

This document is a non-binding English convenience translation. In the event of any discrepancies, the German language text is the definitive one.



Statement by the Administrative Board

in respect of the

**Voluntary Public Takeover Offer
for the Acquisition of Control
(section 25a of the Austrian Takeover Law - ÜbG)
by the Deutsche Wohnen AG**

conwert Immobilien Invest SE
Alserbachstraße 32
1090 Vienna
Register of the Commercial Court Vienna, FN 212163f
ISIN AT 0000 6977 50

1/33

Statement dated 27 March 2015

Index

1. Preliminaries	4
2. Current Situation	5
2.1. The Bidder.....	5
2.2. Legal entities acting in concert with the Bidder	5
2.3. The Target Company.....	6
2.4. Share capital, Shares and shareholding structure of the Target Company.....	7
2.5. Other equities: Convertible Bonds	7
3. The Offer	9
3.1. Subject of the Offer: Shares and Convertible Bonds	9
3.2. Offer Price:.....	10
3.2.1. Offer Price for the target convert Shares and settlement Shares which are the subject of the offer: 10	
3.2.2. Offer Price for the target Convertible Bonds which are the subject of the offer:	10
3.2.3. Taxes	11
3.2.4. No improvement on the Offer Prices.....	11
3.3. Tender Commitments	11
3.3.1. Tender Commitment Haselsteiner Familien Privatstiftung [The Haselstein Family Private Foundation].....	11
3.3.2. Tender Commitment Ehlerding Family	13
3.4. Conditions for the Offer	13
3.4.1. Conditions Precedent.....	13
3.4.2. Waiver, Occurrence, or, as the case may be, Non-Occurrence of the Conditions Precedent 16	
3.5. Acceptance Period, Additional Acceptance Period, Acceptance and Settlement of the Offer 16	
3.6. Right of withdrawal in the case of competing offers.....	17
4. Assessment of the Offer	17
4.1. Assessment of the Offer Price	17
4.1.1. Minimum price for securities of the Target Company.....	17
4.1.2. Equal Treatment	19
4.1.3. Offer Price target Shares in relation to historic rates	20
4.1.4. Assessment of the Target Company by analysts.....	20

4.2.	Assessment by convert	21
5.	Stakeholder Interests	22
5.1.	Business policy aims and goals of the Bidder in respect of the Target Company	22
5.2.	Effects on Shareholders and stock market valuation	22
5.3.	Effects on Employment and site locations	23
5.4.	Effect on creditors and public interest	24
6.	Further Information.....	24
7.	Experts as per section 13 of the Austrian Takeover Law [ÜbG]	24
8.	Advisors of the Target Company	24
9.	Disclosure of interests of Members of the Administrative Board of the Target Company	24
10.	The position of the Administrative Board of the Target Company in respect of the Takeover Offer	25
10.1.	Arguments in favour of accepting the Offer	25
10.1.1.	Clear premium compared to the stock market rate of the last years	25
10.1.2.	Uncertain stock market rate developments	26
10.1.3.	No ensured alternative exploitation scenario for short-term investments.....	26
10.1.4.	In the event of the Offer being successful, the following points are arguments in favour of accepting the Offer within the Additional Acceptance Period, which is a period of three months following the expiry of the regular Acceptance Period to which all Shareholders are legally entitled, and during which the Offer can be accepted on the same terms:	27
10.2.	Arguments against accepting the Offer	27
10.2.1.	The Offer Price is below the book value (=NAV) of the Shares	27
10.2.2.	Continuation of the successful reorganisation and making improvements to efficiency at the Target Company	28
10.2.3.	Uncertain stock market rate developments	29
10.2.4.	Strategic key positions of convert in a process of consolidation	29
10.2.5.	Option of accepting the Offer in the Additional Acceptance Period	30
10.2.6.	In the event of the Offer being successful, the following points are arguments against accepting the Offer within the Additional Acceptance Period, which is a period of three months following the expiry of the regular Acceptance Period to which all Shareholders are legally entitled, and during which the Offer can be accepted on the same terms:	31
10.3.	Arguments in favour of and against accepting the Offer, for holders of Convertible Bonds	32
10.4.	Summary Conclusion	32

1. Preliminaries

On 18 March 2015 the Deutsche Wohnen AG, incorporated under German law and with its registered office in Pfaffenwiese 300, 65929 Frankfurt am Main, and with its business address at Mecklenburgische Str. 57, 14197 Berlin and registered in the commercial register of the local court [Amtsgericht] Frankfurt am Main with the register number HRB 42388 (hereinafter "**the Bidder**"), published a voluntary public takeover offer for the acquisition of control (the "**Offer**") in accordance with section 25a of the Austrian Takeover Law ["**ÜbG**"] addressed to all Shareholders of the conwert Immobilien Invest SE, incorporated under Austrian and European law, with its registered office at Alserbachstr. 32, 1090 Vienna, and registered in the commercial register of the Vienna Commercial Court [Handelsgericht Wien] with the register number FN 212163f (hereinafter the "**Target Company**" or "**conwert**").

The offer is directed at all security-holders of the Target Company, i.e. all Shareholders of the Target Company, as well as any holders of Convertible Bonds issued by the Target Company, in each case excluding those Shares and Convertible Bonds as are held by the Target Company itself.

Pursuant to section 14 of the Austrian Takeover Law [ÜbG] the Administrative Board of the Target Company must issue a reasoned statement in respect of the offer, without delay following the publication of thereof. In particular this statement must include an assessment of whether the consideration offered and the remaining contents of the Offer sufficiently addresses the interests of all Shareholders and other holders of securities, and also what effect the offer would likely have on the Target Company, including in particular its employees, as far as their jobs and work conditions are concerned, as well as the fate of its site locations, its creditors, and any public interest considerations, due to the strategic planning considerations of the Bidder.

In the event that the Administrative Board does not feel able to give a conclusive recommendation, it must, in any event, set out the arguments in favour of accepting the offer, as well as those for rejecting the offer, while highlighting the respective main considerations. Following an internal discussion the Administrative Board of the Target Company has decided to make use of this option, and will therefore not issue any conclusive recommendation to its security-holders.

The Administrative Board of the Target Company explicitly points out that this statement also includes information provided by the Bidder in its offer, which is

information that does not relate to the Target Company, and which the Administrative Board could not and did not check comprehensively for correctness.

Any assessments of the Administrative Board in this statement in respect of the offer price or future developments of the Target Company largely refer to future developments, and are therefore based on prognoses, which contain a certain element of uncertainty. The Administrative Board accepts no liability for their being correct.

The Target Company is a monistic SE, where the management of the company is carried out by the Administrative Board. The Target Company does not have a workers' council. Accordingly the statement in respect of the Offer, as per section 14 of the Austrian Takeover Law [ÜbG], will be made and issued exclusively by the Administrative Board of the Target Company.

2. Current Situation

2.1. The Bidder

As per the information provided by the Bidder, the Bidder is one of the leading, listed public companies for real estate in Germany. It is listed in the MDAX on the Frankfurt stock exchange. Its market capitalisation is roughly EUR 7.3 billion (XETRA close on 26 February 2015).

