor or any of its Subsidiaries in respect of Capital Market Indebtedness unless, subject to § 3(3), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.
- (3) *Limitation.* The undertakings pursuant to § 3(1) and § 3(2) shall not apply:
- (a) to any security interest which is mandatory according to applicable laws or required as prerequisite for governmental approvals; or
 - (b) with respect to any security right *in rem* (*dingliches Sicherungsrecht*) provided by any Subsidiary over any of such Subsidiary's claims against the Parent Guarantor, which claims arise as a result of the passing on to the Parent Guarantor of the proceeds from the issue by such Subsidiary of any Capital Market Indebtedness, *provided that* any such security serves solely to secure obligations under such Capital Market Indebtedness issued by such Subsidiary.
- (4) *Provision of Additional Security.* Whenever the Issuer or the Parent Guarantor, as the case may be, becomes obligated to secure (or procure that a Material Subsidiary secures) the Notes pursuant to this § 3, the Issuer or the Parent Guarantor, as applicable, shall be entitled to discharge such obligation by providing (or procure that the relevant Material Subsidiary provides) a security interest in the relevant collateral to a security trustee, such security trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally (*dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig*), for the benefit of the Holders and the holders of the Capital Market Indebtedness secured by the security interest that gave rise to the creation of such security interest in such collateral.

§ 4 INTEREST

- (1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 3.125 per cent. *per annum* from (and including) 25 July 2013 (the ***Interest Commencement Date***) to (but excluding) the Maturity Date (as defined in § 6(1)). Interest shall be payable annually in arrears on 25 July in each year (each such date, an ***Interest Payment Date***). The first payment of interest shall be made on 25 July 2014.
- (2) *Late Payments.* If the Issuer for any reason fails to redeem the Notes when due, interest shall continue to accrue on the principal amount from (and including) the due date until (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law². Claims for further damages in case of late payment are not excluded.
- (3) *Calculation of Interest for Periods of less than one Year.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).
- (4) *Day Count Fraction.* ***Day Count Fraction*** 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 Interest 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 (i) the number of days in such Interest Period and (ii) the number of Interest Payment Dates (as specified in § 4(1)) that would occur in one calendar year; or
 - (b) if the Calculation Period is longer than the Interest Period during which the Calculation Period ends, the sum of: (A) the number of days in such Calculation Period falling in the Interest Period in which the Calculation Period begins divided by the product of (1) the number of days in such Interest Period and (2) the number of Interest Payment Dates that would occur in one calendar year and (B) the number of days in such Calculation Period falling in the next Interest Period divided by the product of (i) the number of days in such Interest Period and (ii) the number of Interest Payment Dates that would occur in one calendar year.

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

§ 5 PAYMENTS

- (1) *Payment of Principal and Interest.* Payment of principal and interest in respect of Notes shall be made, subject to subparagraph (2) below, to the Paying Agent for forwarding to CBF or to its order for credit to the accounts of the relevant accountholders of CBF.
- (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.
- (3) *Discharge.* The Issuer or, as the case may be, a Guarantor shall be discharged by payment to, or to the order of, CBF.

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

- (4) *Business Day*. If the date for payment of any amount in respect of any Note is not a Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, ***Business Day*** means a day (other than a Saturday or a Sunday) on which banks are open for general business in Frankfurt am Main and on which CBF as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2) are operational to effect payments.
- (5) *References to Principal and Interest*. References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount, the Early Call Redemption Amount, the Early Put 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 Additional Amounts which may be payable under § 8.
- (6) *Deposit of Principal and Interest*. The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 6 REDEMPTION

- (1) *Redemption at Maturity*. Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 25 July 2019 (the ***Maturity Date***). The ***Final Redemption Amount*** in respect of each Note shall be its principal amount.
- (2) *Early Redemption for Reasons of Taxation*. If as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction in respect of the Issuer or, as applicable, any Guarantor affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on or after the date on which the Notes were issued, the Issuer or, as the case may be, any Guarantor is required to pay Additional Amounts on the next succeeding Interest Payment Date, and this obligation cannot be avoided by the use of measures available to the Issuer 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, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15 to the Holders, at the principal amount together with interest accrued to (but excluding) the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant 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.

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

- (3) *Early Redemption at the Option of the Issuer*. The Issuer may upon not less than 30 days' nor more than 60 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Holders redeem on any date specified by it (each a ***Call Redemption Date***), at its option, the Notes (except for any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under § 6(4)) in whole but not in part, at their Early Call Redemption Amount.

The **Early Call Redemption Amount** per Note shall be an amount equal to the sum of:

- (i) the principal amount of the relevant Note to be redeemed; and
- (ii) the Applicable Premium on the relevant Call Redemption Date; and
- (iii) accrued but unpaid interest, if any, to (but excluding) the relevant Call Redemption Date.

The Early Call Redemption Amount shall be calculated by the Calculation Agent.

Applicable Premium means on any Call Redemption Date the excess, if any, of

- (i) the present value on such redemption date of
 - (A) 100 per cent. of the principal amount of the Notes, plus
 - (B) all remaining scheduled interest payments on such Note through to the Maturity Datediscounted with the Bund Rate plus 40 basis points over
- (ii) the principal amount of such Note.

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

Redemption Calculation Date means the sixth Business Day prior to the date on which the Notes are redeemed in accordance with this § 6(3).

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

- (a) If a Change of Control occurs after the Issue Date, each Holder shall have the right, but not the obligation, to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes at the Early Put Redemption Amount (the **Put Option**). Such Put Option shall operate as set out below under § 6(4) (b)-(c).

Change of Control shall be deemed to have occurred at each time (whether or not approved by the board of executive directors or supervisory board of the Parent Guarantor) that:

- (i) In the event of a public tender offer for shares of the Parent Guarantor a situation arises in which
 - (i) 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 per cent. of the voting rights in the Parent Guarantor and (ii) 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 Parent Guarantor any Person or Persons control(s) 30 per cent. or more of the voting shares in the Parent 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 Parent 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 of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*)) of, in the aggregate, more than 50 per cent. of the voting shares of the Parent Guarantor which does not constitute, at the same time, a Portfolio Restructuring.

Controlled Subsidiary means any entity controlled (*abhängiges Unternehmen*) by the Parent 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 Parent 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 of all of the Terra Firma Deutschland Annington Funds.

Early Put Redemption Amount means for each Note 100 per cent. of the principal amount of such Note, plus accrued and unpaid interest up to (but excluding) the Put Date.

- (b) If a Change of Control occurs, then the Issuer shall, without undue delay, after the Parent Guarantor becoming aware thereof, give notice of the Change of Control (a **Put Event Notice**) to the Holders in accordance with § 15 specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this § 6(4) (including the information on the CBF account of the Paying Agent for purposes of subparagraph (c)(ii)(x) of this § 6(4)).
 - (c) To exercise the Put Option, the Holder must deliver on any Business Day within 30 days after a Put Event Notice has been published (the **Put Period**) (i) to the Paying Agent at its specified office a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agent (a **Put Notice**) and (ii) the aggregate Specified Denomination of Notes for which the Holder wishes to exercise its Put Option either (x) by transferring such Notes to the CBF account of the Paying Agent or (y) by giving an irrevocable instruction to the Paying Agent to withdraw such Notes from a securities account of the Holder with the Paying Agent. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Note(s) on the date (the **Put Date**) seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. Payment in respect of any Note so delivered will be made in accordance with the customary procedures through CBF. A Put Notice, once given, shall be irrevocable.
- (5) *Early Redemption in case of minimal outstanding aggregate principal amount of the Notes.* If 80 per cent. or more of the aggregate principal amount of the Notes then outstanding have been redeemed or purchased by the Issuer, the Parent Guarantor or any direct or indirect Subsidiary of the Parent Guarantor pursuant to the provisions of this § 6, the Issuer may, on not less than 30 or more than 60 days' notice to

the Holders given in accordance with § 15, redeem, at its option, the remaining Notes as a whole at the principal amount thereof plus interest accrued to but excluding the date of such redemption.

§ 7 PAYING AGENT, CALCULATION AGENT

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

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

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent and to appoint another Paying Agent, additional or other paying agents or another Calculation Agent. The Issuer shall at all times maintain a Paying Agent and a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 15.
- (3) *Agent of the Issuer.* The Paying Agent, 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 each Guarantee shall provide that all amounts payable in respect of such 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 such 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 such 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 each Guarantee shall provide that, if such withholding with respect to amounts payable in respect of such Guarantee is required by law, the relevant 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:

- (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 relevant 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 relevant 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 through which payment on the Notes is made), following a written request by or on behalf of the Issuer or a Guarantor or a Paying Agent addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of 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
- (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 § 15, whichever occurs later, or
- (g) any combinations of items (a)-(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.

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.

§ 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.

§ 10
EVENTS OF DEFAULT

- (1) *Events of default.* If an Event of Default occurs and is continuing, each Holder shall be entitled to declare due and payable by submitting a Termination Notice pursuant to § 10(2) to the Paying Agent its entire claims arising from the Notes and demand immediate redemption thereof at the principal amount together with accrued interest (if any) to (but excluding) the date of repayment. Each of the following is an **Event of Default**:
- (a) The Issuer or, failing which, any of the Guarantors fails to pay principal, interest or any other amounts due under the Notes or the Guarantees within 30 days from the relevant due date; or
 - (b) The Issuer or any of the Guarantors fails to duly perform any other obligation arising from the Notes or the Guarantees and such failure, if capable of remedy, continues unremedied for more than 60 days after the Paying Agent has received a written request thereof in the manner set forth in § 10(2) from a Holder to perform such obligation; or
 - (c) (i) Any Financial Indebtedness of the Parent Guarantor or any Material Subsidiary (other than under the Notes) becomes due and payable prior to its specified maturity (whether by declaration, automatic acceleration or otherwise) as a result of an event of default (howsoever described), or (ii) any Financial Indebtedness of the Parent Guarantor or any Material Subsidiary (other than under the Notes) is not paid within 30 days from its due date nor within any originally applicable or subsequently agreed grace period, *provided that* the aggregate amount of Financial Indebtedness falling within (i) and (ii) above amounts to at least € 25,000,000 (or its equivalent in other currencies). For the avoidance of doubt, this subparagraph (1)(c) shall not apply, where the Parent Guarantor or the relevant Material Subsidiary contests in good faith that such payment obligation exists or is due; or
 - (d) The Parent Guarantor or any Material Subsidiary announces its inability to meet its financial obligations or ceases its payments generally; or
 - (e) Insolvency proceedings against the Parent Guarantor or any Material Subsidiary are instituted and have not been discharged or stayed within 90 days, or the Parent Guarantor or any Material Subsidiary applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally; or
 - (f) The Parent Guarantor or the Issuer enters into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes all obligations of the Issuer in connection with the Notes or the Parent Guarantor in connection with the Parent Guarantee, as applicable; or
 - (g) Any governmental order, decree or enactment is made in or by the Federal Republic of Germany or the Kingdom of the Netherlands whereby the Issuer or the Parent Guarantor is prevented from observing and performing in full its obligations under the Notes or the Parent Guarantee and this situation is not cured within 90 days; or
 - (h) Cessation of business operations of the Parent Guarantor or the Issuer; or

- (i) Subject to § 2(5), any Guarantee ceases to be in full force and effect or is declared null and void in a judicial proceeding, *provided, however*, that no Event of Default will occur under this § 10(1)(i) with respect to the unenforceability, invalidity or ineffectiveness of any Subsidiary Guarantee if the guarantee of the relevant Subsidiary Guarantor granted to secure the Term Loan is affected by such unenforceability, invalidity or failure to be in full force and effect, as the case may be, to the same extent as such Subsidiary Guarantee.
- (2) *Termination Notices.* Any notice by a Holder (i) in accordance with § 10(1)(b) or (ii) to terminate its Notes in accordance with § 10 (a ***Termination Notice***) shall be made by means of a written declaration to the Paying Agent in the German or English language delivered by hand or registered mail together with evidence by means of a certificate of the Holder's Custodian (as defined in § 17(3)) that such Holder, at the time of such Termination Notice, is a holder of the relevant Notes.
- (3) *Cure.* For the avoidance of doubt, the right to declare Notes due in accordance with this § 10 shall terminate if the situation giving rise to it has been cured before the right is exercised.
- (4) *Quorum.* In the events specified in subsection (1)(b) and (1)(c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subsection (1)(a) and (1)(d)-(i) entitling Holders to declare their Notes due has occurred, become effective only when the Paying Agent has received such default notices from the Holders representing at least 10 per cent. of the aggregate principal amount of the Notes then outstanding.

§ 11 COVENANTS

- (1) *Limitations on Incurrence of Financial Indebtedness.* The Parent Guarantor has undertaken in the Parent Guarantee that it will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Financial Indebtedness if, immediately after giving effect to the incurrence of such additional Financial Indebtedness and the application of the net proceeds of such incurrence,
 - (a) the sum of (i) the Consolidated Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 60 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness); or
 - (b) the sum of (i) the Consolidated Secured Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Secured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 45 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to

the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness).

- (2) *Maintenance of Consolidated Coverage Ratio.* The Parent Guarantor has undertaken in the Parent Guarantee that
- (a) on each Reporting Date falling on or before 30 September 2013, the Consolidated Coverage Ratio will be at least 1.40 to 1.00; and
 - (b) on each Reporting Date falling after 30 September 2013, the Consolidated Coverage Ratio will be at least 1.80 to 1.00.
- (3) *Maintenance of Total Unencumbered Assets.* The Parent Guarantor has undertaken in the Parent Guarantee that from the Issue Date the sum of (i) the Unencumbered Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Unencumbered Assets newly recorded since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published will at no time be less than 125 per cent. of the sum of (x) the Unsecured Financial Indebtedness as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (y) the Net Nominal Unsecured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published.
- (4) *Reports.* For so long as any Notes are outstanding, the Parent Guarantor shall post on its website,
- (a) within 120 days after the end of each of the Parent Guarantor's fiscal years, annual reports containing the following information:
 - (i) audited consolidated financial statements in accordance with IFRS as adopted by the EU and the management report in accordance with section 315 of the German Commercial Code (*Handelsgesetzbuch*);
 - (ii) in addition to the requirements of IFRS and of the German Commercial Code (*Handelsgesetzbuch*) the notes to the consolidated financial statements should include information on compliance by the Parent Guarantor with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets"; and
 - (iii) the audit opinion of the independent auditors on the consolidated financial statements;
 - (b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Parent Guarantor, unaudited condensed consolidated quarterly financial statements in accordance with IFRS as adopted by the EU and the requirements of section 37w of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), which will include information on compliance with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets".

§ 12

SUBSTITUTION, TRANSFER OF DOMICILE

- (1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer the Parent Guarantor or any Affiliate of the Parent 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) each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) declares that its Guarantee shall with respect to the Notes also apply to the Substitute Debtor (each such declaration a ***Substitution Guarantee***);
- (c) the obligations under any Guarantee will not be limited in any way solely as a consequence of the Issuer being substituted by the Substitute Debtor;
- (d) the Substitute Debtor, the Issuer and each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the issue by each Guarantor (*provided that* such Guarantor is not the Substitute Debtor) of a Substitution Guarantee, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Notes and the obligations assumed by each Guarantor (*provided that* such 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;
- (e) 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 Parent Guarantor (*provided that* the Parent 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;
- (f) 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
- (g) the Issuer shall have delivered to an agent appointed for that purpose one Opinion of Counsel for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a) to (f) above have been satisfied.

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

- (2) ***Notice.*** Any substitution of the Issuer pursuant to this § 12 and the date of effectiveness of such substitution shall be published in accordance with § 15.
- (3) ***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. Furthermore, in the event of such substitution, § 10(1)(i) shall be deemed to be amended to the effect that it shall be an Event of Default if a Substitution Guarantee ceases to be valid or binding on or enforceable against a Guarantor (*provided that* such Guarantor is not itself the Substitute Debtor).
- (4) ***Release from Obligations.*** Upon effective substitution of the Issuer as set forth in this § 12, 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 paragraph (1) above, the Substitute Debtor may, without the consent of the Holders, effect a further substitution *provided that* all the provisions specified in paragraphs (1) to (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 § 12 have the effect of releasing any Guarantor from any of its obligations under its respective Guarantee.

- (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 paragraphs (1) and (2) above are complied with accordingly. Paragraph (3) second half-sentence shall apply *mutatis mutandis*.

§ 13

FURTHER ISSUES, PURCHASES AND CANCELLATION

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

§ 14

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

- (1) *Amendment of the Terms and Conditions.* The Issuer may agree with the Holders on amendments to the Terms and Conditions by 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 § 14(2) below. A duly passed majority resolution shall be binding equally upon all Holders.
- (2) *Majority.* Except as provided by the following sentence and *provided that* the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a ***Qualified Majority***).
- (3) *Vote without a meeting.* Subject to § 14(4), resolutions of the Holders shall exclusively be made by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 of the SchVG. The request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

- (4) *Second Noteholders' Meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to § 14(3), the scrutineer (*Abstimmungsleiter*) may convene a noteholders' meeting, which shall be deemed to be a second noteholders' meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second noteholders' meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second noteholders' meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 17(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the noteholders' meeting.
- (5) *Holders' representative.* The Holders may by majority resolution provide for the appointment or dismissal of a joint representative (the **Holders' Representative**), the duties and responsibilities and the powers of such Holders' Representative, the transfer of the rights of the Holders to the Holders' Representative and a limitation of liability of the Holders' Representative. Appointment of a Holders' Representative may only be passed by a Qualified Majority if such Holders' Representative is to be authorised to consent, in accordance with § 14(2) hereof, to a material change in the substance of the Terms and Conditions.
- (6) *Publication.* Any notices concerning this § 14 shall be made exclusively pursuant to the provisions of the SchVG.
- (7) *Guarantees.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to any Guarantee.

§ 15 NOTICES

- (1) All notices concerning the Notes except as stipulated in § 14(6) shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice so given will be deemed to be validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).
- (2) *Notification to CBF.* The Issuer may, in lieu of publication set forth in subparagraph (1) above, deliver the relevant notice to CBF, for communication by CBF to the Holders, *provided that* the rules of the stock exchange on which the Notes are listed permit such form of notice. Any such notice shall be deemed to have been given to the Holders on the fifth day after the day on which the said notice was given to CBF.
- (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. Such notice may be given by any Holder to the Paying Agent through CBF in such manner as the Paying Agent and CBF may approve for such purpose.

§ 16 DEFINITIONS

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

Additional Subsidiary Guarantee has the meaning assigned to such term in § 2(4).

Additional Subsidiary Guarantors has the meaning assigned to such term in § 2(4).

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

Applicable Premium has the meaning assigned to such term in § 6(3).

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

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

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

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

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

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

CBF has the meaning assigned to such term in § 1(3).

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

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

Consolidated Adjusted EBITDA means the number set out under the heading "EBITDA (adjusted)" in the Consolidated Financial Statements of the Parent Guarantor covering the applicable Relevant Period.

Consolidated Coverage Ratio means the ratio of (A) the aggregate amount of Consolidated Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period.

Consolidated Financial Indebtedness means Financial Indebtedness of the Parent Guarantor and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS.

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

Consolidated Secured Financial Indebtedness means that portion of the Consolidated Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Parent Guarantor or any of its Subsidiaries.

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

Controlled Subsidiary has the meaning assigned to such term in § 6(4)(a).

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

Day Count Fraction has the meaning assigned to such term in § 4(4).

Default means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

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

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

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

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

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

(viii) money borrowed;

(ix) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

- (x) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers, debentures, loan stock or any similar instrument;
- (xi) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (xii) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Parent Guarantor or a Subsidiary under which the Parent Guarantor or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favour of a person who agrees to purchase a Real Estate Property owned by the Parent Guarantor or a Subsidiary;
- (xiii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (xiv) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above.

Global Note has the meaning assigned to such term in § 1(2).

GRAND Finance Documents means (a) the global facilities agreement dated 3 August 2006, as amended from time to time, most recently on 21 December 2012; or (b) any “Transaction Document” as defined therein.

Group means the Parent Guarantor together with its Subsidiaries.

Guarantee(s) has the meaning assigned to such term in § 2(4).

Guarantor(s) has the meaning assigned to such term in § 2(4).

Holder has the meaning assigned to such term in § 1(4).

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

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

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

Initial Subsidiary Guarantor means each of Deutsche Annington Beteiligungsverwaltungs GmbH, Deutsche Annington Vermögensgesellschaft mbH & Co. KG, Deutsche Annington Bestands GmbH & Co. KG and Deutsche Annington Bewirtschaftungs GmbH & Co. KG.

Initial Subsidiary Guarantee has the meaning assigned to such term in § 2(3).

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

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

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

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

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

Lien means (without duplication) any lien, mortgage, trust deed, deed of trust, deed, pledge, security interest, assignment for collateral purposes, deposit arrangement, or other security agreement, excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and any other like agreement

granting or conveying a security interest *in rem* (*dingliches Sicherungsrecht*), to a Person that is not a member of the Group, in each case to secure outstanding Financial Indebtedness, but in each case excluding

- (viii) any encumbrance registered in department 2 (*Abteilung 2*) of a German land register (*Grundbuch*);
- (ix) any Lien arising in connection with a disposal of an asset in the ordinary course of business including, without limitation, any Lien created in assets subject to a sale agreement for the purposes of financing the purchase price;
- (x) any Lien securing Financial Indebtedness outstanding on the Issue Date;
- (xi) any Lien in respect of which an unconditional deletion consent (*Löschungsbewilligung*) has been delivered to the relevant member of the Group;
- (xii) any Lien arising by operation of law (or by agreement having the same effect) or in the ordinary course of business, *provided that* any Lien arising in the ordinary course of business over Real Estate Property shall not be excluded;
- (xiii) any cash collateral posted in connection with cross-currency and interest rate hedging transactions; and
- (xiv) any Lien on bank accounts under general terms and conditions of any provider of such bank accounts.

Material Subsidiary means any Subsidiary of the Parent Guarantor whose total assets are at least equal to 5 per cent. of the total assets of the Group.

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

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

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

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

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

Net Unencumbered Assets means, on a consolidated basis determined in accordance with IFRS, the value of any Real Estate Property of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired plus the value of all other assets of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired minus the value of such assets which (i) have been disposed of or (ii) have become subject to a Lien.

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

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

Parent Guarantee has the meaning assigned to such term in § 2(2).

Parent Guarantor has the meaning assigned to such term in § 2(2).

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

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.

Portfolio Restructuring has the meaning assigned to such term in § 6(4)(a).

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

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

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

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

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

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

Real Estate Property means the real estate property of such Person and its subsidiaries.

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

Relevant Period means for the period (i) from (and including) the Issue Date until (and including) 30 September 2013, the quarter ended 30 June 2013, (ii) from (and including) 1 October 2013 until (and including) 31 December 2013, the half year ended 30 September 2013, (iii) from (and including) 1 January 2014 until (and including) 31 March 2014, the nine-month period ended 31 December 2013, and (iv) after 31 March 2014, the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio.

Relevant Person(s) has the meaning assigned to such term in § 6(4)(a).

Relevant Taxing Jurisdiction has the meaning assigned to such term in § 8.

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

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

Secured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Group.

Securities Act means the U.S. Securities Act of 1933, as amended.

Securitised Capital Market Indebtedness means any Capital Market Indebtedness incurred in respect of or in connection with any securitisation or similar financing arrangement relating to assets owned by the Parent Guarantor or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Parent Guarantor is limited solely to such assets or any income generated therefrom. For the avoidance of doubt, Securitised Capital Market Indebtedness includes Capital Market Indebtedness incurred under the GRAND Finance Documents.

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

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

Subsidiary Guarantee has the meaning assigned to such term in § 2(6).

Subsidiary Guarantors means the Initial Subsidiary Guarantors together with the Additional Subsidiary Guarantors.

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

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

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

Term Loan means the € 2,500,000,000 Term Facilities Agreement dated 3 June 2013 for the Parent Guarantor as amended on 15 July 2013 arranged by J.P. Morgan Limited and Morgan Stanley Bank International Limited.

