

This is an English convenience translation of the German language statement of the administrative board of conwert published on 1 December 2016. In case of discrepancies the German language statement shall prevail.



## **Statement of the Administrative Board**

**regarding the**

**voluntary public offer to acquire control  
(section 25a of the Austrian Takeover Act)**

**by Vonovia SE**

conwert Immobilien Invest SE

Alserbachstraße 32

1090 Vienna

Register of the Commercial Court Vienna, FN 212163 f

ISIN AT0000697750

**Statement dated 29 November 2016**

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## PART A - GENERAL

### 1. PRELIMINARY REMARKS

On 17 November 2016 Vonovia SE, incorporated under German and European law, with its corporate seat in Dusseldorf and its business address at Münsterstraße 248, 40470 Dusseldorf (in the future: Philippstraße 3, 44803 Bochum), registered in the commercial register of the Dusseldorf local court (*Amtsgericht*) under register number HRB 68115 ("*Vonovia*" or the "*Bidder*"), published a voluntary public offer to acquire control (the "*Offer*" and the "*Offer Document*") pursuant to section 25a of the Austrian Takeover Act (*Übernahmegesetz – "ÜbG"*) addressed to all shareholders of conwert Immobilien Invest SE, incorporated under Austrian and European law, with its corporate seat in Vienna and its business address at Alserbachstraße 32, 1090 Vienna, registered in the commercial register of the Vienna Commercial Court (*Handelsgericht*) under register number FN 212163 f ("*conwert*" or the "*Target Company*").

To the extent not otherwise defined herein, the definitions of the Offer Document also apply to this Statement of the administrative board.

The Offer is addressed to all conwert shareholders. It thus encompasses the acquisition of all 101,906,213 ordinary bearer shares of the Target Company that are admitted to the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (*Wiener Börse*), including 1,576,464 own shares of the Target Company.

Pursuant to section 14 ÜbG, the administrative board of the Target Company must issue a reasoned statement regarding the Offer immediately following the publication of the Offer and must publish this statement no later than ten trading days following the publication of the Offer and no later than five trading days before the end of the Acceptance Period. In particular, this Statement must include an assessment of whether the offered consideration and other content of the Offer sufficiently address the interests of all conwert shareholders and based on the strategic planning of the Bidder, the expected impact of the Offer on the Target Company, in particular its employees, the working conditions, the locations, its creditors and the public interest. If the administrative board is unable to give a conclusive recommendation, it must, pursuant to section 14 ÜbG, in any event set out the arguments in favour of accepting and those for rejecting the Offer, while highlighting the respective main considerations.

Based on internal discussions, the administrative board of the Target Company has decided to issue the recommendation set out in Section 9.4 below.

The administrative board of the Target Company explicitly points out that this Statement also includes information provided in the Offer Document which does not relate to the Target Company and which the administrative board could not verify and has not verified in terms of its accuracy.

Certain assessments of the administrative board in this Statement concern future developments and reflect the current opinion of the administrative board of the Target Company. A multitude of factors may lead to actual future events deviating from such assessments. Thus, neither the Target Company nor the administrative board assume any sort of liability with respect to the correctness of such assessments.

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The Target Company is organized as a monistic SE, the management of which is led by the administrative board. The Target Company itself does not have a workers' council. Accordingly, the statement in respect of the Offer pursuant to section 14 ÜbG will be made and issued exclusively by the administrative board of the Target Company.

## **2. CURRENT SITUATION**

### **2.1 The Bidder**

The shares of Vonovia are listed on the regulated market segment (*Regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) under ISIN DE000A1ML7J1. Based on the value of its property portfolio, the number of residential units that belong to it and its market capitalization, the Bidder, according to its own statements, is Germany's largest private sector residential real estate company. The Bidder's service subsidiaries offer a broad range of services in the area of real estate management and facility management. Further, the Bidder has a large number of other special-purpose companies that hold properties.