According to the Bidder's own information, the company's real estate portfolio includes around 149,000 residential and commercial properties as well as 2,200 nursing and assisted care units/apartments with a market value totaling around EUR 8.8 billion (as at 30 September 2014). Its investment strategy focuses on residential real estate and nursing and assisted care facilities in German metropolitan areas with strong growth, including the Greater Berlin area, the Rhine-Main region, Mannheim/Ludwigshafen, the Rhineland and in Dresden as well as stable urban areas such as Hanover/Brunswick, Magdeburg, Kiel/Lübeck, Halle/Leipzig and Erfurt. Excluding care staff, the Bidder employs 509 employees (as at 3 September 2014).

2.2. Legal entities acting in concert with the Bidder

As per section 1 (6) of the Austrian Takeover Law [ÜbG], legal entities acting in concert with the Bidder are defined as any natural or legal persons who cooperate with the Bidder on the basis of any agreement in order to acquire control of or exercise over the target company, including in particular by way of coordinating their voting rights.

Where a legal entity holds a direct or indirect controlling interest (section 22 (2) and (3) of the Austrian Takeover Law [ÜbG]) in one or several other legal entity, then there is a (rebuttable) presumption that all of those legal entities are acting in concert ("**Parties Acting in Concert**").

According to the information provided by the Bidder in its offer, all entities controlled by the Bidder are thus deemed to be Parties Acting in Concert with the Bidder, although in this context, pursuant to Section 7 paragraph 12 of the Austrian Takeover Law [ÜbG], further, detailed information on the Parties Acting in Concert may be omitted, since such controlled entities are not relevant for the decision to be made by the addressees of the Offer.

2.3. The Target Company.

conwert Immobilien Invest SE is a fully integrated real estate business, with its focus on residential property real estate and blocks of flats in Germany and Austria. The real estate portfolio is largely concentrated in urban regions with strong growth.

The business model of conwert is based on three pillars: portfolio asset management, the development or sale of real estate and the service sector, ranging from property management to sales for third parties.

In addition to that, the Target Company holds 95.76% of the Shares of ECO Business-Immobilien AG (hereinafter "**ECO**"). ECO is a listed real estate company based in Vienna and registered with the company register of the Commercial Court [Handelsgericht] of Vienna under FN 241364 y. ECO's strategic focus is on office and commercial properties in the core markets of Austria and Germany. The Shares of ECO are listed on the Official Market [amtlicher Handel] of the Vienna Stock Exchange (Wiener Börse). Concurrent to this Offer, and also on 18 March 2015, the Bidder published an anticipated mandatory offer pursuant to Sections 22 et seq of the Austrian Takeover Law [ÜbG] for all outstanding Shares of ECO not held by the Target Company.

Moreover, the target company holds 80.40% of the Shares in the KWG Kommunale Wohnen AG ("**KWG**"). KWG is a publically traded real estate company with its registered office in Berlin, Its Shares are traded at the Frankfurt Stock Exchange [Frankfurter Wertpapierbörse] on the unofficial market (Entry Standard). The German Takeover Act (deutsche Wertpapiererwerbs- und Übernahmegesetz (WpÜG)) does not

apply to KWG. KWG is a long-term oriented residential real estate company that operates across Germany. It acquires residential portfolios and participations from private and public owners.

2.4. Share capital, Shares and shareholding structure of the Target Company

At the point of publication of this Statement, the Target Company has a share capital of EUR 426,796,365, which is divided into 85,359,273 bearer Shares, each with a pro rata proportion of the share capital of the Target Company of EUR 5. The Shares of convert are traded on the Official Market [amtlicher Handel] and listed on the ATX of the Vienna Stock Exchange [Wiener Börse] under the ISIN AT0000697750 (hereinafter the "**convert Shares**")

At the point of this Statement being issued, the Target Company is the holder of 2,576,464 own Shares, which are not subject of the Offer (see point 3.1 below).

As per the notification pursuant to the Austrian Stock Exchange Act [Börsegesetz], the main Shareholders of the Target Company at the time this Statement is made are as follow:

Shareholder	Number of Shares	Share Capital in %
HFP-Group	21,160,921	24.79
Petrus Advisers LLP	5,752,822	6.74
FIL Limited (Fidelity)	4,285,009	5.02
EARNEST Partners, LLC	4,233,888	4.96
Treasury Shares held by convert	2,576,464	3.02
Remaining free float	47,350,169	55.47
Total	85,359,273	100.00

As per the information provided in its offer, at the point in time of the publication of the Offer, the Bidder does not hold any convert Shares. However, it has agreed tender commitments with certain Shareholders (see point 3.3).

2.5. Other equities: Convertible Bonds

The Target Company has issued two Convertible Bonds.

- (i) The Convertible Bond AT0000A0GMD6 ("**WSV 2016**") [2016 Convertible Bond] was issued in 2010, will mature in 2016, has an interest rate of 5.25% and

was issued with a total nominal value of EUR 135 million in denominations of EUR 100,000.

- (ii) The Convertible Bond AT0000A0WMQ5 ("**WSV 2018**") [2018 Convertible Bond] was issued in 2012, will mature in 2018, has an interest rate of 4.50% and was issued with a total nominal value of EUR 80 million in denominations of EUR 100,000.

The terms and conditions may be accessed on the website of the Target Company www.conwert.com under the heading Investor Relations.

Pursuant to section 1 paragraph 4 of the Austrian Takeover Law [ÜbG], Convertible Bonds are classified as securities. Accordingly, the Offer therefore also extends to the 2016 Convertible Bonds and the 2018 Convertible Bonds. In the fourth quarter of 2014, the Target Company repurchased EUR 34.8 million of the total nominal value of the 2016 Convertible Bond, to which this Offer does not apply. The currently outstanding aggregate nominal amount of the 2016 Convertible Bonds that is subject to this Offer thus amounts to EUR 100.2 million.

The holders of the Convertible Bonds generally have the right to convert into ordinary Shares at any time, as well as the right to terminate and demand repayment of the nominal value (plus accrued interest) in the event of a change of control as defined in Section 22 of the Austrian Takeover Law [ÜbG].

Under the terms and conditions of the Convertible Bonds, the Shares (which are those Shares to be issued to holders of the Convertible Bonds of the Target Company upon exercise of their conversion rights) must come from treasury Shares or conditional capital ("Settlement Shares"). Shares to be issued upon exercise of the conversion right to holders of Convertible Bonds during the Acceptance Period or Additional Acceptance Period are subject to this Offer and can therefore be tendered pursuant to the Offer during the Acceptance Period or Additional Acceptance Period, as long as they are issued sufficiently in advance before the end of the Additional Acceptance Period.

The currently applicable conversion price of the Convertible Bonds, as published on the website of the Target Company (www.conwert.com), is adjusted according to the terms and conditions in the event of a change of control of the Target Company during a period of time to be determined by the Target Company between the announcement

of the change of control by the Target Company and 60 to 90 days after the announcement of the change of control by the Target Company ("**Change of Control Window**"), resulting in a more favourable parity for the holders of the Convertible Bonds during the Change of Control Window, which will be a period of time during the Additional Acceptance Period ("**Adjusted Conversion Price**").

The Bidder has taken into account the difference between the Unadjusted Conversion Price and the Adjusted Conversion Price for the determination of the Offer Price for the 2016 Convertible Bonds and the 2018 Convertible Bonds, and holders of Convertible Bonds are given the option to realise the value based on the Adjusted Conversion Price during the Acceptance Period already. There is no need to offer an offer price based on the Adjusted Conversion Price of the Convertible Bonds during the Additional Acceptance Period, since in this case the conversion option at the Adjusted Conversion Price is available during the Change of Control Window and the Settlement Shares may still be tendered in the Offer during the Additional Acceptance Period. Accordingly the Offer Price for the Convertible Bonds tendered during the Additional Acceptance Period has therefore been determined based on the currently applicable conversion price for the Convertible Bonds and is not based on the Adjusted Conversion Price.