Terra Firma Group has the meaning assigned to such term in § 6(4)(a).

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

Unencumbered Assets means without duplication, (i) the value of any Real Estate Property, on a consolidated basis determined in accordance with IFRS, of the Parent Guarantor and its Subsidiaries that is not subject to any Lien, plus (ii) the value of all other assets of the Parent Guarantor and its Subsidiaries that is not subject to any Lien (where in case of (i) and (ii) the value of Real Estate Property, on a consolidated basis determined in accordance with IFRS, and other assets shall be equal to such amounts that appear, or would appear, on a consolidated balance sheet of the Parent Guarantor prepared in accordance with IFRS).

Unsecured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is not Secured Financial Indebtedness.

VH1 has the meaning assigned to such term in § 2(4).

VH2 has the meaning assigned to such term in § 2(4).

WOGÉ Vier has the meaning assigned to such term in § 2(4).

WOGÉ Vier Bestands has the meaning assigned to such term in § 2(4).

§ 17

APPLICABLE LAW, PLACE OF JURISDICTION, ENFORCEMENT AND JUDGMENT CURRENCY

- (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 German law, 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 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 CBF 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 authorized officer of CBF or a depository of CBF, without the need for production in such proceedings of the actual records or the Global Note representing the Notes. For purposes of the foregoing, **Custodian** means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes CBF. 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.
- (4) *Process Agent.* The Issuer has appointed the Parent Guarantor as its agent for service of process (*Zustellungsbevollmächtigter*) in relation to any proceedings before the German courts in connection with the Notes.

§ 18
LANGUAGE

These Terms and Conditions are written in the English language only.

* * *

PARENT GUARANTEE

GUARANTEE

of

**Deutsche Annington Immobilien SE, Düsseldorf,
Federal Republic of Germany
(the *Parent Guarantor*)**

for the benefit of the Holders of the

**Euro 700,000,000 2.125% Senior Unsecured Notes due 2016
(the *2016 Notes*)**

and

Euro 600,000,000 3.125% Senior Unsecured Notes due 2019

(the *2019 Notes* and together with the 2016 Notes the *Notes* and each a series of Notes),

issued by

**Deutsche Annington Finance B.V., Amsterdam
The Netherlands
(the *Issuer*)**

§ 1

PARENT GUARANTEE, STATUS

- (1) The Parent Guarantor hereby unconditionally and irrevocably guarantees by way of an independent payment obligation (*selbständiges Zahlungsversprechen*) to the holders from time to time of the Notes (the ***Holders*** and the expressions "Notes" and "Holders" as used herein shall, for the purposes of this Parent Guarantee, include any additional Notes issued under § 13(1) of the terms and conditions of the 2016 Notes and the 2019 Notes (the ***Conditions***) by the Issuer or the company (other than the Parent Guarantor) which may have been substituted for the same (the ***Substitute Debtor***) pursuant to § 12 of the Conditions and any Holders of any such additional Notes) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Notes (the ***Parent Guarantee***). This Parent Guarantee shall be separate and independent from the obligations of the Issuer or, as applicable, the Substitute Debtor and shall exist irrespective of the validity and enforceability of the obligations of the Issuer or, as applicable, the Substitute Debtor.
- (2) The intent and purpose of this Parent 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, as applicable, the Substitute Debtor, or of any other grounds on the basis of which the Issuer or, as applicable, the Substitute Debtor may fail to effect payment, shall receive the amounts payable as principal, interest and other amounts to the Holders pursuant to the Conditions on the due dates as provided for in the Conditions.
- (3) The Parent Guarantor hereby explicitly waives any personal defences of the Issuer or, as applicable, the Substitute Debtor (*Einreden des Hauptschuldners*) as well as any defences arising out of the Issuer's or, as applicable, the Substitute Debtor's right of revocation (*Anfechtbarkeit*) or set-off (*Aufrechenbarkeit*) with respect to the Notes. This waiver shall not apply to any defences relating to any right of set-off with

counterclaims that are (i) uncontested (*unbestritten*) or (ii) based on an unappealable (*rechtskräftig festgestellt*) court decision.

- (4) The Parent Guarantor expressly consents to the Parent Guarantee being independent from any other security granted in connection with the Notes and waives any right which might result from the release of any such other security.
- (5) The Parent Guarantor's payment obligations under this Parent Guarantee become automatically due and payable if and when the Issuer or, as applicable, the Substitute Debtor does not make a payment with respect to the Notes when such payment is due and payable pursuant to the Conditions.
- (6) The obligations of the Parent Guarantor under this Parent Guarantee shall rank at least *pari passu* with all other unsubordinated obligations of the Parent Guarantor, unless such obligations are accorded priority under mandatory provisions of statutory law.
- (7) This Parent 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 Parent Guarantee shall continue in full force and effect.
- (8) The Parent 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 Paying Agent, the Issuer or, as applicable, the Substitute Debtor is at all times an Affiliate of the Parent Guarantor.
- (9) This Parent Guarantee shall be released only upon the payment in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon and all other amounts under the Notes then due and owing.

§ 2

ADDITIONAL SUBSIDIARY GUARANTEES

- (1) **Additional Subsidiary Guarantees.** The Parent Guarantor undertakes that on the date on which any of Deutsche Annington WOG Vier Bestands GmbH & Co. KG (**WOG Vier Bestands**), Deutsche Annington WOG Vier GmbH & Co. KG (**WOG Vier**), Viterra Holdings Eins GmbH (**VH1**) and Viterra Holdings Zwei GmbH (**VH2**) and, together with WOG Vier Bestands, WOG Vier and VH1, the **Additional Subsidiary Guarantors** and the Additional Subsidiary Guarantors together with the Initial Subsidiary Guarantors and the Parent Guarantor, the **Guarantors** and each a **Guarantor**) grants a guarantee to secure the Term Loan, the Parent Guarantor shall procure that the respective Additional Subsidiary Guarantor will concurrently give an unconditional and irrevocable guarantee on substantially the same terms as the guarantees granted to secure the Term Loan (each an **Additional Subsidiary Guarantee** and, together with the Initial Subsidiary Guarantees and the Parent Guarantee, the **Guarantees** and each a **Guarantee**) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Additional Subsidiary Guarantee will constitute 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 such Additional Subsidiary Guarantee directly from the relevant Additional Subsidiary Guarantor and to enforce such Additional Subsidiary Guarantee directly against the relevant Additional Subsidiary Guarantor. Copies of each Additional Subsidiary Guarantee may be obtained free of charge at the specified office of the Paying Agent.

Each Additional Subsidiary Guarantee shall provide that, without prejudice to any other mode of service allowed under any relevant law, the relevant Additional Subsidiary Guarantor irrevocably appoints the Parent Guarantor as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to such Additional Subsidiary Guarantee and that any service of process, notice or demand in respect of such Additional Subsidiary Guarantee made or given by a Holder

to the Parent Guarantor shall be deemed to have been validly made or given to such Additional Subsidiary Guarantor.

(2) *Release of Additional Subsidiary Guarantees.*

(a) Pursuant to its terms, an Additional Subsidiary Guarantee (but not any payment obligation under any Additional Subsidiary Guarantee which has already become due and payable) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect) upon the earlier of:

- (i) the release of the guarantee of such Additional Subsidiary Guarantor granted to secure the Term Loan;
- (ii) the discharge in full of all amounts outstanding under the Term Loan; or
- (iii) the discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon, and all other amounts under the Notes then due and owing as provided in § 5(3) of the Conditions.

(3) *Limitation of Additional Subsidiary Guarantees.* The obligations under the Additional Subsidiary Guarantees will be limited as necessary under the terms of such Additional Subsidiary Guarantees to prevent the Additional Subsidiary Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules.

§ 3 NEGATIVE PLEDGE

(1) *Negative Pledge of the Parent Guarantor.* The Parent Guarantor undertakes, so long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its Material Subsidiaries will create or permit to subsist, any form or security interest *in rem* (*dingliches Sicherungsrecht*) over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Parent Guarantor or any of its Subsidiaries in respect of Capital Market Indebtedness unless, subject to § 3(2), the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.

(2) *Limitation.* The undertakings pursuant to § 3(1) shall not apply:

- (a) to any security interest which is mandatory according to applicable laws or required as prerequisite for governmental approvals; or
- (b) with respect to any security right *in rem* (*dingliches Sicherungsrecht*) provided by any Subsidiary over any of such Subsidiary's claims against the Parent Guarantor, which claims arise as a result of the passing on to the Parent Guarantor of the proceeds from the issue by such Subsidiary of any Capital Market Indebtedness, *provided that* any such security serves solely to secure obligations under such Capital Market Indebtedness issued by such Subsidiary.

(3) *Provision of Additional Security.* Whenever the Parent Guarantor becomes obligated to secure (or procure that a Material Subsidiary secures) the Notes pursuant to this § 3, the Parent Guarantor shall be entitled to discharge such obligation by providing (or procure that the relevant Material Subsidiary provide) a security interest in the relevant collateral to a security trustee, such security trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally (*dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig*), for the

benefit of the Holders and the holders of the Capital Market Indebtedness secured by the security interest that gave rise to the creation of such security interest in such collateral.

§ 4 TAXATION

All amounts payable in respect of this Parent 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 Parent Guarantor is organized, 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 Parent 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 Parent Guarantee is required by law, the Parent 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:

- (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 Parent 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 Parent 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 European Union, or the Kingdom of The Netherlands 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, as applicable, the Substitute Debtor or a Guarantor or a Paying Agent addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of 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

(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 § 15 of the Conditions, whichever occurs later, or

(g) any combinations of items (a)-(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.

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 or, as applicable, the Substitute Debtor.

§ 5 COVENANTS

(1) *Limitations on Incurrence of Financial Indebtedness.* The Parent Guarantor undertakes that it will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Financial Indebtedness if, immediately after giving effect to the incurrence of such additional Financial Indebtedness and the application of the net proceeds of such incurrence,

(a) the sum of (i) the Consolidated Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 60 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness); or

(b) the sum of (i) the Consolidated Secured Financial Indebtedness of the Group as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Nominal Secured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published would exceed 45 per cent. of the sum of (without duplication) (x) Total Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (z) the proceeds of any Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Financial Indebtedness).

- (2) *Maintenance of Consolidated Coverage Ratio.* The Parent Guarantor undertakes that
- (a) on each Reporting Date falling on or before 30 September 2013, the Consolidated Coverage Ratio will be at least 1.40 to 1.00; and
 - (b) on each Reporting Date falling after 30 September 2013, the Consolidated Coverage Ratio will be at least 1.80 to 1.00.
- (3) *Maintenance of Total Unencumbered Assets.* The Parent Guarantor undertakes that from the Issue Date the sum of (i) the Unencumbered Assets as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (ii) the Net Unencumbered Assets newly recorded since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published will at no time be less than 125 per cent. of the sum of (x) the Unsecured Financial Indebtedness as of the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published and (y) the Net Nominal Unsecured Financial Indebtedness incurred since the immediately preceding Reporting Date for which Consolidated Financial Statements of the Parent Guarantor have been published.
- (4) *Reports.* For so long as any Notes are outstanding, the Parent Guarantor shall post on its website,
- (a) within 120 days after the end of each of the Parent Guarantor's fiscal years, annual reports containing the following information:
 - (i) audited consolidated financial statements in accordance with IFRS as adopted by the EU and the management report in accordance with section 315 of the German Commercial Code (*Handelsgesetzbuch*);
 - (ii) in addition to the requirements of IFRS and of the German Commercial Code (*Handelsgesetzbuch*) the notes to the consolidated financial statements should include information on compliance by the Parent Guarantor with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets"; and
 - (iii) the audit opinion of the independent auditors on the consolidated financial statements;
 - (b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Parent Guarantor, unaudited condensed consolidated quarterly financial statements in accordance with IFRS as adopted by the EU and the requirements of section 37w of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), which will include information on compliance with the covenants "Limitations on Incurrence of Financial Indebtedness", "Maintenance of Consolidated Coverage Ratio" and "Maintenance of Total Unencumbered Assets".

§ 6 RESOLUTIONS OF HOLDERS — AMENDMENTS TO THE PARENT GUARANTEE

The Holders of each series of Notes may consent to amendments of this Parent Guarantee in respect of the respective series of Notes by majority resolution passed in accordance with § 14 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 on all Holders of the respective series of Notes. Resolutions which do not provide for identical conditions for all Holders of the respective series of Notes are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

§ 7 DEFINITIONS

Unless otherwise defined in this Parent Guarantee, terms used herein and defined in the Conditions shall have the meaning attributed to them in the Conditions.

Additional Amounts has the meaning assigned to such term in § 4.

Additional Subsidiary Guarantee has the meaning assigned to such term in § 2(1).

Additional Subsidiary Guarantors has the meaning assigned to such term in § 2(1).

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

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in Frankfurt am Main, and on which the Clearing System and all relevant parts of Trans-European Automated Real-time Gross settlement Express Transfer system 2 (TARGET2) are operational to forward the relevant payment.

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

Clearing System means Clearstream Banking AG, Frankfurt am Main, Germany.

Code has the meaning assigned to such term in § 4(e).

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

Consolidated Adjusted EBITDA means the number set out under the heading "EBITDA (adjusted)" in the Consolidated Financial Statements of the Parent Guarantor covering the applicable Relevant Period.

Consolidated Coverage Ratio means the ratio of (A) the aggregate amount of Consolidated Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period.

Consolidated Financial Indebtedness means Financial Indebtedness of the Parent Guarantor and any of its Subsidiaries, on a consolidated basis determined in accordance with IFRS.

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

Consolidated Secured Financial Indebtedness means that portion of the Consolidated Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Parent Guarantor or any of its Subsidiaries.

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

- (i) money borrowed;
- (ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers, debentures, loan stock or any similar instrument;
- (iv) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (v) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Parent Guarantor or a Subsidiary under which the Parent Guarantor or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favour of a person who agrees to purchase a Real Estate Property owned by the Parent Guarantor or a Subsidiary;
- (vi) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (vii) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above.

GRAND Finance Documents means (a) the global facilities agreement dated 3 August 2006, as amended from time to time, most recently on 21 December 2012; or (b) any “Transaction Document” as defined therein.

Group means the Parent Guarantor together with its Subsidiaries.

Guaranteed Obligations has the meaning assigned to such term in § 1(7).

Guarantor means the Parent Guarantor, the Initial Subsidiary Guarantors and the Additional Subsidiary Guarantors.

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

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

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

Initial Subsidiary Guarantor means each of Deutsche Annington Beteiligungsverwaltungs GmbH, Deutsche Annington Vermögensgesellschaft mbH & Co. KG, Deutsche Annington Bestands GmbH & Co. KG and Deutsche Annington Bewirtschaftungs GmbH & Co. KG.

Issue Date means the issue date of the Notes.

Issuer means Deutsche Annington Finance B.V., Amsterdam, The Netherlands.

Lien means (without duplication) any lien, mortgage, trust deed, deed of trust, deed, pledge, security interest, assignment for collateral purposes, deposit arrangement, or other security agreement, excluding any right of setoff but including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and any other like agreement

granting or conveying a security interest *in rem* (*dingliches Sicherungsrecht*), to a Person that is not a member of the Group, in each case to secure outstanding Financial Indebtedness, but in each case excluding

- (i) any encumbrance registered in department 2 (*Abteilung 2*) of a German land register (*Grundbuch*);
- (ii) any Lien arising in connection with a disposal of an asset in the ordinary course of business including, without limitation, any Lien created in assets subject to a sale agreement for the purposes of financing the purchase price;
- (iii) any Lien securing Financial Indebtedness outstanding on the Issue Date;
- (iv) any Lien in respect of which an unconditional deletion consent (*Löschungsbewilligung*) has been delivered to the relevant member of the Group;
- (v) any Lien arising by operation of law (or by agreement having the same effect) or in the ordinary course of business, *provided that* any Lien arising in the ordinary course of business over Real Estate Property shall not be excluded;
- (vi) any cash collateral posted in connection with cross-currency and interest rate hedging transactions; and
- (vii) any Lien on bank accounts under general terms and conditions of any provider of such bank accounts.

Material Subsidiary means any Subsidiary of the Parent Guarantor whose total assets are at least equal to 5 per cent. of the total assets of the Group.

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

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

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

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

Net Unencumbered Assets means, on a consolidated basis determined in accordance with IFRS, the value of any Real Estate Property of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired plus the value of all other assets of the Parent Guarantor and its Subsidiaries not subject to any Lien acquired minus the value of such assets which (i) have been disposed of or (ii) have become subject to a Lien.

Notes means the 2016 Notes together with the 2019 Notes.

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

Parent Guarantor means Deutsche Annington Immobilien SE, Düsseldorf, Federal Republic of Germany.

Paying Agent means, subject to any variation, termination, appointment or change in accordance with § 7 of the Conditions, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany.

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

Real Estate Property means the real estate property of such Person and its subsidiaries.

Relevant Period means for the period (i) from (and including) the Issue Date until (and including) 30 September 2013, the quarter ended 30 June 2013, (ii) from (and including) 1 October 2013 until (and including) 31 December 2013, the half year ended 30 September 2013, (iii) from (and including) 1 January 2014 until (and including) 31 March 2014, the nine-month period ended 31 December 2013, and (iv) after 31 March 2014, the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio.

Relevant Taxing Jurisdiction has the meaning assigned to such term in § 4.

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

Secured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is secured by a Lien on properties or other assets of the Group.

Securitised Capital Market Indebtedness means any Capital Market Indebtedness incurred in respect of or in connection with any securitisation or similar financing arrangement relating to assets owned by the Parent Guarantor or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Parent Guarantor is limited solely to such assets or any income generated therefrom. For the avoidance of doubt, Securitised Capital Market Indebtedness includes Capital Market Indebtedness incurred under the GRAND Finance Documents.

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

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

Term Loan means the € 2,500,000,000 Term Facilities Agreement dated 3 June 2013 for the Parent Guarantor as amended on 15 July 2013 arranged by J.P. Morgan Limited and Morgan Stanley Bank International Limited.

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

Unencumbered Assets means without duplication, (i) the value of any Real Estate Property, on a consolidated basis determined in accordance with IFRS, of the Parent Guarantor and its Subsidiaries that is not subject to any Lien, plus (ii) the value of all other assets of the Parent Guarantor and its Subsidiaries that is not subject to any Lien (where in case of (i) and (ii) the value of Real Estate Property, on a consolidated basis determined in accordance with IFRS, and other assets shall be equal to such amounts that appear, or would appear, on a consolidated balance sheet of the Parent Guarantor prepared in accordance with IFRS).

Unsecured Financial Indebtedness means that portion of the aggregate principal amount of all outstanding Financial Indebtedness of the Group that is not Secured Financial Indebtedness.

VH1 has the meaning assigned to such term in § 2(1).

VH2 has the meaning assigned to such term in § 2(1).

WOGÉ Vier has the meaning assigned to such term in § 2(1).

WOGÉ Vier Bestands has the meaning assigned to such term in § 2(1).

§ 8
APPLICABLE LAW, PLACE OF JURISDICTION, LANGUAGE
AND ENFORCEMENT

- (1) *Applicable Law.* This Parent Guarantee, as to form and content, and all rights and obligations of the Holders and the Parent Guarantor, shall be governed by German law without giving effect to the principles of conflict of law thereof.
- (2) *Submission to Jurisdiction.* The place of non-exclusive jurisdiction for any action or other legal proceedings or in connection with this Parent Guarantee shall be Frankfurt am Main.
- (3) *Holders Third Party Beneficiaries.* This Parent Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) giving rise to the right of each Holder to require performance of this Parent Guarantee directly from the Parent Guarantor and to enforce this Parent Guarantee directly against the Parent Guarantor.
- (4) *Language.* This Parent Guarantee is written in the English language only.
- (5) *Enforcement.* Any Holder of Notes may in any proceedings against the Parent Guarantor, or to which such Holder and the Parent Guarantor are parties, protect and enforce in his own name his rights arising under this Parent Guarantee on the basis of a copy of this Parent Guarantee certified by an authorized person of the Paying Agent without presentation of the original Parent Guarantee.

[signature pages on the following pages]

SIGNATURES

DEUTSCHE ANNINGTON IMMOBILIEN SE

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Management Board Member

By: /s/ Dr. Rech
Name: Dr. Rech
Title: Authorised Signatory

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

DEUTSCHE BANK AKTIENGESELLSCHAFT

By: /s/ Bernd Birck
Name: Bernd Birck
Title: Assistant Vice President

By: /s/ Vivien Wichmann
Name: Vivien Wichmann
Title: Vice President

GUARANTEE OF INITIAL SUBSIDIARY GUARANTORS

GUARANTEE

of

**Deutsche Annington Beteiligungsverwaltungs GmbH,
Deutsche Annington Vermögensgesellschaft mbH & Co. KG,
Deutsche Annington Bestands GmbH & Co. KG,
and
Deutsche Annington Bewirtschaftungs GmbH & Co. KG,**

(each a *Subsidiary Guarantor*)

for the benefit of the Holders of the

**Euro 700,000,000 2.125% Senior Unsecured Notes due 2016
(the *2016 Notes*)**

and

Euro 600,000,000 3.125% Senior Unsecured Notes due 2019

(the *2019 Notes* and together with the 2016 Notes the *Notes* and each a series of Notes),

issued by

**Deutsche Annington Finance B.V., Amsterdam
The Netherlands
(the *Issuer*)**

§ 1

SUBSIDIARY GUARANTEE AND INDEMNITY, STATUS

- (1) *Guarantee and indemnity.* Each Subsidiary Guarantor hereby irrevocably and unconditionally jointly and severally (*gesamtschuldnerisch*):
- (a) guarantees (*garantiert*) by way of an independent payment obligation (*selbständiges Zahlungsversprechen*) to the holders from time to time of the Notes (the ***Holders*** and the expressions "Notes" and "Holders" as used herein shall, for the purposes of this Subsidiary Guarantee, include any additional Notes issued under § 13(1) of the terms and conditions of the 2016 Notes and the 2019 Notes (the ***Conditions***) by the Issuer or the company which may have been substituted for the same (the ***Substitute Debtor***) pursuant to § 12 of the Conditions and any Holders of any such additional Notes) the due and punctual payment of principal of, and interest on, and any other amounts payable under the Notes; the payment shall be due (*fällig*) within three Business Days of a written demand by a Holder stating the sum demanded from the Subsidiary Guarantor and that such sum is an amount payable under the Notes that has not been paid by the Issuer; and
 - (b) undertakes to the Holders to indemnify (*schadlos halten*) each Holder against any cost, loss or liability suffered by that Holder if any obligation of the Issuer or, as applicable, the Substitute Debtor under or in connection with the Notes or any obligation guaranteed by the relevant Subsidiary Guarantor is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Holder would otherwise have been entitled to recover (*Ersatz des positiven Interesses*) and that claim shall be due (*fällig*) within three Business Days of a written demand by that Holder.

For the avoidance of doubt, this guarantee and indemnity does not constitute a guarantee upon first demand (*Garantie auf erstes Anfordern*) and, in particular, receipt of such written demand shall not preclude any rights and/or defences the Subsidiary Guarantor may have with respect to any payment requested by a Holder under this guarantee and indemnity.

(2) *Continuing and independent guarantee and indemnity.*

- (a) The guarantee and indemnity granted pursuant to this Subsidiary Guarantee is independent and separate from the obligations of the Issuer or, as applicable, the Substitute Debtor or any other Guarantor and shall exist irrespective of the validity and enforceability of the obligations of the Issuer or, as applicable, the Substitute Debtor or any other Guarantor and is a continuing guarantee and indemnity which will extend to the ultimate balance of sums payable by the Issuer or, as applicable, the Substitute Debtor or any other Guarantor of the Notes, regardless of any intermediate payment or discharge in whole or in part.
- (b) The guarantee and indemnity granted pursuant to this Subsidiary Guarantee shall extend to any additional obligations of the Issuer or, as applicable, the Substitute Debtor resulting from any amendment, novation, supplement, extension, restatement or replacement of the Notes (including the Conditions) (together with the Guarantees, collectively, the **Notes Documents**).
- (c) Nothing in this Subsidiary Guarantee shall limit any Subsidiary Guarantor's ability to change its legal form, including by merger with or into another Guarantor. The Subsidiary Guarantee shall not be adversely affected by any such change of legal form of a Guarantor.