The members of the management board of the Bidder are Rolf Buch (CEO), Prof. Dr. A. Stefan Kirsten (CFO), Klaus Freiberg (COO) and Gerald Klinck (CCO). According to the Offer Document, none of the members of the management board of the Bidder hold shares in the Target Company.

### **2.2 Parties Acting in Concert with the Bidder**

Pursuant to section 1 no. 6 ÜbG, parties acting in concert are natural or legal persons that cooperate with the Bidder on the basis of an agreement aimed at obtaining or exercising control over the Target Company, in particular by coordinating voting rights. If a party holds a direct or indirect controlling interest (section 22 para. 2 and 3 ÜbG) in one or more other parties, all such parties are (refutably) deemed to be acting in a concert (the "*Parties Acting in Concert*").

Thus, all entities controlled by the Bidder are deemed to be Parties Acting in Concert with the Bidder. In this context and according to the Bidder's statements, further information on Parties Acting in Concert may be omitted pursuant to section 7 no. 12 ÜbG, since such entities are not relevant for the decision to be made by the addressees of the Offer.

The material subsidiaries of the Bidder are set out in the prospectus of Vonovia, the summary of which constitutes an integral part of the Offer. Reference is made to the information and risk factors contained therein; the summary of the prospectus can be downloaded from the website of the Bidder ([www.vonovia-offer.de](http://www.vonovia-offer.de)) and, as annex to the Offer Document, on the website of the Austrian Takeover Commission ([www.takeover.at](http://www.takeover.at)).

### **2.3 The Target Company**

The Target Company is a fully integrated real estate business, with its focus on residential real estate and apartment buildings in Germany and Austria. The real estate portfolio is largely concentrated in high-growth urban areas.

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

The Target Company holds a number of group companies; further details are omitted in this Statement for the sake of clarity and materiality. Further information hereto is available on the website of the Target Company ([www.conwert.com](http://www.conwert.com)).

## 2.4 Share capital, shares and shareholder structure of the Target Company

At the time of publication of this Statement, the Target Company has a share capital of approximately EUR 509.5 million, divided into 101,906,213 bearer shares, each of which represents a pro rata share of EUR 5 in the registered share capital. The shares of the Target Company are traded on the Official Market and listed on the ATX of the Vienna Stock Exchange under ISIN AT0000697750 (the "*conwert Shares*").

At the time of publication of this Statement, the Target Company is the holder of 1,576,464 treasury shares, which are also object of the Offer (see section 3.1 of the Offer Document).

According to the notifications pursuant to the Austrian Stock Exchange Act (*Börsegesetz*) submitted to the Target Company as of 29 November 2016, the core shareholders (holding at least 4% of the voting rights) of the Target Company are as follows:

Shareholder	Shares held	Voting rights in % (rounded) <sup>(1)</sup>	Shareholding in % (rounded)
MountainPeak Trading Ltd.	26,160,921	26.07%	25.67%
FIL Investment International	7,259,798	7.24%	7.12%
EARNEST Partners, LLC	4,233,888	4.22%	4.15%

<sup>(1)</sup> Taking the treasury shares held by the Target Company into account which bear no voting rights (and therefore based on 100,329,479 issued conwert Shares).

According to the Offer, the Bidder holds no conwert Shares at the time of publication of the Offer. However, it has concluded a so-called tender commitment with certain conwert shareholders (see Section 3.3 below).

## 2.5 Convertible Bonds 2018

The Target Company issued the convertible bonds AT0000A0WMQ5 (the "*Convertible 2018*"), duration 2012-2018, with a coupon of 4.5%, total nominal value of EUR 80 million and a denomination of EUR 100,000. The Target Company terminated the Convertible 2018 on 30 August 2016 with effect as per 29 September 2016 in accordance with § 5(b) of the terms and conditions of the Convertible 2018. The holders of the Convertible 2018 were entitled pursuant to § 8(a) of the terms and conditions of the Convertible 2018 to convert in conwert Shares until the end of the conversion period on 23 September 2016. On 26 September 2016, the Target Company announced that all Convertible 2018 holders converted into shares of the Target Company by the end of the conversion period on 23 September 2016. The shares for the Convertible 2018 holders were issued from contingent capital. The Convertible 2018 is therefore not object of the Offer.