3. The Offer

3.1. Subject of the Offer: Shares and Convertible Bonds

The Offer is directed at the purchase of all those convert Shares that were admitted to the Official Market [amtlicher Handel] at the Vienna Stock Exchange at the time the Offer was first notified to the Austrian Takeover Commission, and which were not held by the Target Company. This means that the Bidder's Offer is targeted at the acquisition of 82,782,809 bearer Shares of the Target Company (the "**target convert Shares**"), which currently corresponds to a share of 96.98% of the entire share capital of the Target Company.

In the event that settlement Shares can be issued in time until the end of the Additional Acceptance Period, then these are also subject to the Offer, and can be tendered in the Offer in the same way as the target convert Shares.

In addition to the above, the Offer also extends to the purchase of all Convertible Bonds of the Target Company, issued up until 18 March 2015 (the Convertible Bonds

WSV 2016 and WSV 2018), which have not been re-purchased by the Target Company (the "**Target Convertible Bonds**").

3.2. Offer Price:

3.2.1. Offer Price for the target convert Shares and settlement Shares which are the subject of the offer:

The Bidder makes an offer to all holders of target convert Shares and settlement Shares to purchase those Shares at a price of EUR 11.50 per share ("**Offer Price**"). The Offer Price is with dividend for the Target Company's business year 2014, i.e. the Offer Price per share is reduced by the amount, if any, already paid by way of dividend for that share at the relevant settlement date (see point 3.5 below). On 24 March 2015 the Administrative Board of the Target Company decided, and publicly announced, that it would recommend to the Annual General Meeting 2015 that no dividend should be paid for the business year 2014 on the basis of the 2014 figures.

3.2.2. Offer Price for the target Convertible Bonds which are the subject of the offer:

As per the provisions of this Offer, the Bidder offers holders of the WSV 2016 Convertible Bonds that it will purchase the WSV 2016 Convertible Bonds at a price of EUR 111,868 (111.868%) per nominal EUR 100,000 WSV 2016 Convertible Bonds for any WSV 2016 Convertible Bonds tendered during the Acceptance Period, and EUR 107,376 (107.376%) per nominal EUR 100,000 WSV 2016 Convertible Bonds for any WSV 2016 Convertible Bonds tendered during the Additional Acceptance Period ("**Offer Price WSV 2016 Convertible Bonds**").

As per the provisions of this Offer, the Bidder offers holders of the WSV 2018 Convertible Bonds that it will purchase the WSV 2018 Convertible Bonds at a price of EUR 119,295 (119.295%) per nominal EUR 100,000 WSV 2018 Convertible Bonds for any WSV 2018 Convertible Bonds tendered during the Acceptance Period, and EUR 102,041 (102.041%) per nominal EUR 100,000 WSV 2018 Convertible Bonds for any WSV 2018 Convertible Bonds tendered during the Additional Acceptance Period ("**Offer Price WSV 2018 Convertible Bonds**" and together with the Offer Price WSV Convertible Bonds 2016, the "**Offer Prices**").

The Convertible Bonds bear interest on their respective nominal amounts at a rate of 5.25% (WSV 2016 Convertible Bonds) or, as the case may be, 4.50% (WSV 2018

Convertible Bonds) per annum. This interest shall be payable in arrears on a semi-annual basis on the interest payment date (as defined in the terms and conditions).

The Offer Price for the WSV 2016 Convertible Bonds and the Offer Price for the WSV 2018 Convertible Bonds has been set to include pro rata accrued interest for the period from the relevant last interest payment date (inclusive) to the day of the relevant settlements (exclusive) for the target Convertible Bonds tendered under the offer ("**interest period**"), i.e. the Bidder will not make any additional payment for any accrued interest. The pro rata accrued interest is calculated on the basis of the actual number of days during the relevant Interest Period divided by the product of (i) the number of days in the respective interest period (as defined in the terms and conditions), which fall within the Interest Period and (ii) the number of interest periods (as defined in the terms and conditions) that normally end in a year.

3.2.3. Taxes

The Offer Price is determined before income tax, withholding tax and other taxes and fees.

3.2.4. No improvement on the Offer Prices

In its Offer, the Bidder expressly rules out a subsequent increase in the Offer Prices.

The Target Company's Administrative Board would like to point out, that the Bidder is nevertheless permitted to improve on the Offer Price, if there is a competing offer for the Target Company, or if the Takeover Commission [Übernahmekommission] permits any such improvement (section 15 of the Austrian Takeover Law [ÜbG]).

3.3. Tender Commitments

3.3.1. Tender Commitment Haselsteiner Familien Privatstiftung [The Haselstein Family Private Foundation]

At the time of this Statement being published, the Haselsteiner Familien-Privatstiftung (hereinafter "**HFP**") and one of its subsidiaries (hereinafter referred to jointly as "**HFP-Group**") jointly hold 21,160,921 convert Shares, which corresponds to a voting share of 24.79%.

According to information provided by the Bidder in its Offer, the Bidder and the HFP Group entered into a Tender Commitment and Option Agreement on 15 February 2015 ("Tender Agreement") setting out the following:

- (i) As per the Tender Agreement, the HFP-Group will tender 15,860,921 convert Shares (out of a total of 21,160,921 convert Shares) at the Offer Price during the Acceptance Period.
- (ii) As part of the Tender Agreement, moreover, for tax purposes related to the Offer, the HFP Group undertakes to hold an interest totaling 5,300,000 convert Shares, which it will not tender pursuant to the Offer ("**Retained Shares**"). The number of the Retained Shares as well as the number of convert Shares to be tendered by the HFP-Group on the last day of the first Acceptance Period is to be adjusted accordingly in the event that the total number of outstanding convert Shares increases as a result of corporate action by convert during the Acceptance Period, to ensure that at least 5.1% of the outstanding convert Shares are held by the HFP-Group and are not tendered as part of the Offer.
- (iii) Following the expiry of the Additional Acceptance Period, the Bidder will ascertain the amount by which the total number of convert Shares held by the Bidder falls short of 94.9% of the outstanding convert Shares at that point in time ("**Surplus Shares**"); in doing so, the Bidder shall take into account its own Shares as well as the number of Convertible Bonds tendered as part of the offer. From the time of such determination, the HFP Group may exercise on a one-time basis a put option for all Surplus Shares within two weeks after the end of the Additional Acceptance Period, where the selling price for each Surplus Share corresponds to the Offer Price paid to Shareholders who accepted the Offer during the Additional Acceptance Period i.e., adjusted for a possible dividend payment for the fiscal year 2014. The HFP-Group shall lose this right, if it does not exercise the put option within two weeks following the expiry of the Additional Acceptance Period.
- (iv) With a view to protecting the economic interests connected with the Retained Shares, the Bidder will grant the HFP Group a veto right over capital reductions, changes in the Target Company's corporate purpose, measures related to a squeeze-out, mergers, spin-offs, other significant restructurings / transformations of the Target Company or disposals of substantial parts of the company's assets which, pursuant to Sections 237 or 238 Austrian Stock Corporation Act [öAktG]

or in application of the Holzmüller Doctrine, require the approval of the general meeting and for the liquidation, the final wind-up or full dissolution of the Target Company. In addition, the HFP Group shall have the right to nominate a member of the Administrative Board, provided that three members of the Administrative Board of the Target Company proposed by the Bidder have been elected or will be elected. Furthermore, the Bidder will ensure that the Target Company will remain listed on a stock exchange; however, a segment change is permitted.