(3) *Reinstatement.* If any payment by the Issuer or, as applicable, Substitute Debtor or any other Guarantor or any discharge given by a Holder (whether in respect of the obligations of any Guarantor or the Issuer or, as applicable, the Substitute Debtor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (a) the liability of each Subsidiary Guarantor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) each Holder shall be entitled to recover the value or amount of that security or payment from the Issuer or, as applicable, Substitute Debtor or Guarantor, as if the payment, discharge, avoidance or reduction had not occurred.

(4) *Excluded defences.*

- (a) To the extent permitted by law, the obligations of the Subsidiary Guarantors under this Subsidiary Guarantee will not be affected by an act, omission, matter or thing which relates to the principal obligation (or purported obligation) of the Issuer or, as applicable, the Substitute Debtor or any other Guarantor and which would reduce, release or prejudice any of its obligations under this Subsidiary Guarantee, including any personal defences of the Issuer or, as applicable, the Substitute Debtor (*Einreden des Hauptschuldners*) or any right of revocation (*Anfechtung*) or set-off (*Aufrechnung*) of the Issuer or, as applicable, the Substitute Debtor.
- (b) To the extent permitted by law, the obligations of the Subsidiary Guarantor under this Subsidiary Guarantee are independent from any other security or guarantee which may have been or will be given in respect of the Notes. In particular, the obligations of the Subsidiary Guarantor under this Subsidiary Guarantee will not be affected by any of the following:
 - (i) the release of, or any time (*Stundung*), waiver or consent granted to, the Issuer or, as applicable, the Substitute Debtor or any other Guarantor under or in connection with the Notes or the Guarantees;

- (ii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Issuer or, as applicable, the Substitute Debtor, any other Guarantor or any other person or any failure to realise the full value of any security;
 - (iii) any incapacity or lack of power, authority or legal personality of or dissolution or deterioration of the financial condition of the Issuer or, as applicable, the Substitute Debtor, any other Guarantor in connection with the Notes or the Guarantees; or
 - (iv) any unenforceability, illegality or invalidity of any obligation of the Issuer or, as applicable, the Substitute Debtor or any other Guarantor under any Notes Document or any other document or security.
- (5) *Immediate recourse.* No Holder will be required to proceed against or enforce any other rights or security or claim payment from any person before claiming from any Subsidiary Guarantor under this Subsidiary Guarantee. This applies irrespective of any provision of a Notes Document to the contrary.
- (6) *Deferral of Subsidiary Guarantors' rights.* Until all amounts which may be or become payable by the Issuer or, as applicable, the Substitute Debtor under the Notes have been irrevocably paid in full, no Subsidiary Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under this Subsidiary Guarantee:
- (a) to be indemnified by the Issuer or, as applicable, the Substitute Debtor;
 - (b) to claim any contribution from any other Guarantor of the Issuer's or, as applicable, the Substitute Debtor's obligations under the Notes;
 - (c) to exercise any right of set-off against the Issuer or, as applicable, the Substitute Debtor or any other Guarantor; and/or
 - (d) to take the benefit (in whole or in part and whether by way of legal subrogation or otherwise) of any rights of any Holder under the Notes or of any other guarantee or security taken pursuant to, or in connection with, the Notes Documents by any Holder.

If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Holders by the Issuer or, as applicable, the Substitute Debtor or any other Guarantor under or in connection with the Notes Documents to be repaid in full on trust for the Holders and shall promptly pay or transfer the same to the Holders.

- (7) *Additional security.* This Subsidiary Guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently granted for the benefit of any Holder.
- (8) *Status.* The obligations of each Subsidiary Guarantor under this Subsidiary Guarantee shall rank at least *pari passu* with all other unsubordinated obligations of the relevant Subsidiary Guarantor, unless such obligations are accorded priority under mandatory provisions of statutory law.
- (9) *Discharge.* This Subsidiary Guarantee is discharged upon the full and irrevocable satisfaction of all claims guaranteed pursuant to this § 1 (the ***Guaranteed Obligations***). However, subject to release of the Subsidiary Guarantee pursuant to § 4 hereof, if any of the Guaranteed Obligations was only temporarily satisfied or is subject to be set aside by an insolvency administrator (*Anfechtungsrecht*) or can be avoided otherwise, the Subsidiary Guarantee shall continue in full force and effect.

§ 2 GUARANTEE LIMITATIONS

In the case of a Subsidiary Guarantor incorporated in Germany as a limited liability company (*Gesellschaft mit beschränkter Haftung*) (a **German GmbH Guarantor**) or established in Germany as a limited partnership (*Kommanditgesellschaft*) with a limited liability company (*Gesellschaft mit beschränkter Haftung*) as general partner (a **German GmbH & Co. KG Guarantor**, together with any **German GmbH Guarantor** hereinafter referred to as a **German Guarantor**) the enforcement of this Subsidiary Guarantee against such German Guarantor will be limited as follows:

- (a) The enforcement of the Subsidiary Guarantee will be limited, if and to the extent that the relevant German Guarantor guarantees obligations of an affiliated company (*verbundenes Unternehmen*) of such German Guarantor within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz*) (other than any of the German Guarantor's subsidiaries) and that, in such case, the enforcement of the Subsidiary Guarantee (i) would cause the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's assets (the calculation of which will include all items set forth in section 266(2) A, B, C, D and E of the German Commercial Code (*Handelsgesetzbuch*)) less the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's liabilities (the calculation of which will include all items set forth in section 266(3) B, C, D and E of the German Commercial Code, (but will, for the avoidance of doubt, exclude the liabilities under or relating to this Subsidiary Guarantee)) (the **Net Assets**) to be less than its respective registered share capital (*Stammkapital*) (*Begründung einer Unterbilanz*) or (ii) (if the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's Net Assets are already less than its respective registered share capital) would cause such deficit to be further increased (*Vertiefung einer Unterbilanz*). For the avoidance of doubt, the enforcement of the Subsidiary Guarantee against a German GmbH & Co. KG Guarantor shall not be limited by this paragraph (a)(i) as long as the enforcement against the relevant German GmbH & Co. KG Guarantor does not cause the Net Assets of its general partner to be less than its registered share capital or further increase an existing deficit.
- (b) For the purposes of such calculation the following balance sheet items will be adjusted as follows:
 - (i) if the registered share capital of the German Guarantor, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, of its general partner, is not fully paid up (*nicht voll eingezahlt*), the relevant amount which is not paid up will be deducted from the registered share capital;
 - (ii) the amount of any increase after the date of this Subsidiary Guarantee of the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's registered share capital which has been effected without the prior written consent of the Holders by majority resolution passed in accordance with § 14 of the Conditions and which is made out of retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*) will be deducted from the registered share capital;
 - (iii) any asset that is shown in the balance sheet with a book value (*Buchwert*) that is significantly lower than the market value of such asset and that can be realised, to the extent legally permitted and commercially justifiable with regard to the cost and effort involved, will be taken into account with its market value;
 - (iv) liabilities in relation to loans granted to, and other contractual liabilities incurred by, the German Guarantor or as the case may be its general partner, as a result of breaching any term of any Notes Document will be disregarded; and

- (v) liabilities for repayments of loans and other liabilities which are subordinated pursuant to section 39 paragraph 1 no. 5 or paragraph 2 of the German Insolvency Act (*Insolvenzordnung – InsO*) shall be disregarded.
- (c) The enforcement of this Subsidiary Guarantee will initially be excluded pursuant to paragraph (a) of this § 2 if no later than five Business Days following a demand by or on behalf of a Holder to make a payment under this Subsidiary Guarantee, the managing directors on behalf of the German Guarantor have submitted for publication in the Federal Gazette (*Bundesanzeiger*) a notification to the Holders pursuant to § 15 of the Conditions stating:
 - (i) to what extent this Subsidiary Guarantee is an up-stream or cross-stream guarantee as described in paragraph (a) of this § 2; and
 - (ii) which amount of such cross-stream or up-stream guarantee cannot be enforced as it would cause the Net Assets of the German Guarantor, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner to be less than its respective registered share capital (taking into account the adjustments set out in paragraph (a)(ii) of this § 2, (the **Management Determination**) and such confirmation is supported by a reasonably satisfactory calculation provided that any Holder will in any event be entitled to enforce the Subsidiary Guarantee for any amounts where such enforcement would, in accordance with the Management Determination, not cause the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's Net Assets to be less than (or to fall further below) the amount of its respective registered share capital (in each case as calculated and adjusted in accordance with paragraphs (a)(i) and (ii) of this § 2.
- (d) Following the submission for publication in the Federal Gazette of a notification of a Management Determination, any further enforcement of this Subsidiary Guarantee (i.e. any enforcement to which a Holder is not already entitled to pursuant to paragraph (a)(iii) of this § 2) will be excluded pursuant to paragraph (a)(i) of this § 2 for a period of no more than 14 days only. If the German Guarantor submits for publication in the Federal Gazette a notification to the Holders pursuant to § 15 of the Conditions within such 14 day period of (i) an up-to date balance sheet together with (ii) a determination in each case prepared by auditors of international standard and reputation appointed by the relevant German Guarantor either confirming the Management Determination or setting out deviations from the Management Determination (the **Auditor's Determination**), the further enforcement of this Subsidiary Guarantee will be limited, if and to the extent such enforcement would, in accordance with the Auditor's Determination cause the German Guarantor's, or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's Net Assets to be less than (or to fall further below) the amount of its respective registered share capital in each case as calculated and adjusted in accordance with paragraphs (a)(i) and (ii) of this § 2. If the German Guarantor fails to submit for publication in the Federal Gazette a notification of an Auditor's Determination within 14 days following submission for publication in the Federal Gazette of the notification of the Management Determination, any Holder will be entitled to enforce this Subsidiary Guarantee without any limitation or restriction.

"Submission for publication in the Federal Gazette of a notification" means the first electronic uploading of such notification to the electronic platform of the Federal Gazette, *provided that* in case of the electronic platform being unavailable for submission of a notification at any time during the last day of the grace periods set forth in § 2(c) and in this § 2(d), such grace periods shall be extended up to and including the next day upon which a submission to Federal Gazette becomes technically possible again.

- (e) The limitations set out in this paragraph (a) of this § 2 will not apply (or, as the case may be, will cease to apply):

- (i) if and to the extent the Subsidiary Guarantee is granted for funds which are lent, on-lent or otherwise passed on to the relevant German Guarantor or any of its subsidiaries from time to time (provided that the relevant German Guarantor must prove (*Beweislast*) that or to which extent no such amounts have been thus lent, on-lent or otherwise passed on);
- (ii) if and to the extent the recourse claim of the relevant German Guarantor against the Issuer or, as applicable, the Substitute Debtor in case of enforcement of this Subsidiary Guarantee is fully valuable (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) within the meaning of section 30 paragraph 1 sentence 2 German Act on Limited Liability Companies (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung –GmbHG*);
- (iii) if and when a domination agreement (*Beherrschungsvertrag*) or a profit absorption agreement (*Gewinnabführungsvertrag*) (either directly or through a chain of domination or profit absorption agreements) is or becomes effective between the relevant German Guarantor (or, for a German GmbH & Co. KG Guarantor, its general partner) and:
 - (1) if the German Guarantor (or, for a German GmbH & Co. KG Guarantor, its general partner) is a subsidiary of Issuer or, as applicable, the Substitute Debtor, the Issuer, or as applicable, the Substitute Debtor; or
 - (2) if the German Guarantor (or, for a German GmbH & Co. KG Guarantor, its general partner) is a sister company of the Issuer or, as applicable, the Substitute Debtor, any joint (direct or indirect) parent company of the German Guarantor (or, for a German GmbH & Co. KG Guarantor, its general partner) and the Issuer or, as applicable, the Substitute Debtor, as dominating entity (*beherrschendes Unternehmen*);
- (iv) if and to the extent for any other reason (including as a result of a change in the relevant rules of law) the deficit (*Unterbilanz*) referred to in paragraph (a)(i) of this § 2 does not constitute a breach of the German Guarantor's or, where the German Guarantor is a German GmbH & Co. KG Guarantor, its general partner's obligations to maintain its registered share capital pursuant to sections 30 et seq. of the German Act on Limited Liability Companies (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung –GmbHG*), each as amended, supplemented and replaced from time to time; or
- (v) when, at the time of enforcement of this Subsidiary Guarantee, the restrictions under paragraph (a)(i) of this § 2 are, due to a change of the applicable laws, the interpretation thereof or otherwise, not required to protect the managing directors of the relevant German Guarantor or of any of its direct or indirect shareholders from the risk of personal and criminal liability.

For the avoidance of doubt, nothing in this Subsidiary Guarantee will be interpreted as a restriction or limitation of the enforcement of any claim of any Holder against the Issuer or, as applicable, the Substitute Debtor under the Notes or against the Parent Guarantor under the Parent Guarantee.

§ 3 TAXATION

All amounts payable in respect of this Subsidiary 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 relevant Subsidiary Guarantor is organized, 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 Subsidiary 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 Subsidiary Guarantee is required by law, the relevant Subsidiary 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:

- (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 relevant Subsidiary 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 Subsidiary 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 European Union, or the Kingdom of The Netherlands 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, as applicable, the Substitute Debtor or a Guarantor or a Paying Agent addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of 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
- (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 § 15 of the Conditions, whichever occurs later, or
- (g) any combinations of items (a)-(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.

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 or, as applicable, the Substitute Debtor.

§ 4 RELEASE OF SUBSIDIARY GUARANTEE

The obligations of the Subsidiary Guarantor under this Subsidiary Guarantee (but not any payment obligation under the Subsidiary Guarantee which has already become due and payable) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect) upon the earlier of:

- (a) the release of the guarantee of such Subsidiary Guarantor granted to secure the Term Loan;
- (b) the discharge in full of all amounts outstanding under the Term Loan; or
- (c) the discharge in full of the aggregate principal amount of all Notes then outstanding, any interest due thereon, and all other amounts under the Notes then due and owing as provided in § 5(3) of the Conditions.

§ 5 RESOLUTIONS OF HOLDERS — AMENDMENTS TO THE SUBSIDIARY GUARANTEE

The Holders of each series of Notes may consent to amendments of this Subsidiary Guarantee in respect of the respective series of Notes by majority resolution passed in accordance with § 14 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 on all Holders of the respective series of Notes. Resolutions which do not provide for identical conditions for all Holders of the respective series of Notes are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

§ 6 DEFINITIONS

Unless otherwise defined in this Parent Guarantee, terms used herein and defined in the Conditions shall have the meaning attributed to them in the Conditions.

Additional Amounts has the meaning assigned to such term in § 3.

Appointment Letter has the meaning assigned to such term in § 7(6).

Auditor's Determination has the meaning assigned to such term in § 2(d)

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in Frankfurt am Main and on which the Clearing System and all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system 2 (TARGET2) are operational to forward the relevant payment.

Clearing System means Clearstream Banking AG, Frankfurt am Main, Germany.

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

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

German GmbH Guarantor has the meaning assigned to such term in § 2.

German GmbH & Co. KG Guarantor has the meaning assigned to such term in § 2.

German Guarantor has the meaning assigned to such term in § 2.

Group means the Parent Guarantor together with its consolidated subsidiaries.

Guaranteed Obligations has the meaning assigned to such term in § 1(9).

Guarantees has the meaning assigned to such term in § 2(4) of the Conditions.

Guarantor has the meaning assigned to such term in § 2(4) of the Conditions.

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

Issue Date means the issue date of the Notes.

Issuer means Deutsche Annington Finance B.V., Amsterdam, The Netherlands.

Management Determination has the meaning assigned to such term in § 2(c)(ii).

Net Assets has the meaning assigned to such term in § 2(a).

Notes means the 2016 Notes together with the 2019 Notes.

Notes Documents has the meaning assigned to such term in § 1(2)(b).

Parent Guarantee means the guarantee granted by Deutsche Annington Immobilien SE, Düsseldorf, Germany, for the benefit of the Holders of the Notes on or about the date of this Subsidiary Guarantee.

Parent Guarantor means Deutsche Annington Immobilien SE, Düsseldorf, Germany.

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

Process Agent has the meaning assigned to such term in § 7(5).

Relevant Taxing Jurisdiction has the meaning assigned to such term in § 3.

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

Term Loan means the € 2,500,000,000 Term Facilities Agreement dated 3 June 2013 for the Parent Guarantor as amended on 15 July 2013 arranged by J.P. Morgan Limited and Morgan Stanley Bank International Limited.

§ 7 APPLICABLE LAW, PLACE OF JURISDICTION, LANGUAGE AND ENFORCEMENT

- (1) *Applicable Law.* This Subsidiary Guarantee, as to form and content, and all rights and obligations of the Holders and the Subsidiary Guarantor, shall be governed by German law without giving effect to the principles of conflict of law thereof.

- (2) *Submission to Jurisdiction.* The place of non-exclusive jurisdiction for any action or other legal proceedings or in connection with this Subsidiary Guarantee shall be Frankfurt am Main.
- (3) *Holders Third Party Beneficiaries.* This Subsidiary 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 Holder to require performance of this Subsidiary Guarantee directly from the relevant Subsidiary Guarantor and to enforce this Subsidiary Guarantee directly against the relevant Subsidiary Guarantor.
- (4) *Language.* This Subsidiary Guarantee is written in the English language only.
- (5) *Service of Process, Notice and Demand.* Without prejudice to any other mode of service allowed under any relevant law, each Subsidiary Guarantor hereby irrevocably appoints the Parent Guarantor, Philippstraße 3, 44803 Bochum, Germany, as its agent authorized to receive service of process, notice and demand on its behalf with respect to any matters relating to this Subsidiary Guarantee (in such capacity, the **Process Agent**) and hereby agrees that any services of process, notice or demand in respect of this Subsidiary Guarantee made or given by a Holder to the Process Agent shall be deemed to have been validly made or given to the Subsidiary Guarantor. The Parent Guarantor hereby accepts its appointment as Process Agent.
- (6) *Undertaking to deliver Process Agent Appointment Letter.* Each Subsidiary Guarantor undertakes to deliver to the Process Agent without undue delay upon execution of this Subsidiary Guarantee an appointment letter (the **Appointment Letter**) in the form of the SCHEDULE (*Appointment of a Process Agent*) and to send a copy of the Appointment Letter to the Paying Agent.
- (7) *Enforcement.* Any Holder of Notes may in any proceedings against any Subsidiary Guarantor, or to which such Holder and such Subsidiary Guarantor are parties, protect and enforce in his own name his rights arising under this Subsidiary Guarantee on the basis of a copy of this Subsidiary Guarantee certified by an authorized person of the Paying Agent without presentation of the original Subsidiary Guarantee.

[signature pages on the following pages]

SIGNATURES

DEUTSCHE ANNINGTON BETEILIGUNGSVERWALTUNGS GMBH

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Managing Director

By: /s/ Christoph Schauerte
Name: Christoph Schauerte
Title: Authorised Signatory

DEUTSCHE ANNINGTON VERMÖGENSGESELLSCHAFT MBH & CO. KG

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Managing Director

By: /s/ Christoph Schauerte
Name: Christoph Schauerte
Title: Authorised Signatory

DEUTSCHE ANNINGTON BESTANDS GMBH & CO. KG

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Managing Director

By: /s/ Christoph Schauerte
Name: Christoph Schauerte
Title: Authorised Signatory

DEUTSCHE ANNINGTON BEWIRTSCHAFTUNGS GMBH & CO. KG

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Managing Director

By: /s/ Christoph Schauerte
Name: Christoph Schauerte
Title: Authorised Signatory

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

DEUTSCHE BANK AKTIENGESELLSCHAFT

By: /s/ Bernd Birck
Name: Bernd Birck
Title: Assistant Vice President

By: /s/ Vivien Wichmann
Name: Vivien Wichmann
Title: Vice President

We accept our appointment as Process Agent pursuant to § 7(5) of the above Subsidiary Guarantee.

DEUTSCHE ANNINGTON IMMOBILIEN SE

By: /s/ Dr. Beck
Name: Dr. Beck
Title: Management Board Member

By: /s/ Dr. Rech
Name: Dr. Rech
Title: Authorised Signatory

DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The German Act on Issues of Debt Securities of 5 August 2009, as amended (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*; **SchVG**) provides that noteholders may with the consent of the issuer (where required) amend the terms and conditions or resolve on other matters concerning the debt securities by way of majority resolutions. A majority resolution in accordance with the SchVG is binding for all holders of one series of the 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 guarantees.

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 of the Notes, it is possible to extensively change and therefore restructure the Terms and Conditions of the Notes 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 of the Notes 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 paragraph 3 sentence 1 numbers 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.

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 as listed in Section 5 paragraph 3 sentence 1 numbers 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

- (a) Resolutions of the Holders with respect to the Notes will be passed by way of a vote without a meeting pursuant to Section 18 and Sections 9 ff. SchVG (*Abstimmung ohne Versammlung*).

The Issuer or a holders' representative may convene a vote without a meeting and Holders who together hold 5 per cent. of the outstanding nominal amount of the Notes for specified reasons permitted by the SchVG may demand in writing that a vote without a meeting shall take place.

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*) not 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 the vote 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.

Within one year following the end of the voting period, each Holder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer. Each Holder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the scrutineer. If the scrutineer remedies the objection, the scrutineer shall promptly publish the result. If the scrutineer does not remedy the objection, it shall promptly inform the objecting Holder in writing.

- (b) If the quorum of 50% of the outstanding Notes is not met, the scrutineer may convene a 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. Such a physical meeting may be convened not less than 14 days prior to the date of 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. The place of the meeting is the place of the Issuer's registered offices, provided, however, that where the Notes are listed on a stock exchange within the European Union, the convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.
- (c) The Issuer bears the costs of the vote and, if the court has convened a meeting, also the costs of such proceedings.

- (d) 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.
- (e) 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.

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.

Alternatively, a holders' representative may be designated in the Terms and Conditions of the Notes. The duties, rights and functions of the noteholders' representative are determined by the relevant provisions of the Terms and Conditions.

The Holders may at any time and without reason terminate the appointment of the noteholders' representative by majority resolution with 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 shall end 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 for Gooi-, Eem- and Flevoland, The Netherlands under number 58224416. The address of the Issuer's registered office is Bramenberg 14 A, K5, 3755 BZ Eemnes, The Netherlands, telephone number: + 31 35 7 505 101. 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 words, is connected with or may be conducive to the attainment of these objects.

Organizational structure

The Issuer is a wholly owned subsidiary of Deutsche Annington. The Issuer does not have any subsidiaries of its own. The Issuer is dependent upon the administrative and management services provided by the Parent 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 address of the registered office of the Issuer. 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 share are listed.

Share capital

The issued capital of Deutsche Annington Finance B.V. amounts to €18,000, divided into 18,000 registered shares of common stock with a par value of €1 each, which are all held by Deutsche Annington. The capital is fully issued and paid-up. The Issuer does not have authorized but unissued capital.

Investments

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

Business Overview

Pursuant to its corporate purpose, the Issuer acts as financing subsidiary of the Parent 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.

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 since its incorporation on 21 June 2013, 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

In July 2013, the Issuer issued the Existing Notes (see under "Description of the Parent Guarantor and the Group - Material agreements - Existing Notes").

In October 2013, the Issuer issued the US Dollar Notes and the October Notes (see under "*Description of the Parent Guarantor and the Group - Material agreements*") and entered with respect to the US Dollar Notes into a USD/EUR currency swap transaction regarding payments under the US Dollar Notes with J.P. Morgan Securities plc and Morgan Stanley & Co. International plc.

In April 2014, the Issuer issued the Hybrid Notes (see under "*Description of the Parent Guarantor and the Group - Material agreements*").

Other than the Existing Notes, the US Dollar Notes, the October Notes and the Hybrid Notes, the Issuer has not entered in any material contract in the ordinary course of its business, 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 Parent Guarantor to meet its obligation to security holders in respect of the securities being issued.