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## 2.6 Business Combination Agreement

In the run-up to the Offer, Vonovia and the Target Company concluded a Business Combination Agreement (the "**BCA**"), setting out the key parameters of the Offer and the tender commitment described under Section 3.3.2 below. In particular, the offer consideration and offer conditions were determined in the BCA.

If the Offer is successful, the BCA also provides that an extraordinary general meeting shall be convened in January 2017, whereby the administrative board shall be increased from currently five to seven members and whereby the administrative board members shall be newly elected (see Section 5.7 below for more details).

Further, the executive directors declared in the BCA not to exercise their extraordinary termination rights in the event of a change of control over conwert. In return, the parties agreed that conwert would not unilaterally terminate their service agreements before end of August 2018 (in case of the CEO) and end of December 2018 (in case of the CFO).

The BCA further sets out the Bidder's envisaged future strategy for the Target Company, which foresees the continuation of conwert group's activities in the residential sector, including the Austrian residential portfolio, as well as continuing the non-core sales activities.

## 3. DESCRIPTION OF THE OFFER

### 3.1 Subject of the Offer

The object of the Offer is the acquisition of all shares of the Target Company admitted to trading on the Official Market of the Vienna Stock Exchange, each of which represents a *pro rata* share of EUR 5 in the registered share capital (ISIN AT0000697750). The 1,576,464 Treasury Shares held by conwert are also expressly object of the Offer. The Offer is thus aimed at the acquisition of 101,906,213 conwert Shares (the "**Offer conwert Shares**"), which currently represent 100% of the entire share capital of the Target Company.

### 3.2 Consideration (Cash Offer and Exchange Offer)

conwert shareholders willing to accept the Offer have the opportunity to choose between the Cash Offer (as described in Section 3.2.1 below) and/or the alternative Exchange Offer (as described in Section 3.2.2 below). Under the terms of the Offer Document, conwert shareholders can thus either choose the Cash Offer and/or the alternative Exchange Offer regarding all or some of their conwert Shares.

However, conwert shareholders may also decide to remain invested with all or part of their conwert Shares.

#### 3.2.1 Cash Offer

Under the terms and conditions of the Offer, the Bidder offers to buy conwert Shares from the holders of conwert Shares for a price of **EUR 16.16** per conwert Share (the "**Cash Purchase Price**") *cum dividend* for the business year 2016; this means that the Bidder is entitled to the claim for unpaid dividends (including for the business year 2016). In this regard the Target Company is of the opinion that the Cash Purchase Price decreases by the

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amount of any dividend paid for the business year 2016, if such dividend is paid prior to the Settlement (see Section 3.6 below).

The administrative board of the Target Company has not yet resolved upon a recommendation for the payment of the dividend for the ongoing business year 2016. According to the published guidance, the Target Company expects to resolve upon a dividend in the amount of EUR 0.48 per conwert Share for the business year 2016.

### 3.2.2 Alternative Exchange Offer

As an alternative to the Cash Offer, the Bidder offers the conwert shareholders, by means of an exchange offer, to exchange every one conwert Share for 0.496645 New Vonovia Shares (this corresponds to an exchange ratio of 149 conwert Shares for 74 New Vonovia Shares, rounded up to sixth decimal place) under the terms and conditions of the Offer Document (the "*Exchange Offer*").