- (v) The Tender Agreement and with it all minority rights contractually granted to HFP shall end inter alia with the acquisition of Surplus Shares by the Bidder or the sale of the convert Shares by HFP to a third party. Otherwise, either party may terminate the agreement ordinarily after 20 years.

The Target Company would like to point out that as per the details set out by the Bidder in the Offer above, this means that therefore the minority rights granted to the HFP-Group will not apply if the HFP-Group exercises the put option, irrespective of whether the HFP-Group still holds any Retained Shares after exercising the put option or not.

3.3.2. Tender Commitment Ehlerding Family

The investor Karl Ehlerding together with other members of the Ehlerding family have also undertaken to the Bidder that they will tender a total of 5,500,000 convert Shares under the Offer. They already directly hold 4,500,000 convert Shares between them. In addition to this, Mr Ehlerding also has an option from the Target Company allowing him to purchase a further 1,000,000 convert Shares. Mr. Ehlerding has undertaken to exercise this option and to tender the applicable Shares during the Additional Acceptance Period at the Offer Price.

3.4. Conditions for the Offer

3.4.1. Conditions Precedent

This Offer is subject to the following conditions precedent:

- (i) By law (Section 25a paragraph 2 of the Austrian Takeover Law [ÜbG]), this Offer is subject to the condition precedent that, at the end of the Acceptance Period, the Bidder must receive Declarations of Acceptance that account for

more than 50% of the convert Shares that are the subject of the Offer. According to Section 25a (2) of the Austrian Takeover Law [ÜbG], if the Bidder or any Parties Acting in Concert with it acquire Shares with voting rights (ständig stimmberechtigte Aktien) alongside the Offer, then any such Shares must be added to the Declarations of Acceptance. In order to fulfill this condition precedent, therefore, by the end of the Acceptance Period the number of Shares validly tendered, or, if applicable, acquired in parallel transactions, has to amount to at least 41,391,405 Shares, corresponding to 48.49% of the convert Shares with permanent voting rights that have been issued at the time of submission of this offer document to the Austrian Takeover Commission (Übernahmekommission). The Bidder has made it clear, that the Settlement Shares tendered in the Offer are included when calculating the minimum acceptance rate.

The Target Company points out that in order to satisfy the conditions set out above on the basis of the tender commitments entered into between the Bidder and the individual Shareholders in respect of 20,360,921 convert Shares (see point 3.3), it is necessary that by the end of the Acceptance Period (extended, if applicable) the minimum number of additional Shares in respect of which declarations of acceptance need to have been obtained is 21,030,484 convert Shares, which corresponds to 24.64% of the convert Shares issued at the point in time the Offer documents were submitted to the Takeover Commission.

The Target Company would further point out that the exercise of the right of conversion in respect of Convertible Bonds is also possible during the Acceptance Period, including at a price that may be above the Offer Price. In the case of Convertible Bonds being converted during the Acceptance Period, the convert Shares in respect of which the Offer is made increase without the number of convert Shares which need to accept the Offer in order for the Offer being successful increasing. One question that was considered by the Administrative Board in this respect, is whether there might not then be a case of the minimum acceptance threshold being evaded in its function as a market test. However, in view of the usual procedure before the publication of offer documentation, the Administrative Board assumes that the Takeover Commission shares the legal assessment in respect of the calculation mechanism.

- (ii) Until the expiry of the Acceptance Period, the Target Company is neither insolvent nor in the process of liquidation, nor have insolvency or reorganisation proceedings concerning their assets (Konkurs- oder Sanierungsverfahren) or proceedings according to the Corporate Reorganization Act (Unternehmensreorganisationsgesetz) been commenced, nor has the commencement of insolvency or liquidation proceedings been rejected by a competent court due to lack of assets.
- (iii) Between the date of publication of the Offer documentation and no later than 4 stock exchange trading days before the expiry of the Acceptance Period, no publication has been made by the Target Company of any ad hoc announcement pursuant to Section 48d of the Austrian Stock Exchange Act (Börsegesetz) that indicates a significant deterioration in profitability. A significant deterioration occurs, in particular, if the conditions published in the ad hoc announcement, individually or in aggregate with other conditions announced by the Target Company pursuant to Section 48d of the Austrian Stock Exchange Act (Börsegesetz), are likely to (i) result in a deterioration of at least EUR 5 million of the Funds from Operations before sales result and one-off effects (FFO I) of the convert Group based on the fiscal year 2014 or 2015, or (ii) result in a negative one-off effect of EUR 100 million.
- (iv) Between the publication of this offer document and no later than 4 Trading Days before the expiry of the Acceptance Period, no announcement is made of a transfer or obligation to transfer assets owned by convert or its subsidiaries with a value of more than EUR 150 million as an individual basis or in total to a third party that is not part of the convert Group.
- (v) Between the publication of this offer document and no later than 4 Trading Days before the expiry of the Acceptance Period, the share capital of convert has not been increased by more than 10%; for the purposes of calculating this 10% threshold, any increase of the share capital of convert that results from the exercise of the conversion rights of the Convertible Bonds pursuant to the terms and conditions shall not be taken into account.
- (vi) The FTSE EPRA/NAREIT Germany Index does not decrease by more than 15% compared to the value as of March 17, 2015, no later than 4 Trading Days before the expiry of the Acceptance Period. (the day before the Bidder published its Offer documentation).

- (vii) No later than 4 Trading Days before the expiry of the Acceptance Period, no conviction or indictment of a criminal act by a member of a governing body or officer of conwert or a subsidiary of conwert while any of those persons were operating in their official capacity at conwert or a subsidiary of conwert is known to have occurred, whether under Austrian law or other applicable law. Criminal acts within the meaning of this condition specifically include bribery offenses, corruption, embezzlement, antitrust violations, money laundering or violations of the Austrian Stock Exchange Act [Börsegesetz], if such offense constitutes or would constitute insider information in relation to conwert and has not yet been published.

3.4.2. Waiver, Occurrence, or, as the case may be, Non-Occurrence of the Conditions Precedent

The Bidder reserves the right to waive certain conditions precedent, in which case those shall be deemed to have been satisfied. However, a waiver of the statutory requirement referred to at point 3.4.1 (i), relating to a minimum acceptance threshold of more than 50% of the target conwert Shares shall not be permissible. Any such waiver, fulfillment or conclusive non-fulfillment of any condition precedent, shall be published by the Bidder without undue delay.

This Offer shall become invalid if the conditions set forth are not fulfilled within the periods specified in the respective conditions, unless the Bidder has waived the fulfillment of the condition, and the condition precedent set forth at 3.4.1(i) has been fulfilled.

Further details are set out at point 5.2 of the Bidder's Offer Documentation.

3.5. Acceptance Period, Additional Acceptance Period, Acceptance and Settlement of the Offer

The Acceptance Period for the Offer runs from 18 March until 15 April 2015, 17:00 hours local, Vienna time, i.e. a total of four weeks. The Bidder reserves the right to extend the Acceptance Period. Security-holders who accept the Offer during the Acceptance Period shall receive payment of the purchase prices by no later than 10 trading days following the expiry of the Acceptance Period (extended if applicable).