Recent Developments

Other than the intended issue of the Hybrid Notes (see under "*Description of the Parent Guarantor and the Group - Material agreements*"), there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the solvency of the Issuer since 31 December 2013.

Trend Information and Significant Changes

There has been no material adverse change in the prospects of the Issuer since 31 December 2013 and no significant change in the financial or trading position of since 31 December 2013.

Auditors

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 (**PwC**). PwC are independent auditors of which the responsible partner is a member of the NBA (*Nederlandse Beroepsorganisatie van Accountants* = The Netherlands Institute of Chartered 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 (the **Financial Report**), which is incorporated by reference in this Prospectus, and should be read together with it. The Financial Report was prepared in accordance with Dutch GAAP.

Income statement data

(in € million)	For the period 19 June until 31 December 2013 (audited)
Income	34.324
Interest and similar expenses	(43.720)
Total expenses.....	(148)
Result before taxation.....	(9.544)
Taxation	2.552
Result after taxation	(6.992)

Balance sheet data

(in € million)	As of 31 December 2013 (audited)
Fixed assets.....	2.527.138
Current assets.....	26.165
Total assets	2.553.303
Equity.....	(4.974)
Provisions	230
Long-term liabilities.....	2.532.513
Current liabilities	25.534
Total equity and liabilities.....	2.553.303

DESCRIPTION OF THE PARENT GUARANTOR AND THE GROUP

The Parent Guarantor's legal name is Deutsche Annington Immobilien SE (*Deutsche Annington*). The Parent Guarantor is the Group's holding company; the Group primarily operates under the commercial name "Deutsche Annington".

Formation, Incorporation, Commercial Name, Fiscal Year, Registered Office, Corporate Purpose and Structure of the Group

The Parent Guarantor was formed as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law by a 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 Parent 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 Parent Guarantor's registered office to Düsseldorf, Germany. On 6 September 2001, the Parent Guarantor was registered with the commercial register at the local court of Düsseldorf, Germany under the docket number HRB 41246. On 17 January 2012, the shareholders' meeting approved a resolution to change the Parent 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 Düsseldorf on 1 March 2012 under docket number HRB 67443. On 11 June 2012, the shareholders' meeting approved a resolution to change the Parent Guarantor's legal form to a European company (*Societas Europaea – SE*) 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 Düsseldorf on 21 June 2012 under the docket number HRB 68115.

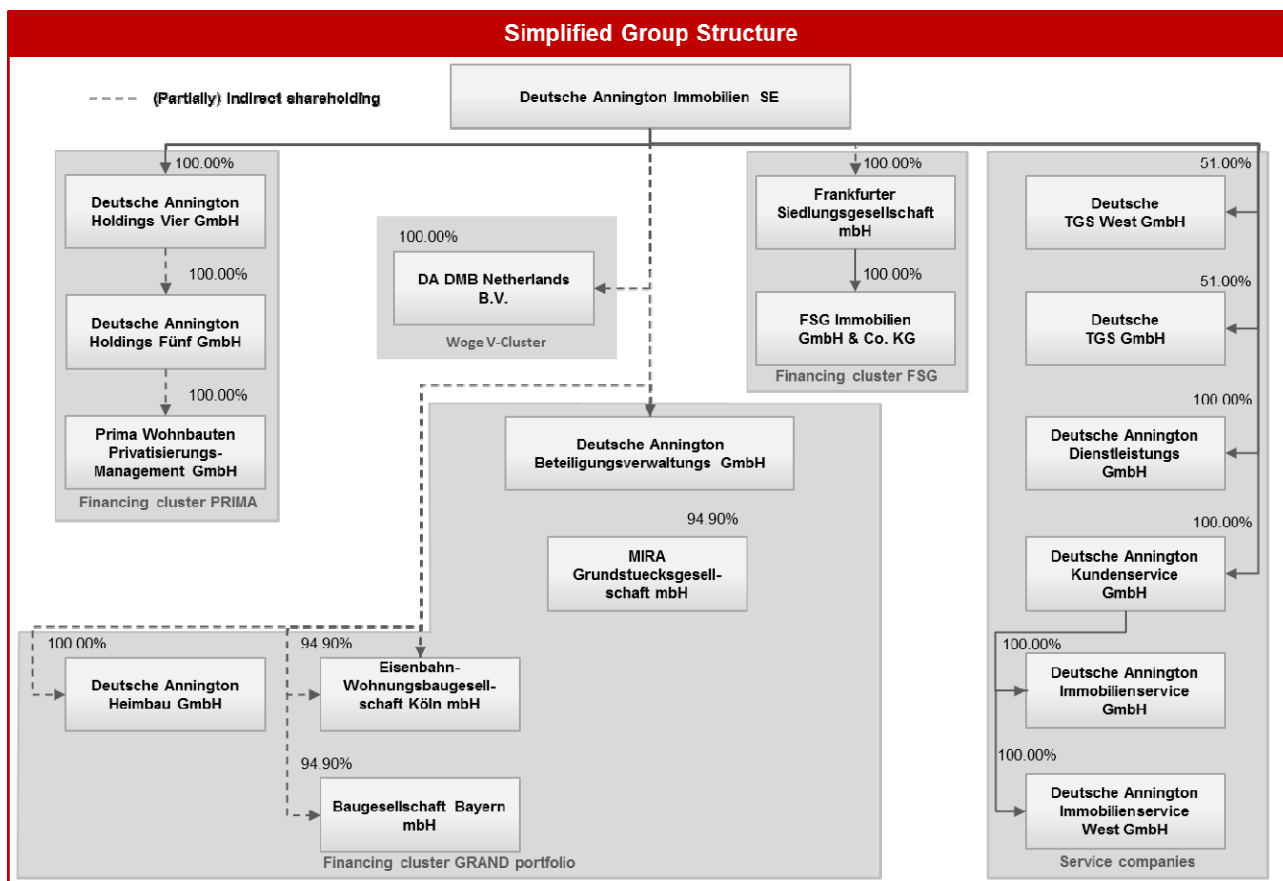
The Parent Guarantor's fiscal year is the calendar year.

The Parent Guarantor's registered office is at Vogelsanger Weg 80, 40472 Düsseldorf, Germany (tel. +49 (0) 234-314-0).

The Parent Guarantor manages the operations of the Group as parent company.

Pursuant to Article 2 of the articles of association of the Parent Guarantor, the corporate purpose of the Parent Guarantor 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. Moreover, the Parent Guarantor may acquire, hold or dispose of shares in German and foreign companies and partnerships that conduct the aforementioned business dealings.

The following diagram sets forth a summary (in simplified form) of the Deutsche Annington's significant subsidiaries as of the date of the Prospectus 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*).



Deutsche Annington considers itself Germany's largest private-sector residential real estate company in terms of portfolio value and number of units owned. As of 31 December 2013, Deutsche Annington owned around 175,000 residential units with an aggregate Fair Value of €10.3 billion. Deutsche Annington is one of the top ten listed European real estate companies and the largest listed German residential real estate company in terms of portfolio value.

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. Most of Deutsche Annington's residential units contain 2-3 rooms and have an overall size of 64 sqm, which means that Deutsche Annington 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 31 December 2013, Deutsche Annington's vacancy rate was approximately 3.5%, and its residential units had a residential in-place rent of €5.40 per sqm per month.

Deutsche Annington follows a clear portfolio strategy with a disciplined approach and a track record in value creation. Deutsche Annington classifies its properties into five portfolio segments: (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) Privatiser and (v) Non-Core, for each of which Deutsche Annington follows a dedicated strategy. 97% of the portfolio 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. In the core 97% of the portfolio, Deutsche Annington intends to add value through three main levers:

- Operational value generation, such as rental growth, vacancy reduction, effective and sustainable maintenance spending and cost efficiencies through scaling;

- Additional value generation through a dedicated investment program, which is mainly based on energy-efficient modernizations of buildings, the modernization of individual apartments for senior living and high standard refurbishments in markets where fully refurbished apartments deliver a rental premium. From 2009 to 2011, Deutsche Annington invested more than €100 million and generated an average return of 7% on the invested capital. Going forward, Deutsche Annington has identified additional investment opportunities with a volume exceeding €800 million across 37% 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 programs;
- Additional value generation through privatization of condominium units and single-family houses at a premium.

The cash generated from the sale of privatization and Non-Core assets may be redeployed either to fund investments in the residential units designated for building or apartment upgrades, to reduce debt, to fund dividend payments, or to fund 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 37 local business units (as of 31 December 2013) organized in the four regional clusters South/Southwest, Ruhr/Rhineland, North/East and Westphalia, which are situated in proximity of its assets and customers throughout Germany.

The Group capitalizes 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 organization comprised of more than 950 people who are solely dedicated to the performance of maintenance work related to Deutsche Annington's portfolio, in addition to a caretaker organization that employs more than 330 people who perform on-site services. Deutsche Annington's rental-related services range from ancillary cost savings from bulk purchases of utilities, to providing fiber-optic television and internet access, to the negotiation of discounts on purchases from selected service providers.

History and development

Deutsche Annington can trace its roots to the end of the nineteenth century. Deutsche Annington Immobilien GmbH (the legal predecessor of the Parent Guarantor), however, was officially founded in 1998, but remained dormant until the end of 2000. The Parent 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 Parent 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 Parent 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 Parent Guarantor, with its approximately 220,000 residential units, as the leading company in the German residential real estate industry and as a major player on the European level.

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

The following years were dedicated to enhancing the Parent 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 Parent 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 company's profits by further simplifying services and maintenance.

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 privatization 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.

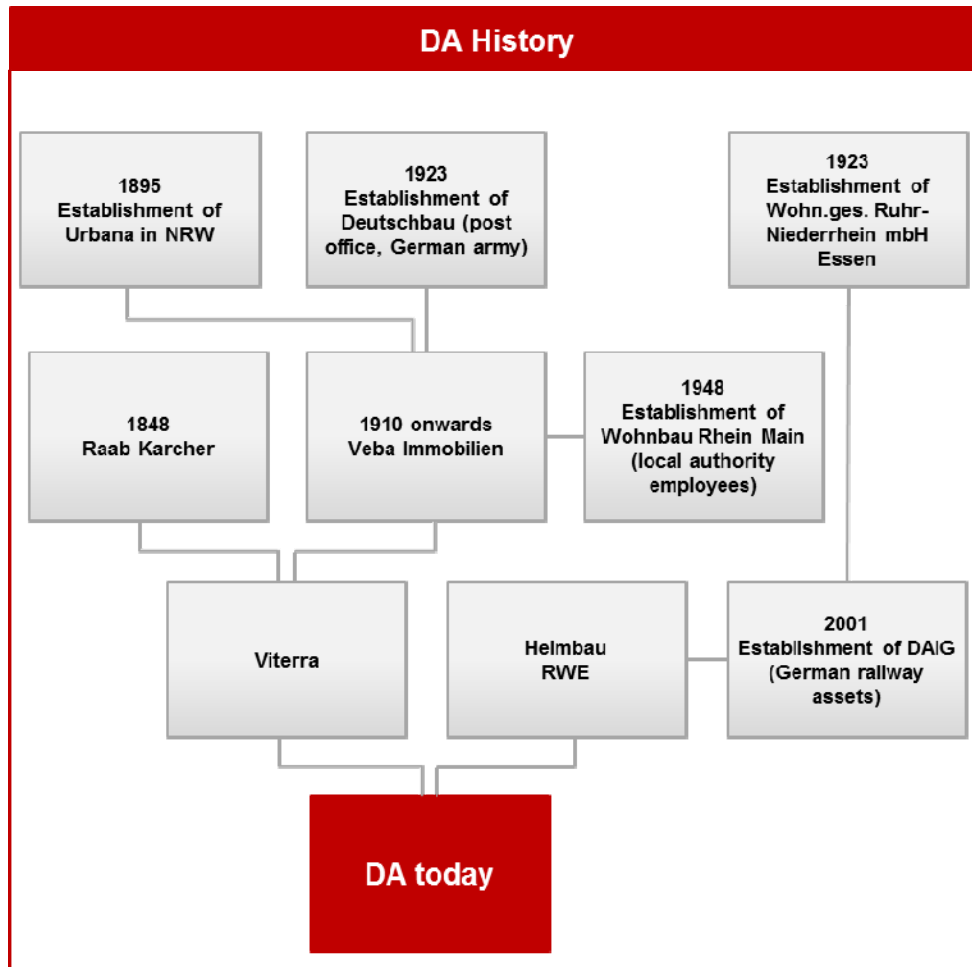
Viterra AG

Viterra AG, which accounts for the majority of housing units in the Parent 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 Deutsche Annington.

In 1993, the company, now part of the Unternehmensgruppe Wohnstätten (a merger between Rheinisch-Westfälische Wohnstätten AG and three other housing companies), changed its name to Veba Immobilien AG, and added commercial real estate and development to its business areas. In 1997, it acquired 50.0% of shares of the Deutschbau-Holding GmbH, the holding company of the Deutschbau- Group.

After the merger with Raab Karcher AG in 1998, and the change of name to Viterra AG in 1999, Viterra adjusted its strategy and sold its non-residential real estate business units. It also acquired new residential real estate participations by purchasing 94.99% of WohnBau Rhein-Main AG in 2001, 99.7% of Frankfurter Siedlungsgesellschaft mbH in 2003 and 49.1% of Deutschbau-Holding GmbH in 2004, resulting in a shareholding of 99.1% of Deutschbau-Holding GmbH. In 2005, Viterra AG was acquired by Deutsche Annington.



Deutsche Annington's Portfolio

Deutsche Annington's business focuses on its housing activities, and particularly on the management of its residential portfolio.

Overview

As of 31 December 2013, the Group held a real estate portfolio comprised of 175,258 residential units, 40,760 garages and parking spaces, as well as 1,076 commercial units. It managed 26,479 apartments for other owners. Deutsche Annington's portfolio is dispersed throughout Germany and its locations are spread across approximately 533 cities and communities.

The majority of Deutsche Annington's portfolio consists of multi-family properties. 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).

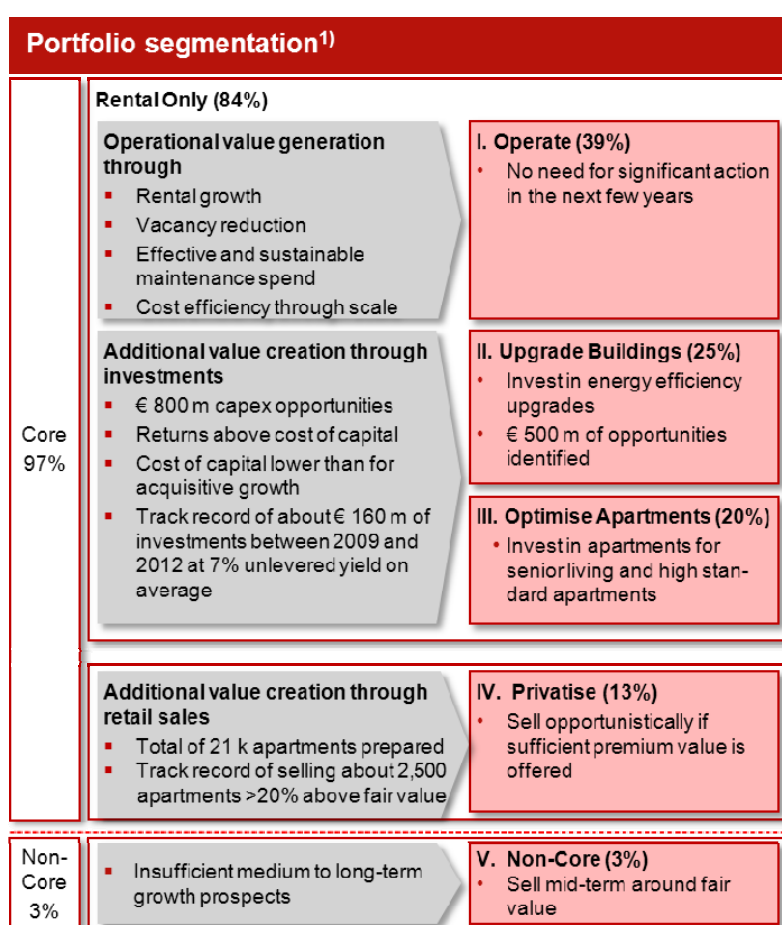
As of 31 December 2013, the aggregate living area of Deutsche Annington's portfolio amounted to around 11,180,000 sqm, with an average unit size of 64 sqm. An average unit consists of two or three rooms plus kitchen and bathroom. As of 31 December 2013, Deutsche Annington had leased approximately 96% of its residential units and generated an average residential in-place rent of €5.40 per sqm per month. The vacancy rate as of 31 December 2013 was 3.5%. For the entire portfolio, Deutsche Annington estimates that its tenants lease a residential unit for approximately 14.5 years on average.

Portfolio Segmentation

Deutsche Annington has divided its portfolio into five segments: (i) Operate, (ii) Upgrade Buildings, (iii) Optimise Apartments, (iv) Privatiser and (v) Non-Core.

Each of the five strategic portfolio segments is subject to a set of specific strategic actions. Deutsche Annington allocates assets to these strategic portfolio segments based on the local knowledge of and individual economic assessments by Deutsche Annington's local business 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 portfolio segments: (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 portfolio segmentation and strategy as of 31 December 2013:



¹⁾ Percentages refer to the segments fair values in relation to the total fair value

"Operate." As of 31 December 2013, 78,764 of Deutsche Annington's residential units with a residential in-place rent of €5.40 per sqm and a vacancy rate of 3.0% were allocated to the "Operate" portfolio segment. These are assets for which, 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 segment is on continuous improvement, for example balancing rent increase, vacancy reduction, well-prioritized maintenance spending as well as customer satisfaction increase. The sub-segment also includes assets that have already undergone energy efficiency measures in the past.

"Upgrade Buildings." As of 31 December 2013, 43,476 of Deutsche Annington's residential units with a residential in-place rent of €5.33 per sqm and a vacancy rate of 2.8% were classified as "Upgrade Buildings." In this portfolio sub-segment, Deutsche Annington includes the properties which have been earmarked for projects to improve energy efficiency over the medium-term, depending on the availability of sufficient capital.

Deutsche Annington believes that the investments in the earmarked buildings may require capital expenditures of about €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 that the valuation of the properties will disproportionately benefit from the investments in buildings. Typical measures are aimed at reducing energy consumption through better insulation and more efficient heating systems. Such investments usually result in lower pass-through utility and ancillary charges (*Nebenkostenabrechnungen*) for Deutsche Annington's customers as well.

Between 2009 and 2013, Deutsche Annington invested more than €200 million in energy-efficient modernizations in approximately 12,000 units across Germany, which generated returns of approximately 7% on the invested capital on average.

"Optimise Apartments." As of 31 December 2013, 21,363 of Deutsche Annington's residential units with a residential in-place rent of €6.10 per sqm and a vacancy rate of 2.1% were classified as "Optimise Apartments." In this portfolio segment, Deutsche Annington 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 optimize the assets allocated to the Optimise Apartments portfolio segment, an investment of approximately €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. In 2013, 1,100 modernisations were started and are by now completed or near completion. The investments are funded largely by KfW Bank-loans; in addition, Deutsche Annington plans to use cash generated by its business.

The first three segments combined are a "Rental Only" sub-portfolio and units may be allocated to different portfolio segments within this sub-portfolio subject to the status of modernization measures.

"Privatise." As of 31 December 2013, 20,536 of Deutsche Annington's residential units with a residential in-place rent of €5.31 per sqm and a vacancy rate of 4.9% were classified as "Privatise." Privatise stock comprises condominium units and single-family homes that have previously been prepared for sale to homeowners and small capital investors. Deutsche Annington aims to sell these units on average at prices of 20% above Fair Value in the long-term and considers its privatization strategy to be a sustainable element of value generation over this time span. In 2013, Deutsche Annington sold 2,576 units (2012: 2,784 units) in the course of its privatization program and realised a Fair Value step-up of 24.9% (2012: 22.2%).

"Non-Core." As of 31 December 2013, 11,119 of Deutsche Annington's residential units with a residential in-place rent of €4.24 per sqm and a vacancy rate of 9.7% 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 segment includes large commercial units with a commercial floor area of typically above 500 square meters, which Deutsche Annington considers as non-core. Deutsche Annington seeks to sell these buildings at approximately Fair Value over the medium-term. In 2013,

Deutsche Annington sold houses and commercial units with 4,144 residential units (2012: 2,035 residential units) in the course of its Non-Core divestiture program and realised a Fair Value step-up of -1.2% (2012: 19.5%). The figures also include the disposal of plots of undeveloped land.

Total portfolio by segments

The following table sets forth key data relating to Deutsche Annington's total portfolio as of 31 December 2013.

	Residential							
	Units	Area (in thousand sqm)	Vacancy		In-Place Rent		Fair Value ⁽¹⁾	
			Change (in %)	(in € million)	Like-for-like (€ per sqm per month)	Change like- for-like (in %)	(in € per sqm)	
Operate	78,764	4,999	3.0%	-0.1%	316.1	5.43	1.7%	907
Upgrade Buildings	43,476	2,743	2.8%	0.0%	170.3	5.33	1.8%	897
Optimise Apartments	21,363	1,335	2.1%	0.1%	95.6	6.10	3.5%	1,084
Rental Only	143,603	9,077	2.8%	0.0%	581.9	5.50	2.0%	930
Privatize	20,536	1,406	4.9%	-0.9%	85.3	5.31	1.9%	953
Non-Core	11,119	699	9.7%	-1.4%	32.0	4.24	0.6%	494
Total	175,258	11,182	3.5%	-0.4%	699.2	5.40	1.9%	901

(1) Average fair value of housing stocks related to the rentable area.

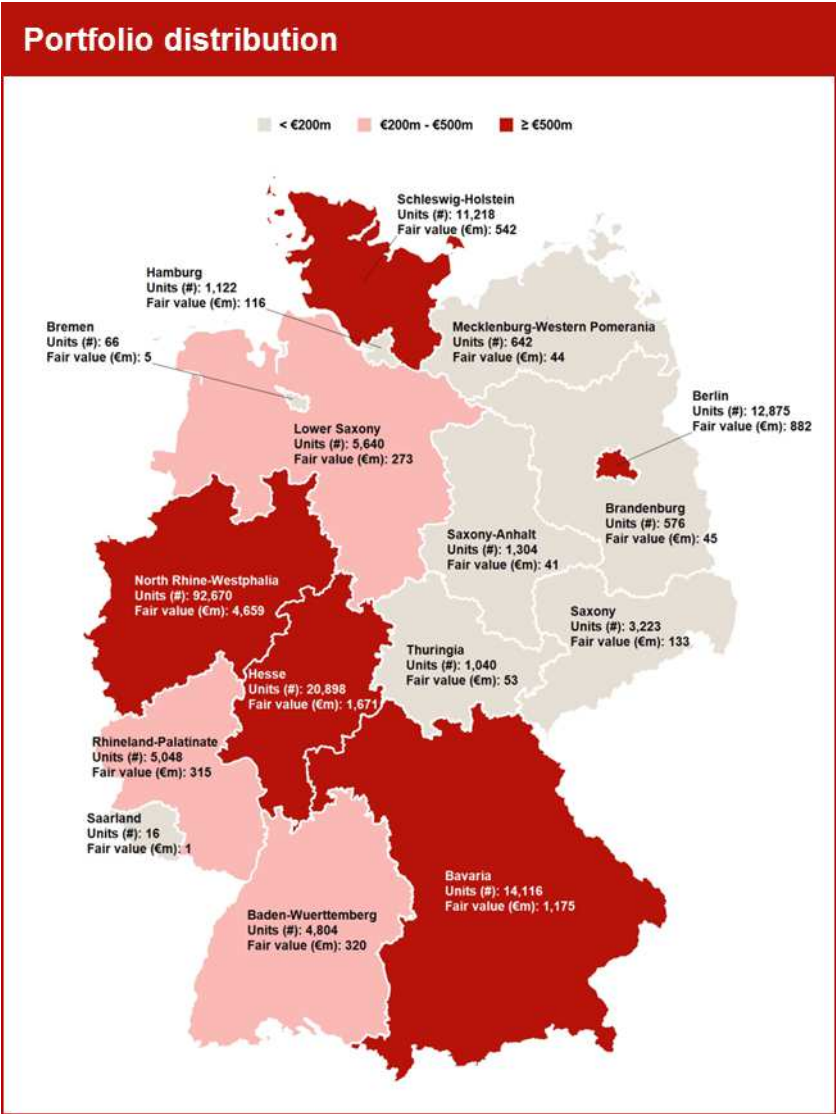
Total portfolio by federal states

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 31 December 2013.