Under the terms and conditions of the Offer, Vonovia will issue the required New Vonovia Shares from contingent capital by way of capital increase against contribution in kind and, if required, by means of a cash capital increase, in each case under exclusion of the statutory subscription rights of the existing Vonovia shareholders. For further information regarding the availability of the New Vonovia Shares for the Exchange Offer please see section 7.2 of the Offer Document.

To the extent legally permitted, the New Vonovia Shares will carry full dividend rights as of 1 January 2016, payable in 2017. The Existing Vonovia Shares – and in the future the New Vonovia Shares – are/will be traded in the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange in dematerialized form. We refer to section 3.3.2 of the Offer Document for further information.

If the multiplication of the amount of conwert Shares tendered for exchange by a conwert shareholder accepting the Exchange Offer with the exchange ratio (0.496645) does not result in a whole number (the number of New Vonovia Shares that are to be granted to the conwert shareholder), such number shall be rounded down to the next whole number. A conwert shareholder accepting the Exchange Offer will receive settlement of the rounding difference in cash from the amount of the sale proceeds generated by selling all the New Vonovia Shares, which result from the down-rounding of conwert shareholders accepting the Exchange Offer, on the stock exchange on the basis of the average sale proceeds (also see Section 3.6 below and section 5.9 of the Offer Document).

conwert shareholders may choose between the Cash Offer and the Exchange Offer regarding all or part of their conwert Shares.

### 3.2.3 Improvement of the Offer

The Bidder has not expressly excluded an increase of the Cash Offer or Exchange Offer.

## 3.3 **Tender commitments and intentions**

### 3.3.1 MountainPeak Tender Commitment

ADLER Real Estate Aktiengesellschaft is a stock corporation incorporated under the laws of Germany, with its corporate seat in Frankfurt am Main, Germany, and registered with the commercial register of the Local Court (*Amtsgericht*) of Frankfurt am Main under

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registration number HRB 7287 ("**Adler**"). MountainPeak Trading Limited is a limited liability company, incorporated under the laws of Cyprus, with its corporate seat in Nicosia, Cyprus, and registered with the commercial register of Cyprus under registration number HE 342519 ("**MountainPeak**"). MountainPeak is a wholly-owned subsidiary of Adler. MountainPeak holds 26,160,921 shares in the Target Company.

MountainPeak and Petrus Advisers Investment Fund L.P., with its corporate seat in the Cayman Islands and registered with the register of the Cayman Islands under registration number QH-69749 ("**Petrus**"), concluded an option agreement under which MountainPeak was entitled to acquire at least 5,000,000 and no more than 6,000,000 conwert Shares from Petrus (the "**Petrus Option**"). On 2 September 2016, Adler exercised the Petrus Option and received 2,500,000 conwert Shares on 27 September 2016 and a further 2,500,000 conwert Shares on 29 September 2016. These shares are included in the 26,160,921 conwert Shares referred to Section 2.4 above.

According to the Bidder's statements in the Offer Document, Vonovia, Adler and MountainPeak concluded a tender commitment agreement on 4 September 2016 (the "**Tender Commitment Agreement**"). Under the Tender Commitment Agreement MountainPeak undertakes to participate in the Offer with 26,160,921 conwert Shares, which corresponds to a share of 26.07% of the current registered share capital of the Target Company excluding Treasury Shares, and 25.67% of the entire registered share capital of the Target Company and will tender these shares into the Exchange Offer. Should the further 1,000,000 conwert Shares also be transferred under the Petrus Option, such conwert Shares would also be tendered into the Offer.

### 3.3.2 Tender commitment of the Target Company

Under the BCA (see Section 2.6 above), the Target Company *inter alia* committed to tender its 1,576,464 Treasury Shares into the Offer. However, the Target Company is only permitted to accept the Exchange Offer if the New Vonovia Shares received as consideration are sold on the stock exchange (without any pass-through acquisition by the Target Company) without culpable delay after the Settlement and with minimum impact on the stock price.

### 3.3.3 Tender intentions of members of corporate bodies

The members of the administrative board and the executive directors of conwert intend to tender their directly or indirectly held conwert Shares into the Offer.