For those Holders of Securities who have not accepted the Offer within the Acceptance Period, the Acceptance Period will be extended pursuant to Section 19 paragraph 3 ÜbG for 3 (three) months upon publication of the result ("Additional Acceptance Period"). from the date of publication of the Offer results (section 19 (3) of the Austrian Takeover Law [ÜbG]). Security holders who accept the Offer during the Additional Acceptance Period shall be paid the purchase price no later than 10 trading days after the expiry of the Additional Acceptance Period.

The acceptance of the Offer must be declared in writing. For further details the Administrative Board refers to point 6 of the Bidder's Offer documentation.

3.6. Right of withdrawal in the case of competing offers

If a competing offer is launched during the term of this Offer, pursuant to Section 17 of the Austrian Takeover Law [ÜbG], the Holders of Securities may withdraw their Declarations of Acceptance no later than 4 (four) Trading Days prior to the expiry of the original Acceptance Period (Section 19 paragraph 1 of the Austrian Takeover Law [ÜbG]). Any such declaration of withdrawal must be made in writing and should be sent to the Tender and Payment Agent. The Bidder reserves the right to withdraw from its Offer, in the event that another bidder publishes a public offer for the securities of convert.

4. Assessment of the Offer

4.1. Assessment of the Offer Price

4.1.1. Minimum price for securities of the Target Company

Pursuant to section 26 (1) of the Austrian Takeover Law [ÜbG] the Offer Price has a double minimum threshold.

- (i) The price for a convert share must be at least equivalent to the average market rate of the convert share, as weighted according to the respective trading volumes ("VWAP") over the last 6 months before that day on which the intention to make an offer became known.
- (ii) Moreover, the price for a convert share must not fall below the highest granted or agreed monetary amount offered for a convert share by the Bidder or a Party Acting in Concert with the Bidder during the last 12 months prior to the

publication of the Offer ("**Reference Price**"). The same applies in respect of payments made for convert Shares to the future purchase of which the Bidder or a Party Acting in Concert with the Bidder is entitled or obliged.

If the Offer also applies to securities other than ordinary Shares and if the Bidder or any Party Acting in Concert has acquired ordinary Shares within the last 12 (twelve) months, pursuant to Section 26 paragraph 2 of the Austrian Takeover Law [ÜbG], the price offered for these other securities must be commensurate with the consideration given for the ordinary Shares; what is commensurate shall be determined with particular regard to the specific rights of the relevant other securities involved. The same applies to the consideration for Shares that the Bidder or any Party Acting in Concert with it is entitled or obliged to purchase in the future.

According to the information provided by the Bidder, neither the Bidder nor any Party Acting in Concert have acquired Shares in the Target Company within the preceding 12 (twelve) months before the initial announcement date. Therefore, as far as the convert securities are concerned, the relevant VWAP of the last six months before the initial announcement date ("Six-Month VWAP") is the basis for the determination of any minimum offer pursuant to section 26 (1) of the Austrian Takeover Law [ÜbG]. The Six-Month VWAP of the convert share is EUR 9.47. As far as the ordinary stock of the Target Company is concerned, the Bidder offers a premium on the six-month VWAP (see point 4.1.2 below).

The Convertible Bonds are traded on the unregulated third market at the Vienna Stock Exchange and at the unregulated, open market at the Frankfurt Stock Exchange. According to the Bidder's information provided in the Offer, no trade took place in either trading location, with the exception of 23 February 2015 (WSV 2016 Convertible Bonds) and from 25 August 2014 (WSV 2018 Convertible Bonds) during the period from 15 August 2014 until 14 February 2015. Therefore there is no aggregate market from which one could draw a representative six-month VWAP or volumes. This means that as far as the Convertible Bonds are concerned, there is no six-month VWAP as a minimum price threshold for the purposes of section 26 (1) of the Austrian Takeover Law [ÜbG].

According to the information provided by the Bidder in its Offer, the Offer Price, the Offer Price for the 2016 Convertible Bonds and the Offer Price for the 2018 Convertible Bonds, taking into account the terms and conditions of the Convertible Bonds, is commensurate, pursuant to Section 26 (2) of the Austrian Takeover Law

[ÜbG]. The Offer Price and the included premium were taken into account in determining the Offer Price for the 2016 Convertible Bonds and the Offer Price for the 2018 Convertible Bonds, since the more favourable conversion ratio was applied for each of the Convertible Bonds during the Change of Control Window, i.e., the nominal value of the Convertible Bonds was divided by the respective Adjusted Conversion Price multiplied by the Offer Price. The premium granted for the ordinary Shares on the Six-Month VWAP is therefore appropriately taken into account in the calculation of the Offer Price for the 2016 Convertible Bonds and the Offer Price for the 2018 Convertible Bonds.

It is not necessary to offer an offer price based on the Adjusted Conversion Price for the 2016 Convertible Bonds and the 2018 Convertible Bonds during the Additional Acceptance Period, since the conversion rights may be exercised at the Adjusted Conversion Prices during the Change of Control Window and the Settlement Shares may be tendered at the Offer Price.

4.1.2. Equal Treatment

As far as the minimum price for security holders is concerned, the Target Company's Administrative Board would also draw attention to the tender commitment of the HFP, in particular as far as the veto rights in connection with the Retained Shares are concerned, and the put option for HFP in respect of the Surplus Shares (see point 3.3.1 above).

Particularly if, by the end of the Additional Acceptance Period, and after taking into account any own Shares and the number of Convertible Bonds tendered under the Offer, the Bidder should end up with less than 89.8% of the total Shares outstanding at that point in time – and thus the tax construction of the Offer is still ensured even if the put option is exercised in respect of all convert shares held by the HFP-Group - and where HFP does not (fully) exercise the put option, the question arises whether the Bidder would treat HFP in the same way as the remaining Shareholders. This must also be considered in light of the fact that the Bidder does not have any call option in respect of the Surplus Shares, and that it would thus be HFP who would decide whether the put option is exercised or whether the HFP-Group would remain a convert Shareholder with minority rights.

This might have to be checked as a matter of course by the Takeover Commission as part of a review procedure in accordance with section 33 of the Austrian Takeover

Law [ÜbG], after expiry of the Offer, or at the request of a party (section 33 (2) of the Austrian Takeover Law [ÜbG]).

4.1.3. Offer Price target Shares in relation to historic rates

The VWAP per share of the last 3 (three), 6 (six), 12 (twelve) and 24 (twenty-four) calendar months before publication of the intention of the Offer is as follows:

	3 Months 1)	6 Months 2)	12 Months 3)	24 Months 4)
Average rate	EUR 9.91	9.47	EUR 9.47	EUR 9.10
Premium (difference Offer Price - VWAP)	EUR 1.59 / 16.05%	EUR 2.03 / 21.38%	EUR 2.01 / 21.19%	EUR 2.40 / 26.39%

Source: Offer made by the Bidder

- 1) Calculation period: 15 November 2014 until 14 February 2015 (inclusive)
- 2) Calculation period: 15 August 2014 until 14 February 2015 (inclusive)
- 3) Calculation period: 15 February 2014 until 14 February 2015 (inclusive)
- 4) Calculation period: 15 February 2013 until 14 February 2015 (inclusive)

The VWAP of the last six months before publication of the Offer intention on 15 February 2015, i.e. the period from 15. August until 13 February 2015 (inclusive) is EUR 9.47 per share. The Offer Price (EUR 11.50) is therefore higher than the Six-Month VWAP.