	Residential				
	Residential Units	Area	Vacancy	In-Place Rent ⁽¹⁾	
		(in thousand sqm)	(in %)	(in € million)	(in € per sqm)
North Rhine Westphalia	92,670	5,797	3.8%	341.8	5.11
Hesse	20,898	1,321	1.6%	102.9	6.59
Bavaria	14,116	939	1.8%	61.2	5.54
Berlin	12,875	829	1.4%	56.5	5.76
Schleswig-Holstein	11,218	699	3.7%	41.4	5.14
Lower Saxony	5,640	381	7.5%	21.5	5.08
Rhineland-Palatinate	5,048	359	3.6%	21.6	5.20
Baden-Württemberg	4,804	335	2.2%	21.5	5.48
Saxony	3,223	202	9.0%	10.8	4.89
Saxony-Anhalt	1,304	89	17.9%	4.0	4.51
Hamburg	1,122	65	1.9%	5.6	7.38
Thuringia	1,040	67	6.2%	4.0	5.26
Mecklenburg-Western Pomerania .	642	49	2.8%	3.3	5.70
Brandenburg	576	42	3.8%	2.9	5.83
Bremen	66	5	9.1%	0.3	5.74
Saarland	16	1	0.0%	0.1	4.75
Total	175,258	11,182	3.5%	699.2	5.40

- (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 2013, 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.

The following map provides an overview of the major locations of DA's total portfolio as of 31 December 2013.



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 31 December 2013.

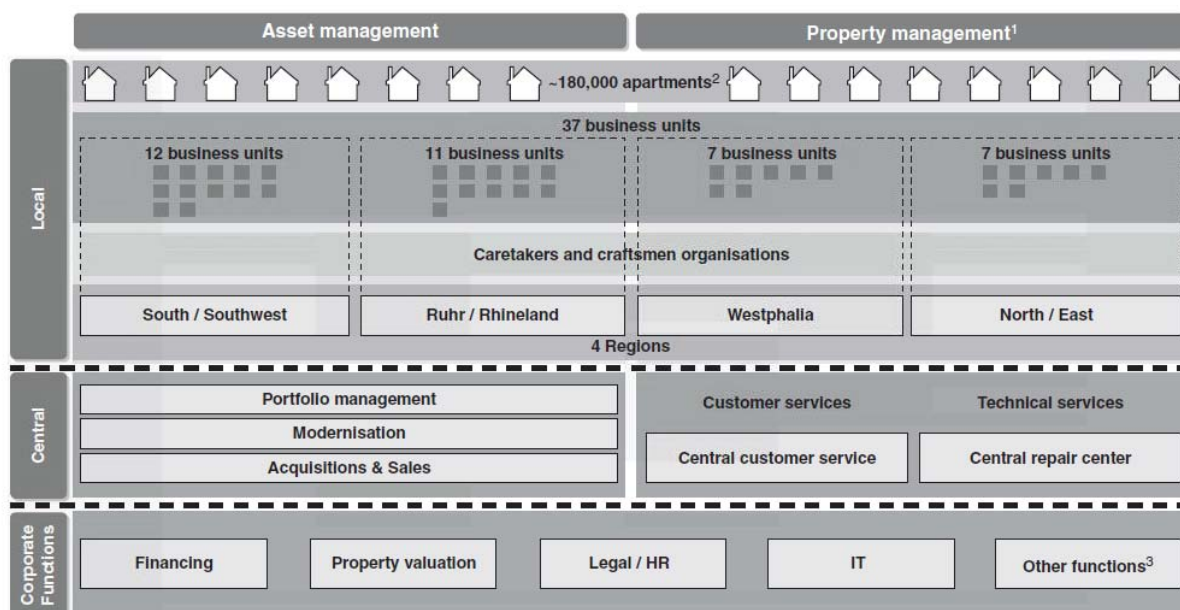
Residential					
		Area	Vacancy	In-Place Rent ⁽¹⁾	
	Residential Units	(in thousand sqm)	(in %)	(in € million)	(in € per sqm)
Dortmund	17,541	1,070	3.0%	59.6	4.79
Berlin	12,875	829	1.4%	56.5	5.76
Frankfurt am Main	9,960	616	0.8%	52.4	7.14
Essen	9,491	583	5.2%	34.5	5.22
Gelsenkirchen	7,642	469	6.7%	24.2	4.61
Bochum	7,588	437	2.7%	26.2	5.13
Munich	4,616	307	0.5%	23.2	6.33
Herne	4,564	279	5.2%	15.0	4.72
Duisburg	4,501	269	3.7%	15.4	4.97
Bonn	4,230	297	1.3%	21.3	6.06
Cologne	3,956	261	1.7%	19.8	6.42
Gladbeck	3,256	199	3.4%	11.3	4.91
Herten	2,692	173	4.1%	9.1	4.57
Düsseldorf	2,464	161	2.2%	13.1	6.93
Aachen	2,187	145	2.1%	9.2	5.39
Marl	2,103	139	5.8%	8.0	5.08
Wiesbaden	2,051	137	1.8%	11.9	7.37
Geesthacht	1,994	114	3.7%	7.3	5.57
Bottrop	1,900	120	3.2%	7.1	5.08
Bergkamen	1,872	122	5.7%	6.2	4.49
Kassel	1,848	115	2.9%	6.6	4.91
Castrop-Rauxel	1,704	100	4.5%	5.8	5.12
Recklinghausen	1,654	109	2.9%	6.1	4.79
Flensburg	1,594	106	4.3%	5.8	4.80
Nuremburg	1,584	109	0.6%	7.6	5.81
Subtotal	115,867	7,265	3.0%	463.1	5.48
Remaining other locations	59,391	3,916	4.4%	236.2	5.26
Total	175,258	11,182	3.5%	699.2	5.40

(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 2013, 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.

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 37 local business units in four regions (as of 31 December 2013).

The following chart provides an overview of the Deutsche Annington operating model as of 31 December 2013.

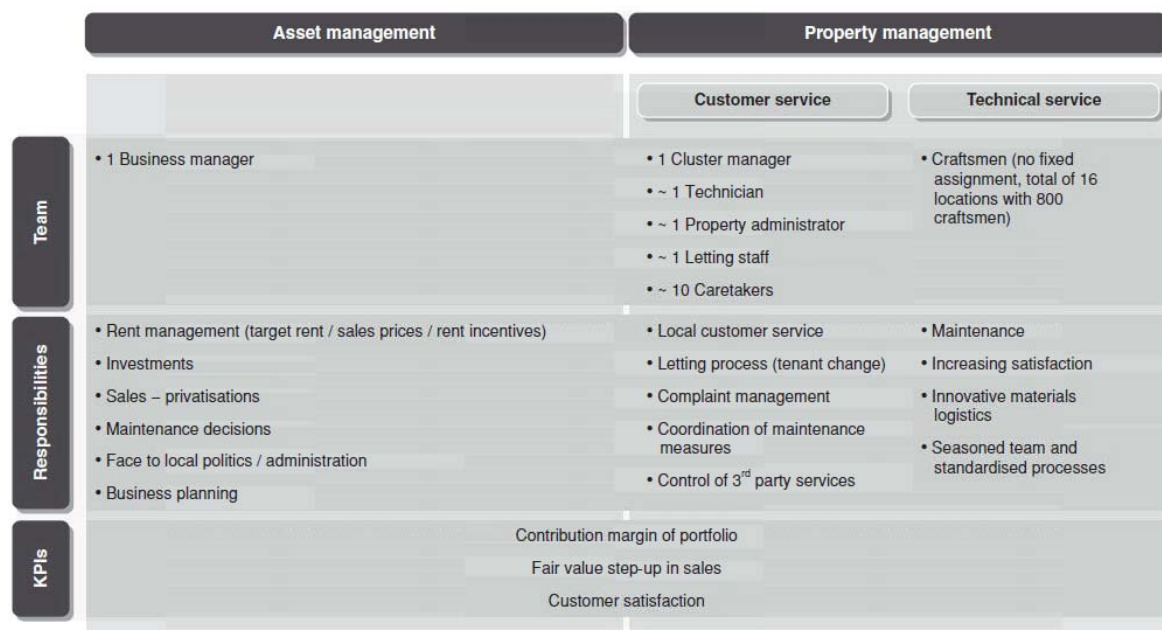


- (1) Also includes external management of condominiumized apartments, environment, health & safety.
- (2) Number of units as of 31 December 2013, in addition, approx. 24,000 units administered on behalf of 3rd parties.
- (3) Other corporate functions include accounting, capital markets, communications, controlling, insurance, procurement, PR, tax, 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 37 business units (as of 31 December 2013), each responsible for an average of approximately 5,000 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 organization, responsibilities and performance indicators of a typical local team, which consists of both asset and property management functions as of 31 December 2013:



Deutsche Annington's business processes are characterized by their high level of industrialization 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 local business 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 90% 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.

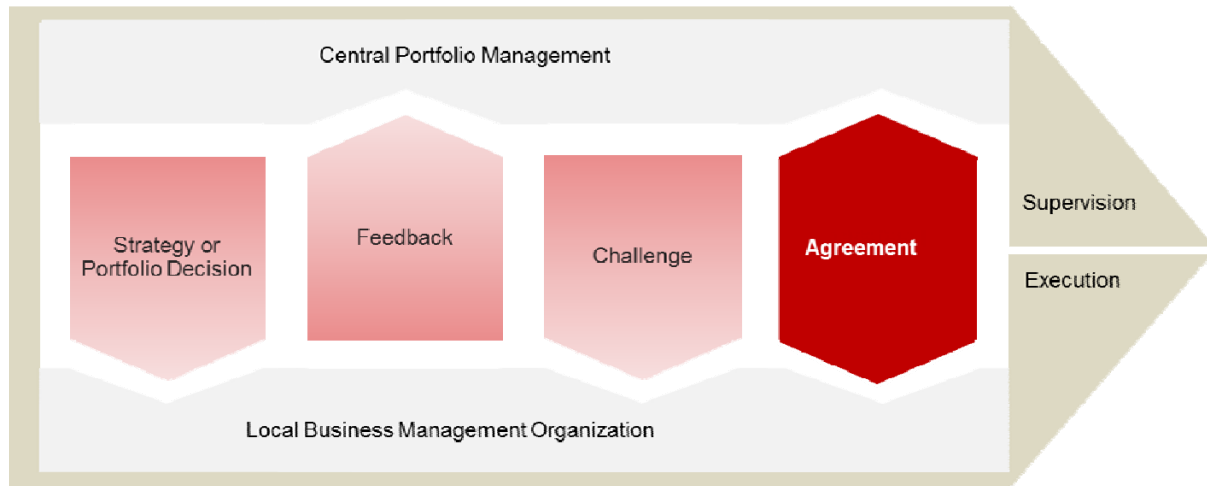
Maintenance process. Customers calling the central customer service with regard to required repairs are transferred to the central repair center. Below a threshold of between €500 and €1,000, depending on the type of maintenance, repairs are commissioned directly to the local craftsmen organization if 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 local business manager's inbox for approval and subsequently is commissioned to the local craftsmen organization.

Asset management

The asset management function comprises all owner-related competencies within the Group and is responsible for portfolio strategy, implementation of investment and sales programs and portfolio operations. It is based on the interplay between the central portfolio management unit and the local business management organization. It follows the principle that all tasks that can be performed using standardized 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 business managers at the business unit level.

The following chart describes the decision-making process both for setting the overall asset management strategy and for individual portfolio decisions:



For a description of the tasks and responsibilities of the local business management organization see "*Local business management organization*" below.

Portfolio management

The core of the Group's strategic portfolio management is the segmentation of the portfolio into manageable strategic segments, the decision to sell units and the design of investment programs for the further development of its existing portfolio.

Segmentation of the portfolio. The segmentation of the portfolio into five segments is based on an in-depth, building-by-building evaluation performed by local business managers. This information is collected, consolidated, and validated by the central strategic portfolio management team, which defines the overall portfolio strategy. In order to manage its portfolio efficiently, Deutsche Annington strives to concentrate its portfolio in select locations that have a positive demographic outlook and are attractively situated given their macroeconomic environment and the local neighborhood.

Portfolio development. Deutsche Annington considers its portfolio development efforts an important part of its strategy. To this end, Deutsche Annington capitalizes 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 programs 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 strategic blueprint for Deutsche Annington's energy efficiency program 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 organization 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 their profitability in those cases where a sale is not economically viable. Deutsche Annington continuously improves the quality of these assets in order to achieve an attractive market price. Deutsche Annington applies for the relevant building permits in advance, in order to be in a position to sell the plots of undeveloped land ready for construction at a premium.

Based on the principle of standardization and economies of scale through centralization, the management decision support team serves the asset management function. It provides a wide range of market data and research services, ranging from the national level down to selected regions or cities, and thus helps the strategic portfolio management team and local business managers make decisions on a sound and well-informed basis. Additional support services range from offering standardized tools and procedures for sales price analysis to IT-based solutions for specific projects. Deutsche Annington's management decision support team is also responsible for continuous process improvements. For example, the team commissions surveyor reports for municipalities without rent indices in order to identify the appropriate level of rents.

Investments

Deutsche Annington continues to invest in its existing real estate portfolio, having spent a total of € 101.0 million on modernizations over the three-year period from 2009 to 2011, € 56.6 million in 2012 and a forecasted € 65.3 million in 2013. Modernization measures are mainly investments that trigger the statutory right to increase rents with respect to the modernized unit or building under the applicable legal framework. Deutsche Annington's management believes that with an average investment return of approximately 7 % on investments from rent increases and vacancy reduction since 2009 it has an excellent investment track record.

DAIG Investment Programme per Programme Year			
	Total Investment Volume	Number of Units	Yield
2013 (Forecast)	€65,300,000	5,320	7.10%
2012	€56,600,000	2,982	6.80%
Avg. 2009-2011	€33,700,000	2,281	7.00%

- (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 segment 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 segment, the difference between the last rent before the refurbishment and the reletting 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 Forecast nature of the figures for the 2013 programme year is due to the fact that success is not measured until the middle or the end of the calendar year following the programme year and is therefore not finally determined until mid-2014 (Optimise Apartments) or the end of 2014 (Upgrade Buildings).

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 the respective central portfolio management unit. All departments involved in the process contribute their expert knowledge in order to ensure the project's successful completion, e.g. the modernization function takes care of cost calculation and supervision of works.

Deutsche Annington focuses on two major investment programs: (i) its energy efficient modernization program and (ii) its program to convert units into residential units suitable for senior living. Both investment programs are eligible for subsidized loans from KfW Bank.

In 2013, the Parent Guarantor invested approximately €65 million in buildings and apartments. In particular, Deutsche Annington improved the energy efficiency of buildings with approximately 2,500 units, upgraded more than 1,100 residential units and modernized the heating systems of various buildings. The Group funded these investments largely through subsidized loans from KfW Bank and the remainder through cash generated by Deutsche Annington's business operations. All of the Parent Guarantor's investments are geographically concentrated in Germany.

Acquisitions & sales

Deutsche Annington targets profitable growth through selective acquisitions and seizes market opportunities by disposing of residential units from its Privatised and Non-Core portfolio segment 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.

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 37 business units (as of 31 December 2013) 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 segment descriptions utilised by portfolio management: Operate, Upgrade Buildings, Optimise Apartments, Privatised, 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 Parent 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 Management Board approval. Provided this offer is accepted, a binding offer stage is normally initiated involving confirmatory due diligence as well as negotiations on financing, if appropriate.

Since 2006, Deutsche Annington acquired and integrated new portfolios with a total of 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. Deutsche Annington's acquisition team aims to realize economies of scale by fully integrating newly acquired companies at marginal cost and to avail of synergies particularly utilizing the Parent Guarantor's craftsmen's organization. Depending on the size and location of a portfolio, the Parent Guarantor estimates its marginal management costs for asset deals at between zero and €240 per residential unit per year. This is based on the view that units can be added at low incremental costs within business units. Once a critical mass of around 5,000 units is reached, it is generally assumed that a new business unit will have to be added. Based on the current cost structure, such additions result in average management costs, including central support, of €240 per residential unit per year. These costs exclude corporate costs including accounting, cash management, IT systems, and portfolio management. Each potential acquisition is, however, judged on its own particular circumstances and may have higher management costs than those generally assumed.

Sales

Deutsche Annington uses different sales channels for privatizations 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 organization. The entire contract management for the real estate purchase agreements is handled centrally by the back office. A strong focus on mass processes and standardized 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 organization. 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 units 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, which benefits from its 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.

Local business management organization

Within the asset management function, 37 local business managers, organized in four regions (*Geschäftsbereiche*) (as of 31 December 2013), act as the asset owners of their local portfolios (totalling approximately 5,000 units on average) and bear responsibility for the profitability of their local portfolio. The business managers represent the asset management function locally and are responsible for all owner-related decisions that are executed by the local business units.

A major focus of the business 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 business managers closely monitor market prices and customer demand to optimize 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 business managers prepare detailed investment and sales proposals on a house-by-house basis within the framework of Deutsche Annington's overall strategy. Furthermore, the business 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 business managers represent

Deutsche Annington vis-à-vis local stakeholders, e.g. local politicians or administrative bodies, and also participate in assemblies of local home owners' 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 functions, and benefits from the expertise of the asset management function. 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 center, the modernization 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 (Westphalia, South/Southwest, Ruhr/Rhineland and North/East), mirroring the structure of the asset management organization.

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 needs, where tailoring includes, amongst other things, the use of English- or Turkish-speaking telephone operators. Tenants can furthermore utilize its online platform, which provides access to contract details and additional functions 24-hours-a-day and has been in use since 2011.

Service center

The service center 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 (*Erlöse aus abrechenbaren 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 9001:20008 certification by TÜV Rheinland.

Furthermore, Deutsche Annington aims to reduce ancillary costs (*Erlöse aus abrechenbaren Betriebskosten*) for its entire real estate portfolio to minimize 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 center. Deutsche Annington's computer system notifies the service center immediately if the potential to raise rents for residential units arises in accordance with the applicable rent indices (*Mietspiegel*). The realization of economies of scale is achieved, among other things, through the use of standardized 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 standardized 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. In addition, 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 counseling, which may include the provision of assistance in applying for social security benefits. In addition to such services, the Group also provides special counseling to tenants who are facing eviction after falling behind with rent payments. To provide this service, Deutsche Annington currently employs approximately 80 on-site social managers who can give 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 450 evictions.

Local customer service

Local customer service operates through the 37 business units (as of 31 December 2013). The Group's local operations are an important tool for the re-letting of residential units. As of 31 December 2013, Deutsche Annington operated 60 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 organization 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. 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 organization.

Deutsche Annington has also engaged Alba Facility Services as its sole contractor for the provision of 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 Home Owners' 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 14 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.

Technical services

Deutsche Annington's technical services are primarily comprised of four central functions: (i) central repair center, (ii) modernization team, (iii) EHS, and (iv) mining team. The central functions are complemented by the craftsmen organization on a local level.

Central repair center

The repair center 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 center 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.

Modernization team

Deutsche Annington's modernization team consists of a group of highly specialised architects who are tasked with the planning of modernization work as well as construction supervision. The modernization team is specifically in charge of operationally delivering the Group's annual energy efficiency investment program. Deutsche Annington believes that its internal modernization team has acquired a unique set of planning and supervision skills specifically tailored to the type of modernization projects that Deutsche Annington conducts, and that its management team can therefore handle modernization 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 organization

Deutsche Annington started its own local craftsmen organization in 2011. Since then, it has successively taken over almost all repair and maintenance work formerly carried out by third parties and furthermore has been handling large parts of the optimize apartments program from 2013 onwards.

All repair processes are structured in a paperless way. Customers may sign contracts delivered to the local craftsman by the repair center on the craftsman's tablet PC. Through electronic notification, the central repair center 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. In the evening, the craftsmen park their cars in front of their private homes. There, the craftsmen's vans are refilled over night with the necessary materials for the centrally scheduled assignments which are mailed by the central repair center directly onto 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 organization is aimed at saving costs, while further increasing the quality of Deutsche Annington's customer service. On the cost side, Deutsche Annington's craftsmen organization saves Deutsche Annington the VAT on personnel costs and creates full cost transparency for Deutsche Annington's management. Furthermore, purchasing advantages through bundling and standardization 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, 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 organization 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 31 December 2013, 970 (for the year ended 2012: 695) employees worked at ten locations throughout Germany and were responsible for around 175,000 of Deutsche Annington's residential units.

Procurement

Deutsche Annington's procurement functions use its 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 modernization 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 to, amongst others the 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 rate last year. Furthermore, Deutsche Annington negotiated a deal with Deutsche Telekom, under which Deutsche Telekom has begun working on modernizing internet and telephone cable connections in order to equip 145,000 of Deutsche Annington's units with state-of-the-art fiber-optic cables.

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 towards large industrial corporations and is defined by its standardized and highly integrated processes. At the end of fiscal year 2013, the finance and treasury department introduced significant organizational changes, which are already partially operational, such as the newly integrated front-, middle- and back-office structure. The reorganization intended to ensure the industrialised management of a steady flow of refinancing activities over the next years and to ensure the execution of refinancing activities within six to nine months after initiation of the 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 Groups 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.

On the operational side, the finance and treasury department works in interdisciplinary deal teams consisting of at least one specialist from each of the following expert groups:

- Finance expert;
- Attorney;
- Real estate appraiser;
- Controller; and
- Real estate administrator.

All these team members have substantial prior work experience in reputable firms specializing in these respective areas. These deal teams are physically placed together, constitute the finance and treasury department on the working group level and are each tasked with selected projects. The entire refinancing process is supported by a fully integrated project office that provides various back-up services.

The finance and treasury department makes use of a whole variety of refinancing structures, including securitisations (commercial mortgage-backed securities programs), unsecured bonds, covered bonds (*Pfandbriefe*) eligible mortgage 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 central property valuation team comprises internal as well as external valuation functions. The internal property valuation team assesses the fair market value of Deutsche Annington's properties on an annual basis with quarterly updates. The property valuation team collects, processes, and quality assures relevant market data. Furthermore, the local business managers provide detailed and specific information regarding the individual residential units, which is collected, processed and stored by the internal property valuation team. The internal valuation team quickly adapts to changes relevant for valuation purposes and is able to reflect these alterations in internal valuations. Parts of the internal valuations are examined and checked by external

property appraisers. The external property valuation team, however, 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 approximately 15-lawyer strong in-house team which handles large parts of Deutsche Annington's legal work and supervises third-party legal service providers. Most of Deutsche Annington's in-house lawyers have been working as partners, counsels, or associates in major law firms prior to joining the Parent Guarantor. In 2013, Deutsche Annington's legal team has been honored with the "In-house Team of the Year" award by leading German legal market observer JUVE.

Human Resources

Deutsche Annington's human resources department is responsible for hiring and integrating new employees and the development of existing employees. The department's capabilities are underlined by recruiting more than 1,000 new employees for the Group's newly established craftsmen and caretaker organizations.

Human Resources Development. Deutsche Annington offers a wide range of training programs 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 center. 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 programs, including the Annington Summer School, to training courses and the participation in network programs.

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 programs and the silver human resources award of the Federal Association of HR-Managers (*Bundesverband der Personalmanager*) and *Süddeutsche Zeitung* for Deutsche Annington's education program "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. Since 2007, Deutsche Annington has regularly received the certificate "Audit Work and Family" (*Hertie-Stiftung*) for its family friendly personnel policy and health management.

Information technology

Deutsche Annington's IT activities are managed by Deutsche Annington Informationssysteme GmbH (**DAIS**). DAIS operates Germany's largest SAP-based real estate information system which is, to Deutsche Annington's knowledge, the only "SAP Customer Center 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 allows the speeding up of 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, capital markets, 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).