## 3.4 **Conditions precedent for the Offer**

Since the transaction was already approved by the competition authorities in Germany and Austria, the Offer is no longer subject to the condition precedent regarding the merger control approval.

### 3.4.1 Minimum acceptance rate

By law (section 25a para. 2 ÜbG), the Offer is subject to the condition that, at the end of the initial Acceptance Period, Vonovia must have received Acceptance Declarations that account for more than 50% of the conwert Shares that are the subject of the Offer. In accordance with section 25a para. 2 ÜbG, if the Bidder acquires conwert Shares in parallel to the Offer, then such shares will be added to the Acceptance Declarations.

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Thus, in order to satisfy this condition precedent, the Bidder must have received Acceptance Declarations for at least 50,953,107 conwert Shares by the end of the Acceptance Period; any conwert Shares acquired by the Bidder in parallel to the Offer will be added to those Acceptance Declarations.

#### 3.4.2 Registration of the implementation of the capital increases

No later than (and including) 19 February 2017, the Local Court (*Amtsgericht*) of Dusseldorf has registered the Offer Capital Increases of Vonovia from authorised capital with the commercial register, which the Bidder is required to file with the commercial register, to the extent required to settle the Offer in the amount of the Acceptance Declarations received until the end of the initial Acceptance Period. All mandatory resolutions of the Bidder's management board and supervisory board concerning the utilisation of the Authorised Capital 2015 under exclusion of subscription rights have already been adopted and are not part of this or any other condition precedent.

#### 3.4.3 No significant decrease in the FTSE EPRA/NAREIT Germany Index

During the period between the publication of the Offer Document and the expiry of the initial Acceptance Period, the closing rate of the FTSE EPRA/NAREIT Germany Index will not be lower than 768 (which corresponds to a rate that is approximately 28.5% under its closing rate as of 2 September 2016 pursuant to Bloomberg) on six consecutive trading days; on 15 November 2016, the closing rate of the FTSE EPRA/NAREIT Germany Index was 905.83 (according to Bloomberg).

#### 3.4.4 No increase in the registered share capital of conwert

The registered share capital of conwert has not been increased during the period between the publication of the Offer Document and the expiry of the initial Acceptance Period and conwert's general meeting has not adopted any resolution that, if implemented, would cause the registered share capital to increase.

#### 3.4.5 No dividends, amendments to the articles of association or liquidation

None of the following events has occurred in the period between the publication of the Offer Document and the expiry of the initial Acceptance Period:

- (a) The Target Company resolves on or distributes a cash or in-kind dividend or resolves on a capital increase from own funds.
- (b) The general meeting of the Target Company resolves on an amendment of the articles of association that would (i) increase the majority requirement for all or particular resolutions of the general meeting or of other corporate bodies of conwert, or (ii) effect a change in the rights attaching to the conwert Shares or in the nature of the shares.
- (c) The general meeting of the Target Company resolves on the liquidation of the Target Company.
- (d) The general meeting resolves on a measure that is subject to majority vote of 75% or more of the votes cast to be resolved.

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#### 3.4.6 No significant transaction

During the period between the publication of the Offer Document and the expiry of the initial Acceptance Period, the Target Company publishes no announcement stating that the Target Company or a subsidiary of the Target Company has