4.1.4. Assessment of the Target Company by analysts

The following table shows the published target share prices of security analysts before the Bidder's announcement of the intention to make an offer, as well as the latest published target price (as at 26 March 2015):

Analyst	01 January 2014 until publication of Offer		After publication of Offer	
	target price	Date	target price	Date
Baader - Helvea	10.70	12 December 2014	10.70	16 February 2015
Deutsche Bank Research	9.50	27 August 2014	13.30	17 February 2015
Erste Group	9.40	2014-11-26	13.00	17 February 2015
HSBC	10.20	02 September 2014	14.00	19 February 2015
JP Morgan	9.75	02 May 2014	Not rated	10 March 2015
Kepler Cheuvreux	10.50	28 August 2014	12.00	26 _March 2015

Odido Seydler	10.50	27 November 2014	11.50	16 February 2015
SRC-Scharff	2014 No analysis published		14.00	06 March 2015

Source: conwert

As at 15 February 2015 (which is the date of the Bidder's publication of the Offer) this gives an average target price from the analysts listed above of EUR 10.08 per conwert share, with the last analysis update of this selection being 12 December 2014. As at 26 March 2015 this gave an average analyst target price of EUR 12.64 per conwert share.

4.2. Assessment by conwert

The Administrative Board of the Target Company assesses the details provided by the Bidder in the Offer in respect of the Target Company as follows:

The information provided by the Bidder in its Offer in respect of the historic financial figures of the Target Company were checked by the Administrative Board of the Target Company. No deviation from the published financial figures were noticed, other than that in 2012 the repayment of EUR 0.15 per conwert share was agreed as part of a reduction in share capital, and this was paid out in 2013.

As far as the financial adequacy of the Offer Price is concerned, the Administrative Board of the Target Company instructed J.P. Morgan Limited, London (hereinafter "**J.P. Morgan**") to advise and assist the Target Company in respect of the analysis of the Offer.

Moreover, the Administrative Board of the Target Company instructed J.P. Morgan to produce an expert opinion in respect of the question of the financial adequacy of the Offer Price ("**Opinion**"). To this end J.P. Morgan has undertaken a "stand-alone" assessment of the Target Company on the basis of internationally commonly used assessment methods, as are normally employed by financial advisers.

In its Opinion, J.P. Morgan comes to the conclusion that the Offer Price of EUR 11.50 per conwert share is not adequate from a financial perspective ("**Inadequacy Opinion**").

The Bidder does not specify any synergies, but merely states in its Offer that it intends to "reorganise conwert operatively and financially". The Administrative Board of the

Target Company assumes that in the event of a successful Offer, the Bidder will be able to utilise significant synergies.

5. Stakeholder Interests

5.1. Business policy aims and goals of the Bidder in respect of the Target Company

Following the completion of the Offer, the Deutsche Wohnen Group intends to reorganise the Target Company. The main focus of the reorganization will be on the Target Company's financing and portfolio structure. With regard to financing, the Deutsche Wohnen Group aims to refinance at more attractive interest costs using the Deutsche Wohnen Group's excellent access to capital markets. The portfolio's focus will be strengthened to align with the Deutsche Wohnen Group's strategy. The Deutsche Wohnen Group therefore intends to sell ECO (which could, for example, also be done by way of sales of individual items of real estate held by ECO), as it does not fit strategically with the Bidder's portfolio due to locational characteristics. Portfolios such as Berlin / Potsdam, Vienna, Leipzig and Dresden are to be managed in the long term. The remaining properties will initially be subject to a portfolio analysis, based on which a decision to retain or sell the properties will be made.

In addition, the Deutsche Wohnen Group intends to take over the management of the property of the conwert Group, taking into consideration the economic interests of the conwert Group at standard market conditions. To the extent legally permissible, the handling of administrative tasks as part of the management of conwert and its subsidiaries will be transferred to the Deutsche Wohnen Group.

5.2. Effects on Shareholders and stock market valuation

According to the information provided by the Bidder, a delisting of the Target Company is not the current direct aim of this Offer. In particular, in their Tender Agreement, the Bidder has undertaken to HFP that they would maintain the Target Company as listed (see point 3.3.1) This undertaking applies in the event that HFP does not exercise its put option.

However, in case of a high acceptance rate of this Offer, the minimum free float/market capitalization requirements for a listing in the "Prime Market" segment of

the Vienna Stock Exchange (Wiener Börse) may no longer be met and the Shares may be relisted in another segment. In case of a free float of at least 25%, the market capitalization of the free float must be at least EUR 15 million; if the free float is below 25%, the market capitalization of the free float must be at least EUR 30 million (the euro amounts must be indexed according to the rules of the Prime Market segment). Legally, a delisting from the Official Market (amtlicher Handel) of the Vienna Stock Exchange (Wiener Börse) is required if the statutory listing requirements according to Section 66a paragraph 1 no. 7 of the Austrian Stock Exchange Act [Börsegesetz] (in particular the minimum statutory free float) are no longer fulfilled. The Bidder reserves the right to implement a voluntary change in market segment.

Concentrating the voting rights on the Bidder in the event of the Offer being carried through successfully, in particularly if there is a high acceptance rate, could lead to a reduction in the Shares' liquidity and could restrict market pricing. The same would apply in the case that convert were to exit the segment "prime market" and the potential termination of trading on the stock exchange.

Moreover, by concentrating the voting rights on the Bidder, who, upon completion of the offer would hold at least 41,391,405 convert Shares, i.e. 48.49% of all convert Shares issued at the time of the publication of the Offer with the Takeover Commission, the option of other free float Shareholders to influence the decision making process might well be limited.

From today's perspective no other direct effect on the Shareholders of the Target Company is discernible.

5.3. Effects on Employment and site locations

According to the Bidder, reductions in staff are not a primary focus. However, as described at 5.1, jobs in portfolio sales and process optimisation could be shifted to third parties or eliminated. No decision has yet been made with regard to a possible change in the executive board of the Target Company. However, the Bidder intends to hold a majority in the membership of the Board of Directors. Moreover, where possible, the Bidder intends to exercise functions centrally, which would include exercising them on behalf of the Target Company as well. In addition, the Deutsche Wohnen Group intends to take over the management of the property of the convert Group.

The Administrative Board of the Target Company takes the view, that portfolio and process optimisation, the taking over of the property management of the conwert group by the Bidder, and the central exercise of functions by the Bidder in particular will lead to a reduction in staff on a scale that cannot be quantified at this point in time.

5.4. Effect on creditors and public interest

As far as creditors are concerned, this Offer does not pose any recognisable detrimental effect as compared to the current situation.

Neither are there any noticeable changes, on the basis of the Bidder's Offer, which would affect the public interest.

6. Further Information

Should you require further information in respect of this Statement by the Administrative Board of the Target Company, please contact Dr. Clemens Billek, Head of Investor Relations – Group Communication, Telephone: +43 (1) 521 45-700, E-Mail: cwi@conwert.at

7. Experts as per section 13 of the Austrian Takeover Law [ÜbG]

The Target Company has appointed BDO Austria GmbH BDO Austria Wirtschaftsprüfung- und Steuerberatungsgesellschaft as experts as per section 13 of the Austrian Takeover Law [ÜbG].