	As of 31 December					
	2013		2012		2011	
	Head-count	Full-time employees	Head-count	Full-time employees	Head-count	Full-time employees
Total	2,935	2,664.0	2,407	2,230	1,279	1,095

In order to implement the insourcing initiative, the Group sharply increased its headcount beginning in fiscal year 2011 and it expects further growth in workforce in the coming years. Since fiscal year 2010, the Group's headcount in terms of both full-time employees and total headcount more than doubled. Most of these newly hired employees can be attributed to the local caretaker and craftsmen organizations that were setup in fiscal year 2011 and continuously expanded through fiscal year 2013.

Compensation

The employees' efforts to obtain higher qualification and develop their knowledge are reflected in the management instrument "Management by Objectives" ("*Führen mit Zielen*" **MBO**) at Deutsche Annington. This performance-based payment system is applied to Deutsche Annington's pay-scale as well as non-pay-scale employees. It is geared towards breaking down the implementation of the Group's strategy on a company level through target agreements. Meeting individual targets and company performance goals is rewarded in the form of variable payment. The MBO process is conducted annually and starts with target agreement interviews, in which managers and staff agree on qualitative and quantitative targets. For non-pay-scale employees, there is also a fringe benefit package, which covers special benefits such as a company car. Furthermore, Deutsche Annington has set up a special long-term-incentive-program for key employees below the senior management and management board level (see "*Management—Long-term incentive programs—Key employees below Management Board level*").

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 services a total of 2,253 commitments.

As of 31 December 2013, the defined benefit obligation (**DBO**) for pension commitments amounted to €309.1 million, of which €11.5 million refer to commitments to current and former members of the Management Board. Provisions recognized in this respect amounted to €291 million as of 31 December 2013. No pension provisions are recognized 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 Viterro AG, a fixed premium paid to a pension fund with a monthly contribution amounting to €51 for full-time employees. Following the acquisition of Viterro AG in 2005, this arrangement now applies to the entire Group since 2007 and extends only to pay-scale employees. Since 2007, non-pay-scale employees can only acquire such 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 favor 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/mark logo "*AUF DEM RICHTIGEN GLEIS*", registered on 28 October 2002; the registration will not be prolonged;
- 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 logo "*Annington Wohnen Plus*", registered on 30 July 2008;
- a word logo "*Deutsche TGS*", registered on 7 October 2011; and
- a word/mark logo "*Deutsche Wohn-Inkasso GmbH*", registered on 2 November 2011.

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, which 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 Parent Guarantor's Management Board members in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*) in conjunction with the SE-Regulation. The D&O insurance policies cover financial losses arising from a breach of duty by the Parent Guarantor's Management and Supervisory Board members in the course of their duties.

Legal proceedings

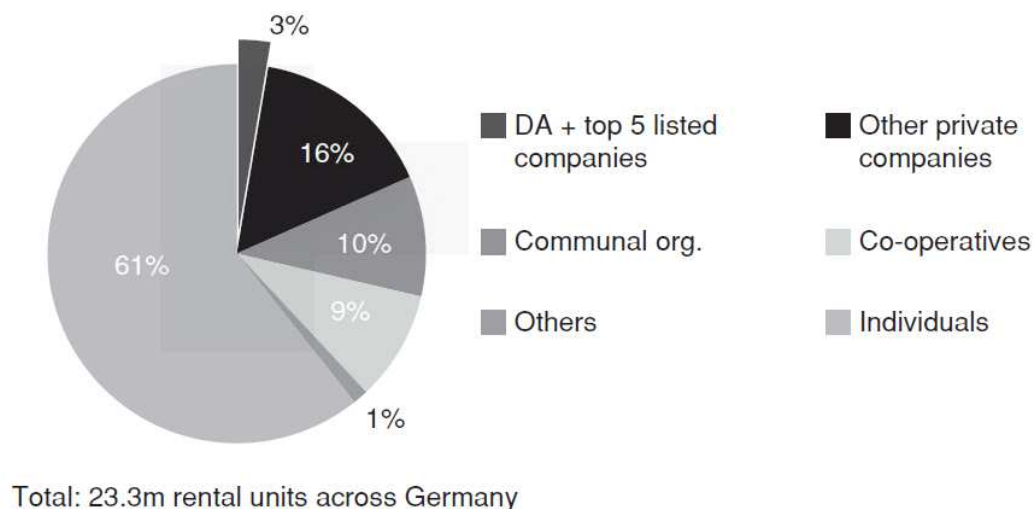
During the ordinary course of its business activities, Deutsche Annington is regularly involved in legal proceedings, both as a claimant and as a defendant. These proceedings are routine matters of tenancy and other laws, and do not have a significant impact on the Group's business.

Neither the Parent Guarantor nor other Group companies are and were 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 Parent Guarantor or the Group's financial position or profitability.

As of the date of the Prospectus there are no legal and regulatory proceedings and claims pending that the Parent Guarantor and the Deutsche Annington currently believe could have a significant effect on the Parent Guarantor and Deutsche Annington financial position or profitability.

Competition

The German residential real estate market is comprised of approximately 40.1 million residential units (excluding student housing and dormitories), approximately 16.8 million (or 42%) of which are owner-occupied and 23.3 million (or 58%) of which are rental residential units. The rental residential unit market is highly fragmented, as is reflected by the pie chart below:



(Source: GdW, in addition to GAGFAH Group, LEG, Deutsche Wohnen, TAG AG and GSW Immobilien 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 4.3 million units or almost 19% of the rental housing stock. In over 80% of the cases, cooperatives, communal organizations and small private lessors – often individuals – constitute the relevant local competition in the rental segment (Source: GdW).

Material agreements

The following section provides a summary of material agreements to which any member of the Group is a party.

Existing Notes

On 25 July 2013, Deutsche Annington Finance B.V. issued the Existing Notes comprising €700,000,000 senior unsecured notes due 2016 (the **2016 Notes**) and €600,000,000 senior unsecured notes due 2019 (the **2019 Notes**, together with the 2016 Notes, the **Existing Notes**) governed by German law. The Parent Guarantor has given a guarantee (the **Existing Notes Parent Guarantee**) for the payment of principal and interest together with all other sums payable by the Issuer under the Existing Notes. In addition, (i) Deutsche Annington Beteiligungsverwaltungs GmbH, (ii) Deutsche Annington Vermögensgesellschaft mbH & Co. KG, (iii) Deutsche Annington Bestands GmbH & Co. KG and (iv) Deutsche Annington Bewirtschaftungs GmbH & Co. KG have given a guarantee (each an **Existing Notes Initial Subsidiary Guarantee**) for the payment of principal and interest together with all other sums payable by the Issuer under the Existing Notes, the enforcement of which is subject to certain limitations set out in the terms of the Existing Notes Initial Subsidiary Guarantees. Furthermore, the Parent Guarantor has undertaken in the Existing Notes Parent Guarantee to procure that on the date on which any of (i) Deutsche Annington WOG Vier Bestands GmbH & Co. KG, (ii) Deutsche Annington WOG Vier GmbH & Co. KG, (iii) Viterra Holdings Eins GmbH and (iv) Viterra Holdings Zwei GmbH grants a guarantee to secure the Term Loan, such subsidiary will concurrently give an unconditional and irrevocable guarantee on substantially the same terms as the guarantee granted to secure the Term Loan for the due and punctual payment of any amounts payable under the Existing Notes. All of these additional subsidiary guarantees have been given in the meantime. The aforementioned subsidiary guarantees were automatically released upon, among other things, the repayment of the Term Loan in full on 8 October 2013.

Interest on the 2016 Notes accrues at the rate of 2.125% per annum and interest on the 2019 Notes accrues at the rate of 3.125% per annum. Interest on the Existing Notes is payable annually in July, commencing in July 2014.

Under the terms and conditions of the Existing Notes, Deutsche Annington is subject to the following covenants:

- *Limitation of Incurrence of Financial Indebtedness:* The Existing Notes Parent Guarantee restricts the Parent Guarantor's ability to incur additional indebtedness and to create liens on its assets. The Existing Notes Parent Guarantee provides that the Parent Guarantor will, and will procure that its subsidiaries will, during the term of the Existing Notes, incur any financial indebtedness, only if certain ratios are not breached, subject to certain exceptions.
- *Maintenance of Consolidated Coverage Ratio:* The Parent Guarantor has further undertaken in the Existing Notes Parent Guarantee that during the term of the Existing Notes, the coverage ratio of the Group (being the ratio between the Group's earnings before interest and taxes of one period and the Group's interest expenses of the same period) does not fall below a specified minimum value, subject to certain exceptions.
- *Maintenance of Total Unencumbered Assets:* The Parent Guarantor has further undertaken in the Existing Notes Parent Guarantee that during the term of the Existing Notes, the unencumbered assets of the Parent Guarantor and its subsidiaries will at no time be less a specified minimum value, subject to certain exceptions.

Upon the occurrence of a certain change of control event or of an event of default, each holder of the Existing Notes is entitled to require the Issuer of the Existing Notes to redeem, in whole or in part, the Existing Notes at their principal amount, together with accrued interest. The Existing Notes can be redeemed

prior to their stated maturity at the option of the Issuer of the Existing Notes for taxation reasons and for reasons of minimal outstanding aggregate principal amount, together with accrued interest, and at the option of the Issuer upon giving notice within the specified notice period to the holders of the Existing Notes at their principal amount plus an applicable premium, together with accrued interest.

The Group used the net proceeds from the sale of the Existing Notes for the partial repayment of the Term Loan.

US Dollar Notes

On 2 October 2013, Deutsche Annington Finance B.V. issued the US Dollar Notes comprising \$750,000,000 senior unsecured notes due 2017 (the **2017 US Dollar Notes**) and \$250,000,000 senior unsecured notes due 2023 (the **2023 US Dollar Notes**, together with the 2017 US Dollar Notes, the **US Dollar Notes**) governed by New York law. The Parent Guarantor has given a guarantee in the indenture relating to the US Dollar Notes (the **US Dollar Notes Parent Guarantee**) for the payment of principal and interest together with all other sums payable by the Issuer under the US Dollar Notes. In addition, (i) Deutsche Annington Beteiligungsverwaltungs GmbH, (ii) Deutsche Annington Vermögensgesellschaft mbH & Co. KG, (iii) Deutsche Annington Bestands GmbH & Co. KG, (iv) Deutsche Annington Bewirtschaftungs GmbH & Co. KG, (v) Deutsche Annington WOGÉ Vier Bestands GmbH & Co. KG, (vi) Deutsche Annington WOGÉ Vier GmbH & Co. KG, (vii) Viterra Holdings Eins GmbH and (viii) Viterra Holdings Zwei GmbH have given a guarantee (each an **US Dollar Notes Subsidiary Guarantee**) for the payment of principal and interest together with all other sums payable by the Issuer under the US Dollar Notes, the enforcement of which is subject to certain limitations set out in the terms of the US Dollar Notes Subsidiary Guarantees. The US Dollar Notes Subsidiary Guarantees were automatically released upon, among other things, the repayment of the Term Loan in full on 8 October 2013.

Interest on the 2017 US Dollar Notes accrues at the rate of 3.20% per annum and interest on the 2023 US Dollar Notes accrues at the rate of 5.00% per annum. Interest on the US Dollar Notes will be payable semi-annually in 2 April and 2 October, commencing on 2 April 2014.

Under the terms and conditions of the US Dollar Notes, Deutsche Annington is subject to the following covenants:

- *Limitation of Incurrence of Financial Indebtedness:* The US Dollar Notes Parent Guarantee restricts the Parent Guarantor's ability to incur additional indebtedness and to create liens on its assets. The US Dollar Notes Parent Guarantee provides that the Parent Guarantor will, and will procure that its subsidiaries will, during the term of the US Dollar Notes, incur any financial indebtedness, only if certain ratios are not breached, subject to certain exceptions.
- *Maintenance of Consolidated Coverage Ratio:* The Parent Guarantor has further undertaken in the US Dollar Notes Parent Guarantee that during the term of the US Dollar Notes, the coverage ratio of the Group (being the ratio between the Group's earnings before interest and taxes of one period and the Group's interest expenses of the same period) does not fall below a specified minimum value, subject to certain exceptions.
- *Maintenance of Total Unencumbered Assets:* The Parent Guarantor has further undertaken in the US Dollar Notes Parent Guarantee that during the term of the US Dollar Notes, the unencumbered assets of the Parent Guarantor and its subsidiaries will at no time be less a specified minimum value, subject to certain exceptions.

Upon the occurrence of a certain change of control event or of an event of default, each holder of the US Dollar Notes is entitled to require the Issuer of the US Dollar Notes to redeem, in whole or in part, the US Dollar Notes at their principal amount, together with accrued interest. The US Dollar Notes can be redeemed prior to their stated maturity at the option of the Issuer of the US Dollar Notes for taxation reasons and for

reasons of minimal outstanding aggregate principal amount, together with accrued interest, and at the option of the Issuer upon giving notice within the specified notice period to the holders of the US Dollar Notes at their principal amount plus an applicable premium, together with accrued interest.

In addition, the Issuer entered into a USD/EUR currency swap transaction relating to payments under the US Dollar Notes with J.P. Morgan Securities plc and Morgan Stanley & Co. International plc which is subject to a guarantee by the Parent Guarantor.

The Group used the net proceeds from the sale of the US Dollar Notes for the partial repayment of the Term Loan.

October Notes

On 8 October 2013, Deutsche Annington Finance B.V. issued €500,000,000 senior unsecured notes due 2021 (the **October Notes**) governed by German law under its €4,000,000,000 debt issuance programme (the **Programme**). The Parent Guarantor has given a guarantee under the Programme with respect to payments of principal and interest together with all other sums payable by the Issuer under the notes issued under the Programme (the **Programme Guarantee**), including the October Notes.

Interest on the October Notes accrues at the rate of 3.625% per annum and is payable annually in October, commencing in October 2014.

Under the terms and conditions of the October Notes, Deutsche Annington is subject to the following covenants:

- *Limitation of Incurrence of Financial Indebtedness:* The Programme Guarantee restricts the Parent Guarantor's ability to incur additional indebtedness and to create liens on its assets. The Programme Guarantee provides that the Parent Guarantor will, and will procure that its subsidiaries will, during the term of the October Notes, incur any financial indebtedness, only if certain ratios are not breached, subject to certain exceptions.
- *Maintenance of Consolidated Coverage Ratio:* The Parent Guarantor has further undertaken in the Programme Guarantee that during the term of the October Notes, the coverage ratio of the Group (being the ratio between the Group's earnings before interest and taxes of one period and the Group's interest expenses of the same period) does not fall below a specified minimum value, subject to certain exceptions.
- *Maintenance of Total Unencumbered Assets:* The Parent Guarantor has further undertaken in the Programme Guarantee that during the term of the October Notes, the unencumbered assets of the Parent Guarantor and its subsidiaries will at no time be less a specified minimum value, subject to certain exceptions.

Upon the occurrence of a certain change of control event or of an event of default, each holder of the October Notes is entitled to require the Issuer of the October Notes to redeem, in whole or in part, the October Notes at their principal amount, together with accrued interest. The October Notes can be redeemed prior to their stated maturity at the option of the Issuer of the October Notes for taxation reasons and for reasons of minimal outstanding aggregate principal amount, together with accrued interest, and at the option of the Issuer upon giving notice within the specified notice period to the holders of the October Notes at their principal amount plus an applicable premium, together with accrued interest.

The Group used the net proceeds from the sale of the October Notes for the full repayment of the Term Loan and general corporate purposes.

Hybrid Notes

On 8 April 2014, Deutsche Annington Finance B.V. issued €700,000,000 Subordinated Notes subject to Interest Rate Reset with a First Call Date 2019, due 2074 (the **Hybrid Notes**) governed by German law. The Parent Guarantor has given a guarantee with respect to payments of principal and interest together with all other sums payable by the Issuer under the Hybrid Notes.

The Group used the net proceeds from the sale of the Hybrid Notes to partly finance the Transactions.

Large bank 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, excluding the Existing Notes, the US Dollar Notes, the October Notes and the Hybrid Notes, that are summarized (as of 31 December 2013) in the subsequent sections:

			Nominal loan amount outstanding plus accrued interest as of 31 December 2013 (in € million, rounded)	Final maturity (year)
Banks	Borrowing Group Entities	Contractual loan amount (in € million, rounded)		
1) Landesbank Hessen-Thüringen Girozentrale/SEB AG	(i) Deutsche Annington Holdings Zwei GmbH; (ii) Deutsche Annington WOG E Fünf Bestands GmbH & Co. KG; (iii) Deutsche Annington WOG E Fünf Bewirtschaftungs GmbH & Co. KG; (iv) DA DMB Netherlands B.V.; and (v) Deutsche Annington DMB Eins GmbH	300	248.5	2015
2) Corealcredit Bank AG	FSG Immobilien GmbH & Co. KG	178.4	162.3	2018
3) Norddeutsche Landesbank Girozentrale	PRIMA Wohnbauten Privatisierungs-Management GmbH	111	111	2018
4) Norddeutsche Landesbank Girozentrale	PRIMA Wohnbauten Privatisierungs-Management GmbH	39.3	33.2	2018
5) Berlin-Hannoversche Hypothesenbank AG	(i) Eisenbahn-Wohnungsbaugesellschaft Köln mbH; (ii) Baugesellschaft Bayern mbH; and (iii) Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	88.8	83.1	2018
6) Berlin-Hannoversche Hypothesenbank AG and members of the association of the German savings banks (Sparkassen-finanzzgruppe) ⁽¹⁾	(i) Eisenbahn-Wohnungsbaugesellschaft Köln mbH; (ii) Baugesellschaft Bayern mbH; and (iii) Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	270.8 ⁽²⁾	269.7	2018

			Contractual loan amount (in € million, rounded)	Nominal loan amount outstanding plus accrued interest as of 31 December 2013 (in € million, rounded)	Final maturity (year)
	Banks	Borrowing Group Entities			
7)	Berlin-Hannoversche Hypothekenbank AG and members of the association of the German savings banks (Sparkassen-finanzzgruppe) ⁽¹⁾	MIRA Grundstücksgesellschaft mbH	296.9 ⁽²⁾	288.1	2018
8)	Nordrheinische Ärzteversorgung	Deutsche Annington DEWG GmbH & Co. KG	39.5	38.5	2022
9)	Deutsche Pfandbriefbank AG	Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH;	113 ⁽³⁾	101.5	2018
10)	Deutsche Pfandbriefbank AG	"Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	95 ⁽⁴⁾	88.8	2018
11)	Syndicated Loan ⁽⁵⁾ (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	288.2	278.3	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	201.9	187.2	2020
13)	Norddeutsche Landesbank Girozentrale	Deutsche Annington McKinley Eins GmbH & Co. KG	94	86.1	2023
14)	Norddeutsche Landesbank Girozentrale	Deutsche Annington McKinley Eins GmbH & Co. KG	45.5	43.3	2020
15)	AXA S.A. (Société Générale)	Deutsche Annington Wohnungsgesellschaft I mbH	75	71.6	2018
16)	AXA S.A. (Société Générale)	Deutsche Annington Rhein - Ruhr GmbH & Co. KG (additional guarantors: (i) Deutsche	104	103.1	2018

Banks	Borrowing Group Entities	Contractual	Nominal loan amount outstanding plus accrued interest as of	Final
		loan amount (in € million, rounded)	31 December 2013 (in € million, rounded)	maturity (year)
	Annington Zweite Beteiligungsgesellschaft mbH, (ii) Deutsche Annington Rheinland Immobilien-gesellschaft mbH and (iii) Deutsche Annington Fundus Immobilien-gesellschaft mbH)			

- (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 Pfandbriefe (German covered bonds) and one for secured loan claims that are not eligible for this.
- (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 amortization payments shall be made from disposal proceeds (privatization portfolio).

The following sections summarize the large bank loans if and to the extent the loans have been utilised as of 31 December 2013:

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.

DAIG Immobilien GmbH as legal predecessor of the Parent Guarantor has issued a guarantee payable on first demand (*Garantie auf erstes Anfordern*) for the fulfillment of the obligations under the loan among Landesbank Hessen-Thüringen Girozentrale and SEB AG on one side and Deutsche Annington Holdings Zwei GmbH, Deutsche Annington WOGÉ Fünf Bestands GmbH & Co. KG, Deutsche Annington WOGÉ Fünf Bewirtschaftungs GmbH & Co. KG, DA DMB Netherlands B.V. and Deutsche Annington DMB Eins GmbH on the other side; this guarantee can be enforced in case of financial covenant breaches and is limited to an amount of €10 million.

Interest/interest rate hedging

The listed loans bear interest at fixed rates from 2.283% to 6.745% 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 when the loan was raised, the term and the leverage (LTV-Ratio), and range from approximately 88 basis points to approximately 240 basis points with a volume-weighted average margin of approximately 158 basis points (as of 31 December 2013; 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: €1,157.0 million as of 31 December 2013; amount of related hedged items: €980.2 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 amortization

The terms of the aforementioned loans provide for regular repayments of the loan amount during their terms. The loan agreements contain different repayment provisions including straight-line fixed amortization rates, amortization in accordance with set schedules, amortization from assumed disposal proceeds (with a set minimum, irrespective of disposals) and amortization that leads to (decreasing) LTV levels 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 the 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: Deutsche Annington Immobilien GmbH as legal predecessor of the Parent Guarantor has issued a guarantee payable on first demand (*Garantie auf erstes Anfordern*) for the fulfillment of the obligations under the loan among Landesbank Hessen-Thüringen Girozentrale/SEB AG on one side and Deutsche Annington Holdings Zwei GmbH, Deutsche Annington

WOGÉ Fünf Bestands GmbH & Co. KG, Deutsche Annington WOGÉ Fünf Bewirtschaftungs GmbH & Co. KG, DA DMB Netherlands B.V. and Deutsche Annington DMB Eins GmbH on the other side. This guarantee can be enforced in case of financial covenant breaches and is limited to an amount of €10 million. The loan agreements between Norddeutsche Landesbank Girozentrale and the legal successors to PRIMA Immobilien GmbH & Co. KG require that the borrower has to be member of a Deutsche Annington cash pool over the term of the loan. The provision of new collateral 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 loan-to-value ratios (LTVs), calculated as the quotient of the outstanding loan amount (including senior-ranking loans) and the value of the borrowers' properties. The value of the individual portfolios was determined before the first utilization 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 time when the loan was provided and the lender, and range from 55% to 80% 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 amortization 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 110% to 130%.

Some loan agreements require a maximum debt-to-rent ratio (**DRR**), the quotient of all financial indebtedness of the borrowers and the annual actual net rents (as defined in the respective loan agreement), of between 8.75 and 9.5 (with respect to financed borrowing companies).

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, Helaba, 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, amortization or other) payments are not made when due, financial covenant thresholds 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 jeopardized 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 two cases, a change-of-control event could also occur if holdings in the Parent Guarantor change, namely (i) if the ownership structure materially changes (Coreal); and (ii) if a person or a group of persons jointly acting acquires, directly or indirectly, 50% or more of the shares or voting rights in the borrower (Helaba/SEB). 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 modernization 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 modernization at a later stage.

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.

Purchase agreements

Residential real estate transactions often include contractual clauses that restrict a buyer's right to divest the acquired portfolio. Furthermore, sellers will often restrict a buyer's right to terminate existing leases, which reduces the attractiveness of such units for prospective owner-occupants. The aforementioned restrictions are especially common in the privatization of government property, where the selling party intends to mitigate potential social effects of such transactions or when these portfolios are sold on to third parties. Deutsche

Annington has regularly been required to consent to such contractual obligations during the course of key acquisitions.

In several of its key acquisitions, Deutsche Annington had to accept restrictions on the termination of lease agreements. These limitations include complete bans on the termination of leases for certain groups of tenants, such as tenants older than 65 years and tenants that are (former) employees of certain companies as well as modifications of German tenancy law, such as the exclusion of the tenant's right to terminate a lease agreement for reason of personal or, as the case may be, adequate economic utilization.