8. Advisors of the Target Company

The Target Company is being advised in relation to the Offer by J.P. Morgan Limited, London, as well as by the law firm Binder Grösswang Rechtsanwälte GmbH. The legal advice provided is limited to Austrian law.

9. Disclosure of interests of Members of the Administrative Board of the Target Company

There are currently no personal connections between members of the Administrative Board of the Target Company and any executive bodies of the Bidder (or, as the case may be, with the executive bodies of the Parties Acting in Concert with the Bidder).

As per provisions 53 and 54 of the Austrian Corporate Governance Codex ("ÖCGK") the members of the Administrative Board are independent. The chair of the Administrative Board, Ms Kerstin Gelbmann, is independent for the purposes of provision 53 of the ÖCGK, but not independent for the purposes of provision 54 of the aforementioned codex.

There are no business relations of note between the Bidder and the Target Company.

The members of the Administrative Board declare that they have not been promised any economic benefits by the Bidder for the event of the Offer being successful, nor have any such benefits been granted. Neither has any member of the Administrative Board been offered any economic benefit in the event that the Offer should fail.

10. The position of the Administrative Board of the Target Company in respect of the Takeover Offer

The Administrative Board of the Target Company refrains from giving an express recommendation as far as the acceptance or rejection of the Offer is concerned.

The question of whether the Offer is of benefit for the individual Shareholders of the Target Company can only be answered by each individual Shareholder, based on their individual circumstances (purchase price, long-term or short-term investment, tax situation, etc.), and any such decision will also largely depend on what future development of the stock market the respective Shareholder anticipates, and indeed the developments in the real estate market.

The Administrative Board considers that there are the following substantive arguments in favour, or, as the case may be, against the acceptance of the Offer:

10.1. Arguments in favour of accepting the Offer

10.1.1. Clear premium compared to the stock market rate of the last years

The unweighted, average stock market rate for the past three years was EUR 9.0925, the unweighted, average stock market rate over the past 5 years was EUR 9.4174. The last time the stock market rate was above the current Offer Price for a short time, was about four years ago, when the Shares briefly exceeded the current Offer Price of EUR 11.50, although at the time, due to the liquidity of the share it was only possible for a small number of them to be sold without affecting the rate, and not on the scale of the

current offer, where 82,782,809 Shares are to be sold (all 85,359,273 Shares, with the exception of the Treasury Shares). After expiry of the Offer it may well be difficult to obtain a similar price for a large volume of Shares.

10.1.2. Uncertain stock market rate developments

Over the past few weeks the stock market rate of convert has risen. It is not certain, whether this was due solely to the positive business development of the company, and the higher NAV (or, as the case may be, EPRA NAV) compared to the stock market rate, or whether this was due to other factors. As it is not certain that the market will in future reflect the increase in business value, which was generated by the positive business development and the outlook which is above market expectations (FFO 2015 and 2016), and the NAV/share which is above the Offer Price, it is not certain that Shareholders will be able to sell their convert Shares at a price that is equal to or higher than the Offer Price, after the Offer has expired.

10.1.3. No ensured alternative exploitation scenario for short-term investments

Currently there is no known strategic interested party, who has the necessary financial and operative resources to purchase convert, and who would be interested in doing so in the reasonably near future.

While it would presumably be possible to realise parts of the portfolio, or the country portfolios as far as residential properties are concerned, which are located in good locations in Germany and Austria, and to obtain strategic increases on the book value, however, as far as the sales of larger parcels of commercial properties or properties in less popular locations are concerned, a quick sale might result in significant markdowns. One would also need to bear in mind the costs of liquidation, the full costs of winding up the swaps, the loss of the deferred latent taxes, and further tax considerations.

10.1.4. In the event of the Offer being successful, the following points are arguments in favour of accepting the Offer within the Additional Acceptance Period, which is a period of three months following the expiry of the regular Acceptance Period to which all Shareholders are legally entitled, and during which the Offer can be accepted on the same terms:

10.1.4.1. It is possible that the liquidity value of the share could sink following the execution of the Offer.

The average daily sales of the convert Shares on the Vienna Stock Exchange over the six months preceding the publication of the Offer, were approximately 131,500 (individual Shares). In the event that the Offer of Deutsche Wohnen AG is successful, the free float amount of the Shares will be reduced. This is likely to result in lower daily turnover, which might make the Shares less attractive following completion of the Offer.

10.1.4.2. Influence on the Operative Business

In the Offer documentation Deutsche Wohnen Group sets out, that it intends to take over the management of the property of the convert Group, taking into consideration the economic interests of the convert Group at standard market conditions. Furthermore, they set out that, to the extent legally permissible, the handling of administrative tasks as part of the management of convert and its subsidiaries will be transferred to the Deutsche Wohnen Group.

It is not possible at this point in time to assess the influence convert might have on pricing and services.

It needs to be borne in mind that the exercise of this option is dependent on the question of whether the original Offer is successful, i.e. whether the Bidder receives declarations of acceptance totaling more than 50% of the total target convert Shares.

10.2. Arguments against accepting the Offer

10.2.1. The Offer Price is below the book value (=NAV) of the Shares

The Offer Price of EUR 11.50 is approximately 8% below the book value ("Net Asset Value", "NAV") per share, which was set at EUR 12.63 (undiluted) as at 31 December 2014. It is even 27% below the EPRA NAV, which is also important as a comparative

value for real estate companies (i.e. the adjusted NAV, calculated on the basis of EPRA criteria ¹), which on 31 December 2014 was at EUR 15.70 (undiluted) per share. Some German real estate companies that hold residential property assets, such as the Deutsche Wohnen AG, the Deutsche Annington Immobilien SE, the TAG Immobilien AG, or the LEG Immobilien AG even list considerably higher than the EPRA NAV. However, one should note, here, that these residential property companies have little or no commercial properties in their portfolio, and currently show a greater FFO and a higher earnings yield, as well as higher dividends yields than conwert.

10.2.2. Continuation of the successful reorganisation and making improvements to efficiency at the Target Company

Over the last few years the Target Company has repositioned itself strategically, as a developer and holder focusing on residential properties in metropolitan areas with high growth. This repositioning, together with massive reductions in costs, has already led to a clear increase in efficiency and a significant increase in the income from the operative business. Over the past few years it has been possible to significantly increase the FFO I (before sales result) as an important, operative indicator, and in doing so also increase the return on equity on the basis of FFO I. Based on an FFO I (before sales result) of EUR 2 million in 2010, an FFO I (before sales result) of EUR 34.8 million was achieved.

conwert will continue this course in the current year 2015 and 2016, and in doing so will again presumably significantly improve on the return on equity on the basis of FFO I (before sales result). The guidance for 2015 is set at roughly EUR 40 million; for 2016, the management is assuming an FFO I of presumably more than EUR 50 million. The main driver of this FFO improvement is the reduction in debt interest. Furthermore, more efficient real estate management will lead to the realisation of NRI potential. Towards the end of 2015, the integration of the KWG and GE portfolios in particular will have been completed, and the synergy effects resulting from this will show their effects for the entire year for the first time in 2016. Moreover, in 2015 the project "Greenfield" was initiated, which is intended to further optimise asset

¹The EPRA (European Public Real Estate Association) recommends that the Net Asset Value (NAV) be calculated on the basis of the book value of the share capital, including (1) any hidden reserves of real estate assets, which are calculated from the difference between the IFRS evaluation method and the evaluation by way of an expert opinion, (2) the negative equity resulting from financial instruments, (3) long-term tenant financing contributions, and (4) passive- latent taxes.

management and property management (merging of sites, selling off of real estate in non-core regions, giving up asset management and property management in non-core regions, etc.), and it is envisaged that a positive result of this will be seen from 2016 onwards. If the market trend continues, one can also assume that the Convertible Bonds with a due date of 2016 will be converted, which will result in a reduction of interest.

In addition to this, the Administrative Board have agreed a detailed and comprehensive programme for optimising the refinancing of conwert, the implementation of which is due to be commenced shortly after the expiry of the Offer of Deutsche Wohnen, and which is to be completed in 2015. The goal of the programme is a reduction of internal, long-term, future debt interest, which currently stand at 3.75% and to reduce them to a level which is comparable with other companies in the business. The main focus is on creating liquidity in order to dissolve the swaps and in order to partially re-finance the securitised debt. Based on a detailed analysis of all financing options, conwert will implement those measures which promise the highest increase in value for Shareholders. At current market conditions the aim is to achieve potential savings of more than 100 base points.

10.2.3. Uncertain stock market rate developments

Several well-known research analysts have recently increased their market prognosis for conwert. Some of the new prognoses are significantly higher than the Offer Price of Deutsche Wohnen AG (see table above, at point 4.1.4). These increased prognoses reflect the views of some well-known analysts, that conwert is undervalued at an Offer Price of EUR 11.50 per share. However, it is not possible to ascertain from the statements to what extent the analysts have taken a potential successful Offer (including their evaluation of the synergies arising therefrom) into account.

10.2.4. Strategic key positions of conwert in a process of consolidation

conwert owns approximately 25,000 residential properties in Germany, which are in good locations and in good condition. This portfolio is one of the last portfolios of a company of this size in Germany which is listed on the stock exchange. In particular if one bears in mind the consolidation on the German residential property market, it is likely that this portfolio would at least realise the NAV, and probably a strategic premium on top of the NAV. However, this assessment of the Administrative Board is

based on a rough estimate. However, in an asset stripping scenario it is conceivable that it would only be possible to obtain a value that is significantly below this.

Stand-alone assessment:

- The financial indicators used by Deutsch Wohnen are based on historical values.
- The result of 2014 and in particular also the outlook for 2015 and 2016 were not taken into account, in spite of the fact that the management assumes a significant increase.

Evaluation of synergies:

- Deutsche Wohnen does not specify any synergies, but merely states that it intends to "reorganise convert operatively and financially".
- The management assumes that in the event of a successful Offer, the Bidder will be able to utilise significant synergies.
- These synergies are not reflected in the Offer Price.

The Target Company's Administrative Board has reached the conclusion, that in view of the business outlook the stand-alone value of the business alone per convert share, i.e. the value of the business without even taking into account any synergies, is already above the offer price offered by the Bidder. Moreover, when one considers all of the facts listed above, that leads to the conclusion that the Offer Price offered by the Bidder is not adequate for the convert Shares. This view is also supported by the expert opinion (Inadequacy Opinion) produced by J.P. Morgan.

10.2.5. Option of accepting the Offer in the Additional Acceptance Period

In the event that the Offer should be successful, any convert Shareholders who did not accept the Offer during the Acceptance Period, will still be able to accept the Offer during the Additional Acceptance Period. The Additional Acceptance Period runs for a statutory period of three months following the expiry of the Acceptance Period. In the event that the Offer is accepted during the Additional Acceptance Period, Shareholders would receive the same price per convert share as they would have done during the original Acceptance Period. In view of the current low level of interest rates, it may be an attractive option for Shareholders to retain their Shares while at the same time keeping their option of selling the Shares at a later point. It needs to be

borne in mind that the exercise of this option is dependent on the question of whether the original Offer is successful, i.e. whether the Bidder receives declarations of acceptance totaling more than 50% of the total target convert Shares.

10.2.6. In the event of the Offer being successful, the following points are arguments against accepting the Offer within the Additional Acceptance Period, which is a period of three months following the expiry of the regular Acceptance Period to which all Shareholders are legally entitled, and during which the Offer can be accepted on the same terms:

10.2.6.1. Financially sound partner, making it possible to refinance on favourable terms

Deutsche Wohnen AG is an investor that has long-term interests, solid finances, and a possible strategic partner, with extensive experience in the real estate sector. The Bidder already has established access to the capital markets, and according to unverified and unverifiable information provided by the Bidder, will enable convert to obtain new financing on favourable conditions. This could result in a further increase of profitability of convert.

10.2.6.2. Strategic partner enabling profitable use of synergies

At least as far as the administration of the German residential property stock held by convert, there are likely to be significant operative synergies. Furthermore, the Offer documentation sets out that, to the extent legally permissible, the handling of administrative tasks as part of the management of convert and its subsidiaries will be transferred to the Deutsche Wohnen Group. This could result in a further increase of profitability of convert.

10.2.6.3. Obtaining a higher price as part of a potential, later offer for compensation

It is possible that Deutsch Wohnen AG might try to compensate the remaining free float Shareholders, and aim for delisting. In such a case, Deutsche Wohnen might be forced to compensate the remaining minority Shareholders with a higher compensation price than the Offer Price listed in their Takeover Offer.

10.3. Arguments in favour of and against accepting the Offer, for holders of Convertible Bonds

An argument in favour of accepting the Offer, as far as holders of Convertible Bonds are concerned, is that the respective Offer Price for the target WSV would already be paid out at the point of first settling the Offer, and thus would be paid out no later than 10 trading days after expiry of the Acceptance Period (extended, if applicable), while any conversion following a change of control might conceivably take a longer settlement period (albeit probably not significantly).

Due to a lack of liquidity on the stock market trade of the target WSV Convertible Bonds it is doubtful whether the Offer Price would also be obtained if they were to be sold outside the Offer, which would also be an argument in favour of accepting the offer.

The argument against accepting the offer, as far as holders of Convertible Bonds are concerned, is that in the view of the Administrative Board of the Target Company, and bearing in mind the arguments listed at point 10.2 of this Statement, and also bearing in mind the positive business outlook, the value of the convert Shares exceed the Offer Price of the Bidder, and thus also indirectly the Offer Price for the target WSV Convertible Bonds, which means that if the prices increase, a higher profit could be obtained accordingly.

10.4. Summary Conclusion

On the basis of the arguments set out in this Statement, and also bearing in mind the positive business outlook and the Inadequacy Opinion provided by J.P. Morgan, convert's Administrative Board has reached the conclusion, that the stand-alone value of the business alone per convert share, i.e. the value of the business without even taking into account any synergies, is already above the offer price offered by the bidder. Therefore, as far as the question is concerned whether the offer price offered by the bidder is adequate, convert's Administrative Board has come to the conclusion that this is not the case.

On the other hand, there is the uncertainty as to whether the stand-alone business value, which is above the offer price, and the anticipated future increase in value of convert will be fully reflected by the stock market value, or rather whether, following

the expiry of the offer, it will be possible to sell convert Shares at the offer price, which is attractive when compared to historic share prices, or indeed at a higher price.

Vienna, 27 March 2015

Kerstin Gelbmann

Chair of the Administrative Board

Alexander Tavakoli

Vice Chair of the Administrative Board

Eveline Steinberger-Kern
Member

Alexander Schoeller
Member

Martina Postl
Member