Most of the applicable restrictions result from Deutsche Annington's two most significant transactions, the Bundeseisenbahnvermögen acquisition and the Viterra purchase.

Bundeseisenbahnvermögen

Based on an agreement dated 14/15 December 2000, as amended, Deutsche Annington acquired from Bundeseisenbahnvermögen (**BEV**) a portfolio of almost 65,000 units. As of 31 December 2013, the portfolio comprised about 38,000 units. The purchase agreement sets forth the following restrictions:

No more than 70% of all units per BEV-company may be sold before 31 December 2016.

About 7,000 BEV-units can only be sold to third parties if the tenants do not exercise their pre-emptive purchase rights to acquire their apartments with a 10% discount to the fair market value of the vacated unit.

Multi-family houses may only be sold to third parties without the consent of that specified group of tenants, if they make up less than half of the building's tenant base.

Renovations that upgrade units above the market level (*Luxussanierungen*) are only permitted after tenants' approval.

All BEV-companies are obliged to spend at least €12.78 per square meter/year on average for maintenance until 31 December 2016.

Tenants, who belong to one of the specified groups of former employees and retirees of BEV and its affiliates, or who otherwise specifically benefit from this protection, may not be terminated for reason of personal use or adequate economic utilization. This limitation must also be imposed on potential purchasers.

Deutsche Annington has agreed to certain restrictions regarding the dismissal of former BEV-employees due to business operations and personal conditions (e.g. absence due to illness) as well as the transfer of employment contracts (*Betriebsübergang*). As of 31 December 2013, more than 115 employees fell within the scope of these special contractual protections. In the event of an infringement of these covenants, Deutsche Annington is required to pay a contract penalty of €500,000.00 per employee per month. The penalty only becomes due when the alleged breach of the covenant is reported within a two-month period following the event giving rise to damage payments occurred. The breach, however, may be retroactively cured within a six-month period in order to avoid the penalty. These special employee protections will end on 8 February 2020.

Deutsche Annington has set up internal governance structures to ensure and monitor full compliance with these contractual covenants. To this end, Deutsche Annington has established procedures, including internal approval and notification obligations, which are specified in an internal BEV-handbook. The articles of association of the BEV-companies provide for consent requirements of the supervisory board for various business decisions; the BEV supervisory board members are internally bound to adhere to the agreement as summarized above.

Viterra

By agreement dated 17 May 2005, Deutsche Annington acquired Viterra, a residential real estate portfolio that comprised approximately 138,000 units. In the context of this acquisition, Deutsche Annington accepted the terms of a so-called voluntary commitment (*Freiwillige Selbstverpflichtung*), dated 17 August 2004. As of 31 December 2013, 62,000 units were subject to this commitment. The following restrictions apply to this commitment:

Single as well as house sales of multi-family houses are governed by certain rules of procedure that provided for preferential treatment of certain groups of purchasers and the protection of tenants. Certain units are subject to preferential occupancy rights (*Belegungsrechte*) of employees and retirees of certain selling entities. These tenants may not receive a notice to vacate for reason of personal use or adequate economic utilization.

Some units are subject to certain preferential residency rights (*Ruhrkohle-Belegungsrechte*) under a separate agreement (*Ruhrkohle-Gründungsvertrag 1969*).

In the event of individual sales of buildings comprising less than three residential units, tenants have to receive pre-emptive purchase rights.

Tenants may not receive a notice to vacate for reason of personal or adequate economic utilization for ten years following the conversion into condominiums and sale of their residential unit.

Tenants may not receive a notice to vacate for reason of personal use or adequate economic utilization, if they are 65 years or older on the date of the purchase.

Certain units that Viterra acquired from Wohnbau Rhein-Main in 1999 are subject to declarations of commitment (*Verpflichtungserklärungen*) that restrict, for example, Deutsche Annington's ability to terminate lease agreements of tenants older than 60 years at the time of the acquisition and require pre-emptive purchase rights to be granted to certain tenants in the event of a conversion of residential units into condominiums. Renovations that upgrade units above the market level (*Luxussanierungen*) are prohibited.

Deutsche Annington has set up internal governance structures to ensure and monitor full compliance with these contractual covenants. To this end, Deutsche Annington has published internal guidelines that are specified in an internal handbook covering all restrictions from acquisition agreements.

Agreements with Deutsche Telekom Group

On 30 November 2011, Deutsche Multimedia Service GmbH (**DMS**), a wholly owned subsidiary of Deutsche Annington Immobilien SE, and Telekom Deutschland GmbH (**TDG**) entered into three separate agreements regarding (i) the basic supply of television and radio signals, (ii) the construction, use and maintenance of fiber-optic networks and (iii) a marketing cooperation between DMS and TDG for TDG's telephone, internet and television products.

Basic supply of television and radio signals

Pursuant to the agreement on basic supply of television and radio signals, TDG's primary obligation is to provide the signal transfer points (*Übertragungspunkte*) for failure-free television and radio signals to at least 145,000 of Deutsche Annington's residential units. DMS's obligations are: (i) to order, accept and pay for the signal supply for at least 145,000 residential units; (ii) to acquire the right to access and use the cable network within its residential units and (iii) to terminate the signal distribution contracts with existing signal providers. Under the agreement, DMS is obligated to pay a fixed monthly fee for each supplied residential unit, irrespective of Deutsche Annington's ability to on-sell television and radio signals to its tenants. Monthly fees to be paid have been and will be increased following three, six and nine years after 1 January

2013. Furthermore, DMS agreed to pay a staggered share of those costs that may be required for modernizing the cable network according to mandatory legal requirements. The Parent Guarantor assumes joint liability (*Schuldbeitritt*) for DMS's obligations under this cooperation if certain conditions are met.

The residential units that are subject to the contract are divided into four clusters; for each cluster a specific changeover period has been agreed, the latest of which lasts until 31 December 2024. From the changeover date onwards, TDG and DMS will have to perform their obligations for the respective units.

The contract term of the agreement is indefinite. The contract can only be terminated without cause (*ordentliche Kündigung*) 15 years and after the beginning of the changeover period for the respective cluster.

Construction, use and maintenance of fiber-optic networks

Pursuant to the agreement on construction, use and maintenance of fiber-optic networks, TDG undertakes to construct and maintain fiber-optic networks for 45% of Deutsche Annington's housing units free of charge. In the case of a successful marketing of fiber-optic network related services, TDG intends to provide fiber-optic networks for up to an additional 45% of Deutsche Annington's housing units.

The agreement may be terminated 20 years after the completed construction of the fiber-optic network for the respective housing unit.

Marketing cooperation

Pursuant to the marketing cooperation agreement, DMS is required to regularly address and inform Deutsche Annington's tenants about TDG's offers for phone and internet services (double play) or phone, internet and television services (triple play). The agreement entered into force on 1 January 2013 and has a duration of 15 years.

Joint Venture Agreement

Pursuant to a joint venture agreement dated 30 September 2011 (the ***TGS West Joint Venture Agreement***), Deutsche Annington and B&O Service und Messtechnik AG (***B&O***) jointly formed Deutsche TGS West GmbH (***TGS West***). Pursuant to an additional joint venture agreement, dated 22 June 2012 (the ***TGS Joint Venture Agreement*** and together with the TGS West Joint Venture Agreement, the ***Joint Venture Agreements***), this cooperation was extended by forming another joint venture, Deutsche TGS GmbH (***TGS***). Deutsche Annington owns 51% and B&O owns 49% of each joint venture. TGS and TGS West are responsible for, among other things, conducting minor and major repair work (including decorative repairs), in addition to the renovation, maintenance and modernization of vacant units. In addition, a subsidiary of TGS West, TGS Dienstleistungs GmbH is obligated to provide repair-related billing services and undertakes to operate a service center for tenants' repair requests under a service agreement with TGS.

Under the Joint Venture Agreements, Deutsche Annington guarantees B&O a minimum dividend expressed as a specified percentage of the Joint Venture's annual revenues. Pursuant to separate service level agreements, both parties provide certain services to TGS, for which TGS pays a fee to the respective service provider. B&O provides TGS with recruiting and IT support services as well as the introduction and maintenance of the electronic repair order and processing system GEMAS, while Deutsche Annington provides various services, e.g. controlling, accounting, human resources and legal services to TGS.

The management of TGS and TGS West consists of two managing directors, each. Deutsche Annington and B&O, each have the right to designate one managing director. In the event of a disagreement between the managing directors and depending on certain conditions, Deutsche Annington is entitled to exercise its right of final decision in the shareholders' meeting (*Gesellschafterversammlung*) with regard to certain matters of particular importance or in the *advisory board* (*Beirat*).

The terms of the TGS West Joint Venture Agreement and the TGS Joint Venture Agreement expire on 30 September 2019 and 30 June 2020, respectively, and extend by further one-year periods unless terminated on one year's notice.

Beginning 31 December 2014 (TGS West) and 30 June 2015 (TGS), respectively, the contract can be terminated six months prior to the end of the fiscal year. In the event the agreement is terminated, the terminating party is required to sell its stake to the remaining party, and the remaining party undertakes to purchase such stake, at a price equal to TGS's equity capital as accounted for in its last annual financial statement subject to certain conditions.

Management of the Parent Guarantor

The Parent Guarantor's governing bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The Parent 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 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 Parent 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 Parent Guarantor in dealings with third parties.

Simultaneous management and supervisory board membership in a European company (SE) 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 (SE) is 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 European company 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 Parent Guarantor, but is not itself authorized to manage the Parent Guarantor. The articles of association of a company 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 Parent Guarantor's Management Board currently include, in particular (matters listed not only in Section 8.1 of the internal rules of procedure of the Parent Guarantor's Management Board but also in Section 8.4 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 Group for the next business year (budget)*;
- other capital expenditures which are not included in the Parent Guarantor's business plan and which exceed an amount of €5 million per transaction;

- the establishment or liquidation of companies and partnerships 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 Art. 9(1) lit. c(ii) of the SE Regulation in conjunction with Sections 291, 292 of the German Stock Corporation Act (*Aktiengesetz*)*;
- the execution of significant measures pursuant to the German Reorganization and Transformation Act (*Umwandlungsgesetz*);
- 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 incurrence 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 also considered speculative financial instruments;
- the initiation of litigation — including pre- and non-procedural dispute resolution — of fundamental importance for the Parent 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 programs, profit sharing or similar incentive programs;
- any fundamental change of the valuation methods used in the context of the financial reporting of the Parent 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 exceeding €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 Parent Guarantor's Management Board and Section 8.4 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 Parent Guarantor's Supervisory Board).

The Management Board is also required to obtain the 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 only be granted after having obtained the approval by the Supervisory Board. The Supervisory Board may issue a general authorization 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 Parent Guarantor. Each member of these bodies must consider a broad spectrum of interests, particularly those of the Parent 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 Parent Guarantor for compensatory 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 Parent Guarantor. In general, only the Parent 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 Parent Guarantor is represented by the Management Board, and with respect to claims against Management Board members, the Parent 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 damages claims against the Management Board if they are likely to succeed unless significant interests of the Parent Guarantor conflict with the pursuit of such claims and outweigh the reasons for bringing such claim. If the governing body authorized to represent the Parent Guarantor decides not to pursue a claim, the Parent 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 transactions, particularly management transactions, 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*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Parent 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 may also, under certain further conditions, seek damages from members of the Parent 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 Parent Guarantor itself files a claim for damages.

The Parent 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 Parent Guarantor to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Parent Guarantor. A shareholder with a controlling influence may not use that influence to cause the Parent Guarantor to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Parent Guarantor and the influence remains within the bounds of certain mandatory provisions of law or compensation is paid for the disadvantages that arise. Any person who uses his influence on the Parent Guarantor to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Parent Guarantor or its shareholders may be liable to compensate the Parent Guarantor and the affected shareholders, respectively, for the resulting losses. Moreover, in this context, the members of the Management Board and Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of due care.

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 Parent Guarantor's 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 Parent Guarantor in and out of court against the Management Board. The Management Board is directly responsible for managing the Parent 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). Besides this, the Management Board generally adopts resolutions by a majority of the votes cast by the participating members. In case of a tie of votes, the chairperson of the Management Board has a casting vote. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organization 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 Parent 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 a statutory power of attorney (*Prokurist*). The Supervisory Board may determine that one or all members of the Management Board are authorized to represent the Parent 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 Parent Guarantor's Management Board.

Name	Member since	Appointed until	Responsibilities
Rolf Buch	1 April 2013	28 February 2018	Chief Executive Officer
Dr. A. Stefan Kirsten.....	1 January 2011 ⁽¹⁾	31 December 2015	Chief Financial Officer
Klaus Freiberg	1 February 2010 ⁽¹⁾	31 January 2017	Chief Operating Officer

(1) Until the transformation into a stock corporation or a European company the listed board member held the position of a Managing Director.

The Parent Guarantor has established a code of conduct, which does not permit donations to political organizations.

The following description provides summaries of the *curricula vitae* of the current members of the Parent Guarantor's 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. In January 2008, Mr. Buch became chief executive officer of Arvato AG and was appointed as a member of the executive board of Bertelsmann AG (now Bertelsmann SE & Co. KGaA).

Alongside his office as the Parent Guarantor's chief executive officer and chairman of the Management Board, Mr. Buch is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

GSB Gesellschaft zur Sicherung von Bergmannswohnungen mbH (member of the supervisory board); and

Woldemar-Winkler Stiftung der Sparkasse Gütersloh (member of the committee).

Klaus Freiberg was born in 1962 in Bendorf, Germany. He studied 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 Parent Guarantor and responsible for the property management, including customer care service, management and letting of the portfolio.

Dr. A. Stefan Kirsten was born in 1961 in Berlin, Germany. Dr. Kirsten completed his Master's degree in Business Economics from 1981 to 1986 at the FernUniversität Hagen and the University of Göttingen and

received his Doctorate degree in Business Law from the University of Luneburg. Before being appointed to the Parent Guarantor's 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 chief executive officer at Majid Al Futtaim Group LLC, a family holding with significant retail and real estate interests in the 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 Parent Guarantor's chief financial officer and member of the Management Board, Dr. Kirsten is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

AVW Versicherungsmakler GmbH (member of the supervisory board); and

VBW Bauen und Wohnen GmbH (deputy chairman of the supervisory board).

The members of the Management Board may be reached at the Parent Guarantor's office at Philippstrasse 3, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

Management service agreements

Under the service agreements with the Parent Guarantor, 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 Parent Guarantor for cause (*Kündigung aus wichtigem Grund*) in accordance with Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*), the Parent 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 of the German Civil Code, 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 installments. In the event that one or more investors (apart from Terra Firma and its affiliates) acting in concert acquire a controlling stake in the Parent Guarantor (***Change of Control***), the Management Board members are entitled to an extraordinary termination right with a three-month notice period, that must be exercised within three months following the Change of Control. 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 agreement (see "*Long-term incentive programs—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 bound by such restrictions and may therefore engage in competing activities following the end of their office and the termination of their service agreements.

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 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of nine members. All members of the Supervisory Board are appointed by the Parent Guarantor's general shareholders' meeting. The general shareholders' meeting may appoint substitute members for individual or all Supervisory Board members, who, in accordance with specific determinations by the general shareholders' meeting, 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.

Unless the general shareholders' meeting has set a shorter term, the term of each Supervisory Board member, as well as the term of each substitute member, if elected, expires at the end of the annual general shareholders' meeting discharging the members of the Supervisory Board for the fourth fiscal year following the commencement of the member's term of office, not including the fiscal year in which the term 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. In addition, regular and substitute members of the Supervisory Board may resign, without good cause, by giving two weeks' notice to the Parent Guarantor, represented by a member of the Management Board. The right to resign for good cause without any notice period remains unaffected by the foregoing. Following the general shareholders' meeting, in the course of which the members of the Supervisory Board are elected by the general shareholders' meeting for a new term, 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 authorized 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 authorized 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) of the 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 Parent Guarantor's Supervisory Board

The table below lists the current members of the Parent Guarantor's Supervisory Board.

Name	Member since⁽¹⁾	Appointed until⁽²⁾	Principal occupation outside of Deutsche Annington
Dr. Wulf H. Bernotat Chairman.....	18 June 2013	2018	Managing director and partner of Bernotat & Cie. GmbH
Robert Nicolas Barr ⁽³⁾ Deputy chairman.....	11 November 2009	2018	Operational managing director of Terra Firma Capital Partners Limited
Arjan Breure.....	2 December 2010	2018	Financial managing director of Terra Firma Capital Partners Limited
Fraser Duncan.....	7 February 2001	2018	Business consultant
Dr. Edgar Ernst.....	18 June 2013	2018	President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.
Hildegard Müller.....	18 June 2013	2018	Chairwoman of the executive board of Bundesverband der Energie- und Wasserwirtschaft
Tim Pryce.....	18 June 2013	2018	Chief executive officer of Terra Firma Capital Partners Limited
Dr. Klaus Rauscher.....	1 August 2008	2018	Business consultant
Clara-Christina Streit.....	18 June 2013	2018	Senior advisor to McKinsey & Company

(1) Prior to the Parent Guarantor's most recent change in legal form into a European company (*Societas Europaea* — SE), 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 that resolves on the release (*Entlastung*) for the fourth fiscal year after appointment (i.e. in 2018).

(3) Mr. Barr did not exercise his Supervisory Board functions between 25 September 2012 and 20 May 2013, during his secondment as the Parent Guarantor's interim CEO.

The following description provides summaries of the curricula vitae of the current members of the Parent 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 (*Staatsexamen*) in 1974 and the second state examination (*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 twenty 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 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 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 Parent Guarantor's Supervisory Board, Dr. Bernotat is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

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);

Deutschland Telekom AG (member of the supervisory board); and

Metro AG (member of the supervisory board).

Robert Nicolas Barr was born in Oxford, England in 1958. Mr. Barr holds a Masters degree in Mathematics from Magdalen College, Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales. Between 1993 and 2008, Mr. Barr held a number of senior positions at Vodafone Group plc, including the role of group financial controller and regional chief financial officer for Vodafone's businesses outside Western Europe. In 2009, Mr. Barr joined Terra Firma as the chief financial officer. In 2011, he became the chief operating officer of Terra Firma and since October 2012, he has served as an operational managing director. In 2009, Mr. Barr joined Deutsche Annington's Supervisory Board and between September 2012 and May 2013, he was seconded to the Management Board.

Alongside his office as the deputy chairman of the Parent Guarantor's Supervisory Board, Mr. Barr is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Odeon and UCI Cinemas Holdings Limited (member of the board of directors); and

Terra Firma Capital Partners Limited (director).

Arjan Breure was born in 1973 in Ter Aar, The Netherlands. Mr. Breure received a Masters of Business Administration Degree from the European Institute for Business Administration (INSEAD) and a Master's degree in Economic History from the University of Utrecht. Mr. Breure's work experience includes positions with Cherokee Investment Partners, Prudential Securities Merchant Banking and Rabobank International. Prior to joining Terra Firma in 2008, where he serves today as financial managing director, Mr. Breure was head of asset management in Europe at Citi Property Investors.

Alongside his office as a member of the Parent Guarantor's Supervisory Board, Mr. Breure is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Elli Group (UK) Limited (member of the board of directors);

Elli Finance (UK) plc. (member of the board of directors);

Elli Management Limited (member of the board of directors);

Maltby Capital Limited (member of the board of directors); and

Maltby Holdings Limited (member of the board of directors).

Fraser Duncan was born in 1960 in Edinburgh, Scotland. Mr. Duncan graduated in 1981 from York University with a degree in Economics and Statistics. Mr. Duncan was chief operating officer of Nomura's Principal Finance Group when the group decided to spin-out from Nomura to form Terra Firma Capital Partners Limited. From 1997 to 2009, Mr. Duncan worked for Terra Firma Capital Partners Limited, most recently as managing director of portfolio businesses and a member of the investment advisory committee. He was also a member of the general partner boards of the Terra Firma funds. Since 2009, Mr. Duncan has worked as a business consultant and on a restaurant chain start-up.

Alongside his office as a member of the Parent Guarantor's Supervisory Board, Mr. Duncan is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Annington Ltd (non-executive director);

Aurelius Property LLP (chairman);

Metellus Property LLP (chairman); and

Odeon and UCI Holdings plc. (non-executive director);

Clockjack Investments Ltd (chairman); and

Abroadacre Ltd (director).

Prof. Dr. Edgar Ernst was born in 1952, in Oberlahnstein, Germany. He studied Mathematics and Business Administration at the University of Cologne and received his Masters Degree in 1977. From 1977 to 1980, he studied Operations Research at the University of Aachen and obtained a Masters 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 is 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 Parent Guarantor's Supervisory Board, Dr. Ernst is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

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/Wincor Nixdorf International GmbH (member of the supervisory board).

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, a position as a division manager, that she held until 2008. From 1998 to 2002, Ms. Müller was the Federal chairwoman of the Young Union (*Junge Union*), the youth organization of Germany's Christian Democrats and represented Düsseldorf in German Federal Parliament (*Bundestag*). In 2005, she was appointed Minister of State in the Federal Chancellery (*Staatsminister beim Bundeskanzler*), 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 finally from her position at Dresdner Bank AG and 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 Parent Guarantor's Supervisory Board, Ms. Müller is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Bundesverband der Energie- und Wasserwirtschaft (chairwoman of the executive board).

Tim Pryce was born in 1965 in Cleethorpes, England. He studied English and French law at King's College, London, from 1984 to 1986 and at the Panthéon-Sorbonne from 1986 to 1988. He has an LLB (English law) and an Associateship from King's College, London and a Maîtrise (French Law) from the Panthéon-Sorbonne, Paris. In 1991, he was admitted as a solicitor by the Supreme Court of England and Wales and in 1995, he was admitted to the Paris bar as an avocat. From 1989 to 1996, Mr. Pryce was an assistant solicitor at Slaughter & May. From 1996 to 1998, he joined GE Capital as its general counsel (European auto consumer finance division). From 1998 to 2000, he was legal director and general counsel (European commercial finance division) at Transamerica and from 2000 to 2002, Mr. Pryce was the section head, transaction management at the Principal Finance Group of Nomura International plc (private equity investment division). In 2002, Mr. Pryce joined Terra Firma Capital Partners as a founder member and as its general counsel. In 2007, he became a member of the UK Society of Investment Professionals. Since 2009, he is chief executive officer of Terra Firma Capital Partners.

Alongside his office as member of the Parent Guarantor's Supervisory Board, Mr. Pryce is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Terra Firma Capital Partners Limited (member of the board of directors);

Terra Firma Investments (DA) Limited (member of the board of directors);

Terra Firma Investments (DA) II Limited (member of the board of directors);

Terra Firma Investments (GP) 2 Limited (member of the board of directors);

Terra Firma Investments (GP) 3 Limited (member of the board of directors);

Terra Firma Investments (RE) Limited (member of the board of directors); and

Terra Firma Investments (Special Opportunities I) Limited (member of the board of directors).

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 GmbH & Co. KG (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 Parent Guarantor's Supervisory Board, Dr. Rauscher is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

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);

Drägerwerk Verwaltungs AG (member of the supervisory board); and

Endi AG until 31 August 2013 (member of the supervisory board).

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 acts as senior advisor to McKinsey & Company. Ms. Streit specializes in financial institutions consulting. In 2011, Ms. Streit also 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. In 2013, Ms. Streit became an Adjunct Professor of Management at the LisbonMBA, Nova and Catolica Universities in Lisbon, Portugal.

Alongside her office as a member of the Parent Guarantor's Supervisory Board, Ms. Streit is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Group:

Delta Lloyd N.V. (member of the supervisory board); and

Vontobel Holding AG (member of the administrative board);

The members of the Supervisory Board can be reached at the Parent Guarantor's office at Philippstrasse 3, 44803 Bochum, Germany (tel. +49 (0) 234-314-0).

Supervisory Board Committees

Under the Parent Guarantor's Articles of Association, the Supervisory Board may form committees from among its members. According to 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 from among its members. 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*), which shall consist of a minimum of four members is concerned, in particular, with the oversight of the Parent 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 Parent Guarantor's 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
Robert Nicolas Barr.....	Member
Dr. Wulf H. Bernotat.....	Member
Fraser Duncan.....	Member

In accordance with Section 107(4) of the German Stock Corporation Act (*Aktiengesetz*) require the Parent Guarantor to have at least one independent member of the audit committee with expertise in the fields of accounting or auditing in the meaning of Section 100(5) of the 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 Parent 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 Parent Guarantor, Dr. Ernst and Dr. Bernotat are considered to possess the respective expertise and independence.

The **Executive and Nomination Committee** (*Präsidial- und Nominierungsausschuss*), which shall consist of the chairman and the deputy chairman of the Supervisory Board and two additional members to be elected by the Supervisory Board, 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 of existing employee participation and incentive programs.

The current members of the Executive and Nomination Committee are:

Name	Responsibilities
Dr. Wulf H. Bernotat.....	Chairman
Robert Nicolas Barr.....	Member
Arjan Breure.....	Member
Hildegard Müller.....	Member

The **Finance Committee** (*Finanzausschuss*), which shall consist of the chairman or the deputy chairman of the Supervisory Board and three additional members to be elected by the Supervisory Board, 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 Parent 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 Parent Guarantor's Supervisory Board also provide for aggregate thresholds for series of linked transactions in a fiscal year.

The current members of the Finance Committee are:

Name	Responsibilities
Clara-Christina Streit.....	Chairwoman
Robert Nicolas Barr.....	Member
Dr. Wulf H. Bernotat.....	Member
Arjan Breure.....	Member

Remuneration of the members of the Supervisory Board

The remuneration of the Parent Guarantor's Supervisory Board members is regulated by Section 13 of the Parent Guarantor's 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 Parent 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 and the Finance Committee members in the amount of €20,000; the chairpersons receive, in each case, 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 and 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, totaled €639,316.67 (for 2012: €194,041.64).

Shareholdings of the Supervisory Board Members

Currently, no member of the Supervisory Board directly or indirectly holds any shares in the Parent Guarantor or options on shares in the Parent Guarantor.

Certain information regarding the members of the Management Board and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been convicted of fraudulent offences. In the last five years, no member of the Management Board or the Supervisory Board 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 or the Supervisory Board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of either board 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.

The members of the Supervisory Board Messrs. Barr, Breure and Pryce simultaneously perform executive functions at Terra Firma Capital Partners Limited which is affiliated with Monterey, while Mr. Duncan and Dr. Rauscher are advisors to the managers of the Terra Firma funds; if the interests of Monterey should diverge from those of the Parent Guarantor, conflicts of interest may arise for Messrs. Barr, Breure, Duncan, Dr. Rauscher and Pryce.

There are no actual or potential conflicts of interest between the duties of the members of the Management Board and the Supervisory Board vis-à-vis the Parent Guarantor and their private interests or other duties.

None of the Parent Guarantor's Management or Supervisory Board members have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office. The Parent 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 are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office and the termination of their service agreements, it being understood that the members of the Management Board participate in long-term incentive programs (see "*—Long-term incentive programs*" and "*—Share Participation Plan and Employee Offering*").

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body.

Corporate governance

The German Corporate Governance Code as amended on 13 May 2013 (the **Code**) makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized 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. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the management board and the supervisory board of a listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with, or explain which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance. It is

possible to deviate from the suggestions contained in the Code without disclosure. The declaration of compliance must be publicly available on the Parent Guarantor's website at all times. The current version of the Code was adopted on 13 May 2013 and published in the German Federal Gazette (*Bundesanzeiger*) on 10 June 2013.

The Parent Guarantor currently complies with all recommendations in the Code.

Compliance with the newly introduced Section 4.2.5 of the Code regarding the individual disclosure of the remuneration of the members of the Management Board, which will be applicable for the first time for the Group's annual financial report for the year 2014, which will be published in 2015, depends on a corresponding vote of the shareholders' meeting of the Parent Guarantor, that repeals the non-disclosure resolution that has been in force since 2012.

Long-term incentive programs

Management Board members

The Management Board participates in long-term incentive agreements. Under this compensation scheme, Mr. Buch received 400,000 notional shares in the Parent Guarantor and Mr. Freiberg and Dr. Kirsten each received 265,515 notional shares in the Parent Guarantor. The plan will end after five years with a cliff vesting of 20% per calendar year, where 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 LTIP is fully dividend protected and vested tranches are accrued at the end of the relevant vesting period and adjusted by a factor ranging from 0.9 to 1.1, depending on the achievement of the following defined key performance indicator targets:

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 (<i>TSR</i>) 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 capitalization 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 payouts) compared to the share price at the beginning of such year. The listed German peer group (<i>Comparator Group</i>) is comprised of Deutsche Wohnen AG, GAGFAH S.A., GSW Immobilien AG, LEG Immobilien AG and TAG Immobilien AG.
EPRA NAV percentage.....	Defined as the growth of the Parent 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 capitalization over the relevant period).

The performance percentage for the respective tranche is calculated by summing up the weighted AFFO percentage, TSR percentage and EPRA NAV percentage, divided by three. Vested tranches will be paid out if and when Terra Firma's (including Terra Firma affiliates) shareholding in Deutsche Annington falls below

30% (**Liquidity Event**) and, thereafter, on each subsequent vesting date. All notional shares will fully vest and will be paid-out if, at a time when Terra Firma's indirect shareholding in the Parent Guarantor is above 50%, Terra Firma transfers such part of its shareholding to a third party, so that Terra Firma loses and the third party gains control over the Parent Guarantor.

In the event that no Liquidity Event or change of control occurs before 30 September 2019, vested tranches will be paid out following this date subject to certain conditions. Under certain circumstances, Management Board members may lose their entitlements under the LTIP.

Key employees below Management Board level

Deutsche Annington has introduced different incentive programs for key employees below the Management Board level.

In 2007, Deutsche Annington 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**). The programs have both 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 expiration of the program or upon the occurrence of defined events. In the latter case, 33% of the accumulated bonuses saved up by this date will be paid out to the plan participants. Pursuant to the LTIP 2010, the total amount of the accumulated bonuses was due and payable immediately after the commencement of trading following the Parent Guarantor's initial public offering. Five years thereafter, or by the expiry date of the LTIP 2010 at the latest, the bonuses that have accumulated since the initial public offering, become due. In addition, some of the employees participating in one of the Group's long-term incentive plans are entitled to the receipt of a grant.

For key employees below the top management and Management Board level, the Parent Guarantor set up a special long-term incentive program in 2008. This program will be phased out in 2014.

Share Capital

The issued and fully paid-up share capital of the Parent Guarantor amounts to € 240,242,425 (in words: Euro two hundred twenty four million two hundred forty two thousand four hundred twenty five) and is divided into 240,242,425 no-par-value shares (shares without a nominal value).

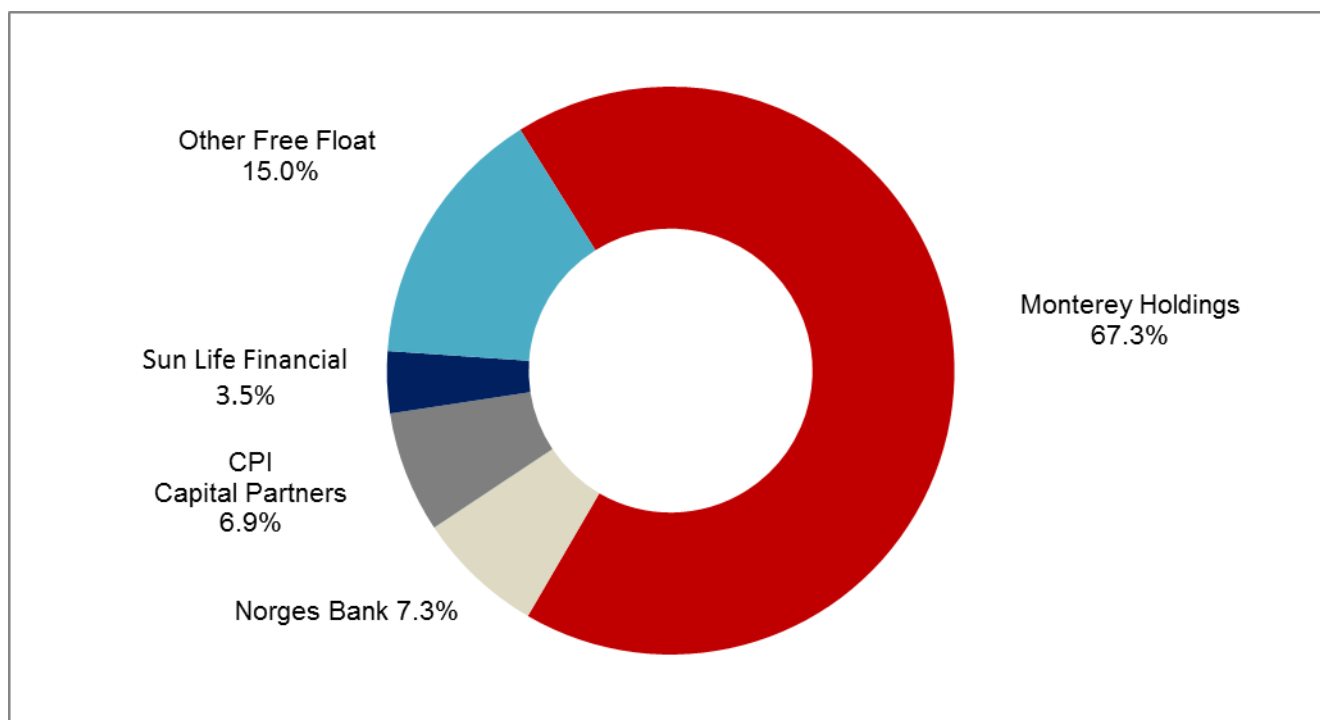
Principal shareholders

The principal shareholder of Deutsche Annington Immobilien SE is Monterey Holdings I S.à r.l., registered with the Luxembourg Trade and Company Register (*Registre de Commerce et des Sociétés, Luxembourg*) under B 109.057, having its registered office at 1-3 Boulevard de la Foire, L-1528, Luxembourg (**Monterey**), which holds 67.3% of the shares in the Parent Guarantor.

The following table sets forth the Parent Guarantor's shareholding as of the date of the Prospectus.

Shareholder	Actual (direct) ownership of Deutsche Annington Immobilien SE
Monterey.....	67.3%
Public float.....	15.0%
Norges Bank	7.3%
CPI Capital Partners	6.9%
Sun Life Financial	3.5%

The following chart sets forth the direct ownership of Deutsche Annington Immobilien SE as of the date of the Prospectus.



Monterey is fully owned by five limited partnerships. One partnership holds 26.9% of Monterey whereas the other four individually hold less than 25%. General partners to four limited partnerships is Terra Firma Investments (DA) Limited while Terra Firma Investments (DA) II Limited is general partner to another of these limited partnerships. Both general partners are indirectly held by Mr. Guy Hands.

Material Investments since last published Financial Statements

Except as described under "*Recent Development*" on page 170, the Parent 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

On 28 February 2014, the Parent Guarantor resolved on the following transactions (the **Transactions**):

- The Parent Guarantor has reached an agreement in principle (*Grundsatzvereinbarung*) with certain shareholders of the Vitus group (**Vitus**) with respect to the integration of certain Vitus entities comprising around 30,000 residential units into the Deutsche Annington Group for a consideration of EUR 1.4 billion (including the assumption of certain liabilities and the repayment of third party debt). The agreement in principle is subject to certain conditions to closing (including satisfactory fulfilment of existing arrangements with financing parties) and contains rights of withdrawal for both parties in the event that the parties will not agree on certain open matters. The agreement in principle is also subject to the approval of cartel offices. Completion of the transaction is planned for the fourth quarter of 2014, and
- the Parent Guarantor entered into a purchase agreement with respect to the acquisition of a portfolio of around 11,500 residential units managed by DeWAG (**DeWAG**). The purchase price for this portfolio amounts to about EUR 970 million (including the assumption of liabilities). The acquisition has been completed on 1 April 2014.

The combined portfolio of about 41,500 residential units comprises floor area of more than 2.6 million sqm. Furthermore, the Transactions increase the Parent Guarantor's presence in northern Germany with over 9,500 residential units in Bremen and about 9,250 residential units in Kiel. The vacancy rate of the combined portfolio is below 4 %.

The Parent Guarantor will finance the Transactions with the assumption of existing liabilities and a combination of equity and debt instruments. J.P. Morgan has, subject to certain conditions, including final agreement on the price and other terms of any such equity placement, committed to underwrite the total amount of the equity the Parent Guarantor intends to raise in the context of the financing of the Transactions.

On 10 March 2014, the Parent Guarantor settled a capital increase against cash contributions out of the existing authorized capital of 16 million new shares at EUR 19.00 and excluding subscription rights of the existing shareholders. The new registered shares with no par value, each with a notional value of EUR 1.00, were offered to institutional investors by way of an accelerated bookbuilding. The Parent Guarantor received gross issue proceeds in the amount of EUR 304 million. In addition, additional 11,000,000 existing shares had been offered by former shareholders of the Parent Guarantors majority shareholder, Monterey Holdings (Monterey), and have been placed with institutional investors by way of an accelerated book-building process. The total placement volume therefore amounts to a total of 27,000,000 shares or EUR 513 million, resulting in a free float of around 25.7% following completion of the placement.

In addition, as part of the total compensation in connection with the Vitus transaction, the Parent Guarantor resolved on a capital increase out of the existing authorized capital and against contribution in kind and excluding subscription rights of existing shareholders. For this purpose, the stated capital of the Parent Guarantor shall be increased by around EUR 12 million. The new shares will hold dividend entitlements as of 1 January 2014.

As part of the refinancing of existing liabilities with respect to the portfolios, the Parent Guarantor is, apart from issuing the Notes, planning to make use of the existing EMTN programme.

The Parent Guarantor expects that, following the consummation of the Transactions, the net ratio of financial liabilities (LTV-Ratio) will, in the mid-term, slightly increase from 50 % to around 51 %. Based on the value of Parent Guarantor's portfolio as of 31 December 2013, the gross asset value (GAV) is expected to increase to about EUR 12.8 billion following the consummation of the Transactions.

On 8 April 2014, the Issuer issued the Hybrid Notes (see under "*Description of the Parent Guarantor and the Group - Material agreements*").

Trend Information and Significant Changes

There has been no material adverse change in the prospects of the Parent Guarantor since 31 December 2013.

There has been no significant change in the financial or trading position of the Parent Guarantor since 31 December 2013.

Ratings

Standard & Poor's Credit Market Services Europe Limited (**S&P**)³ has assigned the long-term credit rating "BBB"⁴ (outlook stable) to the Parent Guarantor.

³ 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 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 (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

Auditors

The auditor of Deutsche Annington's annual and consolidated financial statements for the 2012 and 2013 fiscal years is KPMG AG Wirtschaftsprüfungsgesellschaft, Alfredstrasse 277, 45133 Essen, Germany, (**KPMG**). The annual financial statements according to HGB, as well as the consolidated financial statements of Deutsche Annington according to IFRS for the 2012 and 2013 fiscal years, were audited by KPMG and each provided with an unqualified auditor's opinion. KPMG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

Selected Consolidated Financial Information for the Parent Guarantor

The following selected historical financial information for the Group is based on the audited consolidated financial statements of Deutsche Annington Immobilien SE for the fiscal years ended 31 December 2012 and 2013 (Consolidated Annual Financial Statements) all of which are incorporated by reference in this Prospectus, and should be read together with them. The Consolidated Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The Consolidated Annual Financial Statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and issued in each case with an unqualified auditor's report. The Consolidated Annual Financial Statements were prepared using the cost summary method.

Consolidated income statement data

(in € million)	For the year ended 31 December	
	2013	2012*
	(audited)	
Income from property management	1,067.6	1,064.9
Profit on disposal of properties (IFRS)	52.0	51.6
Net income from fair value adjustments of investment properties	553.7	205.6
Capitalised internal modernisation expenses	42.0	9.9
Cost of materials	(502.8)	(523.3)
Personnel expenses	(172.1)	(116.2)
Depreciation and amortisation	(6.8)	(6.1)
Other operating income.....	45.8	43.5
Other operating expenses	(104.2)	(83.2)
Financial income.....	14.0	12.3
Financial expenses	(299.6)	(443.2)
Profit before tax	689.6	215.8
Income tax	(205.4)	(43.6)
Profit for the period	484.2	172.2

* Restated

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.

Consolidated balance sheet data

(in € million)	As of December 31	
	2013	2012
	(audited)	
Total non-current assets	10,352.6	9,946.8
Total current assets	740.2	661.5
Total assets	11,092.8	10,608.3
Total equity attributable to DAIG shareholders	3,805.5	2,666.4
Non-controlling interests	12.5	11.0
Total equity	3,818.0	2,677.4
Total non-current liabilities	6,830.7	6,940.5
Total current liabilities	444.1	990.4
Total liabilities	7,274.8	7,930.9
Total equity and liabilities	11,092.8	10,608.3

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 income 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

(i) Non-resident holders of Notes

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%.

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

(ii) Resident holders of Notes

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 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 of Notes 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.

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 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

The section "Tax Residents" 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 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) 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. If interest coupons or interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or 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 interest accrued on the Notes (**Accrued Interest**, *Stückzinsen*), 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 paragraph 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 EUR 801 (EUR 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 Parent Guarantor, unless either of them qualifies as Disbursing Agent, is obliged under German law to withhold any withholding tax (*Kapitalertragsteuer*) on interest payments and upon 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 the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the Substitute Debtor and subject to

similar taxation rules 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 any 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, neither a net assets tax nor a financial transaction tax is levied in Germany.

The EU Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transaction tax (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain if and when the proposed financial transaction tax will be enacted by the participating EU Member States.

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 of Notes 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 of Notes 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 of Notes 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, paragraph 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Netherlands Corporate and Individual Income Tax

If a holder of Notes 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.

Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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 agreed to adopt similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to *foreign passthru payments* (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the *grandfathering date*, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an *IGA*). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a *Reporting FI* not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being *FATCA Withholding*) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Netherlands have entered into an agreement based largely on the Model 1 IGA.

If the Issuer becomes a Participating FFI under FATCA the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FACTA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the clearing systems, given that each of the entities in the payment chain beginning with the paying agent and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FACTA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non FACTA compliant holder could be subject to FACTA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisors on how these rules may apply to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The proposed financial transactions tax (*FTT*)

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 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, SALE AND SELLING RESTRICTIONS

Subscription and Sale

Under the terms and subject to the conditions contained in the subscription agreement between the Issuer, the Parent Guarantor, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (together the **Joint Lead Managers**), the Issuer agreed to sell to the Joint Lead Managers at the initial issue price equal to (i) 99.793 per cent. of the principal amount of the 2016 Notes and (ii) 99.935 per cent. of the principal amount of the 2019 Notes. The Joint Lead Managers agreed, subject to certain customary closing conditions, to purchase, the Notes on 25 July 2013. The Joint Lead Managers subsequently sold the Notes to investors. The Issuer has agreed to pay certain fees to the Joint Lead Managers and to reimburse the Joint Lead Managers for certain expenses incurred in connection with the issue of the Notes and furthermore, the Issuer and the Parent Guarantor agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

The Joint Lead Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and/or the Parent Guarantor and their affiliates, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions. In addition, the Joint Lead Managers or their affiliates are involved in financing initiatives relating to the Issuer and/or the Parent Guarantor including the provision of an, as yet, undrawn credit facility.

Selling Restrictions

General

The Joint Lead Managers have 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 Joint Lead Managers' 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. Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, the Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Joint Lead 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 United States 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)

Each Joint Lead Manager has represented and agreed, that:

- (i) 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 Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Application has been made to the CSSF, which is the Luxembourg competent authority for the purpose of the Prospectus Directive for its approval of this Prospectus. By approving a prospectus, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer.

Authorisation

The creation and issue of the Notes and the Guarantees, if applicable, was authorised by the management board of the Issuer on 17 July 2013 and by the shareholder of the Issuer on 12 July 2013 and the Management Board and Supervisory Board of the Parent Guarantor on 16 July 2013.

Use of Proceeds/Expenses of the Admission to trading

The net proceeds from the issuance of Notes, estimated by the Issuer was approximately EUR 1,294,461,000 and were used by Deutsche Annington Group to repay draw-downs made under the Term Loan. The total expenses related to the admission to trading of the Notes are expected to amount to EUR 15,000.

Listing and admission to trading of Notes

Application has been made to the Luxembourg Stock Exchange for 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:

2016 Notes

International Securities Identification Number (ISIN)	DE000A1HNTJ5
German Securities Identification Number (Wertpapierkennnummer, WKN)	A1HNTJ

2019 Notes

International Securities Identification Number (ISIN)	DE000A1HNW52
German Securities Identification Number (Wertpapierkennnummer, WKN)	A1HNW5

Yield

The relevant initial return on the issue (*yield*) for subscribers as of the Issue Date is:

2016 Notes: 2.197 per cent. per annum

2019 Notes: 3.137 per cent. per annum

The yield was calculated in accordance with the ICMA (*International Capital Market Association*) method.

Rating of the Issuer, the Parent Guarantor and the Notes

Standard & Poor's Credit Market Services Europe Limited (*S&P*)⁵ has assigned the long-term credit rating "BBB"⁶ (outlook stable) to the Parent Guarantor.

Neither the Issuer nor the Notes have been rated.

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 Paying Agents:

- (a) the articles of association of the Issuer;
- (b) the articles of association (*Satzung*) of the Parent Guarantor;
- (c) a copy of this Prospectus and any supplement thereto; and
- (d) the documents incorporated herein by reference.

Copies of the Guarantees may be obtained free of charge at the specified office of the Principal Paying Agent.

This Prospectus, any supplement thereto as well as the documents incorporated by reference in this Prospectus are available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

⁵ 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 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 (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.

⁶ 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.

DOCUMENTS INCORPORATED BY REFERENCE

The pages set out in the "Table of documents incorporated by reference" below which are extracted from the following documents shall be deemed to be incorporated by reference 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; (b) the audited consolidated financial statements for the fiscal year ended 31 December 2012 and the fiscal year ended 31 December 2013 of the Parent Guarantor, in each case including the respective auditor's report; (c) the condensed valuation report (**Valuation Report**) of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (**International Valuation Standards**) and the Valuation Professional Standards (December 2013) of the Royal Institution of Chartered Surveyors, in connection with the initial public offering by Deutsche Annington Immobilien SE.

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.

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.

Table of documents incorporated by reference:

(A) Deutsche Annington Finance B.V.

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	page 5
Income statement for the period 19 June until 31 December 2013	page 7
Cash flow statement for the period 19 June until 31 December 2013	page 8
Notes to the financial statements 2013	pages 9 - 22
Independent auditor's report	pages 23 - 25

(B) Deutsche Annington Immobilien SE

- (1) Audited consolidated financial statements (prepared in accordance with IFRS) of the Parent 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

- (2) Audited consolidated financial statements (prepared in accordance with IFRS) of the Parent 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

(C) Valuation Report of the determination of Fair Value in connection with the initial public offering by Deutsche Annington Immobilien SE as of 31 December 2013

Basis of Valuation	pages V-6 - V-9
Asset Holdings.....	pages V-10 - V-15
Explanation of Valuation	pages V-16 - V-26
Valuation conclusions	pages V-27 - V-29
Valuation Key Definitions	pages V-30 - V-31

NAMES AND ADDRESSES

ISSUER

Deutsche Annington Finance B.V.

Bramenberg 14 A, K5
3755 BZ Eemnes
The Netherlands

PARENT GUARANTOR

Deutsche Annington Immobilien SE

Vogelsanger Weg 80
40472 Düsseldorf
Federal Republic of Germany

PAYING AGENT

Deutsche Bank Aktiengesellschaft

Große Gallusstrasse 10-14
60272 Frankfurt am Main
Federal Republic of Germany

LISTING AGENT

Deutsche Bank Luxembourg S.A.

2 Boulevard Konrad Adenauer
1115 Luxembourg
The Grand Duchy of Luxembourg

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Bockenheimer Landstrasse 2
60306 Frankfurt am Main
Federal Republic of Germany