- (a) sold, or undertaken to sell, assets (properties or shares) in return for a consideration in excess of EUR 50,000,000 in any individual case or in total to a group external third party; exempt from this condition are properties of the segments (i) non-core, or (ii) privatisation, which may be sold in any event, or (iii) properties identified by conwert as being for sale from the premium commercial segment, but, with respect to sales concerning (i), (ii) and (iii), provided only that the total sum for all sale proceeds (i.e. the sum of all considerations) from the disposals calculated from 1 July 2016 until the expiry of the initial Acceptance Period is not lower than the total of the IFRS book values as at 30 June 2016 of the assets thus sold; the Austrian Takeover Commission has been provided with a list of the relevant assets prior to the publication of the Offer Document; or
- (b) acquired, or undertaken to acquire, assets (with the exception of procurements of items needed for current business operations) if (i) the consideration exceeds EUR 200,000,000 in any individual case or, in case of portfolio transactions, in total and (ii) the consideration for the assets concerned exceeds their fair market value, or their total fair market value in the case of portfolio transactions, by more than 10%, as determined by CB Richard Ellis (commissioned by the Target Company) prior to the acquisition or the undertaking to acquire.

#### 3.4.7 No material adverse change

Between the publication of the Offer Document and the expiry of the initial Acceptance Period, conwert does not publish any announcement indicating a material adverse change of the earnings of the Target Company. A material adverse change of the earnings shall be deemed to exist if such announcement states (i) a sustainable reduction of at least EUR 5,000,000 per year of the funds from operations before results from disposals and one-off effects (referred to as "FFO I" in the conwert half-year report for the period ended on 30 June 2016) for the conwert Group, with the exception of effects from disposals, or (ii) a negative one-time effect on the net asset value (NAV) of conwert of at least EUR 50,000,000 (without taking into account expenses and levies related to the Offer).

#### 3.4.8 No significant compliance breach

During the period between the publication of the Offer Document and the expiry of the initial Acceptance Period:

- (a) no conviction or indictment for a criminal act of any member of a governing body or executive officer of conwert or a subsidiary of conwert, committed while operating in an official capacity at conwert or a subsidiary of conwert becomes known to have occurred, whether under Austrian, German or any other applicable law, which constitutes an insider information or would constitute an insider information in relation to conwert if not previously disclosed. Criminal acts within the meaning of this condition precedent specifically include bribery offences,

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corruption, breach of trust, antitrust violations, money laundering or violations of the Austrian Stock Exchange Act; or

- (b) no criminal act or administrative offence committed by any member of a governing body or executive officer of conwert or a subsidiary of conwert operating in an official capacity of conwert or a subsidiary of conwert becomes known to have occurred, whether under Austrian, German or any other applicable law, which constitutes an insider information or would constitute an insider information in relation to conwert if not previously disclosed. Criminal acts and administrative offences within the meaning of this condition precedent specifically include bribery offences, corruption, breach of trust, antitrust violations, money laundering or violations of the Austrian Stock Exchange Act.

#### 3.4.9 No loss in the amount of half of the registered share capital, no insolvency

During the period between the publication of the Offer Document and the expiry of the initial Acceptance Period, conwert had not published an announcement stating that

- (a) at least half of the registered share capital of the Target Company has been lost in accordance with section 83 of the Austrian Stock Corporation Act (*Aktiengesetz*); or
- (b) the Target Company is either insolvent, or in the process of liquidation, or that insolvency or reorganisation proceedings concerning its assets (*Konkurs- oder Sanierungsverfahren*) or proceedings under the Austrian Corporate Reorganisation Act (*Unternehmensreorganisationsgesetz*) have been initiated, or that the initiation of insolvency or proceedings have been rejected by a competent court due to lack of assets.

#### 3.5 **Waiver, fulfilment and non-fulfilment of conditions precedent**

The Bidder reserves the right to waive the fulfilment of individual conditions precedent, in which case they are deemed to have been fulfilled. The fulfilment of the statutory condition precedent set forth in Section 3.4.1 above concerning the minimum acceptance rate of more than 50% of the conwert Shares that are the object of the Offer cannot be waived. The occurrence of the condition mentioned in Section 3.4.3 above (no significant decrease in the FTSE EPRA/NAREIT Germany Index) can only be waived until three trading days prior to the expiry of the initial Acceptance Period at the latest.

The Bidder will disclose any waiver, fulfilment or non-fulfilment of any condition precedent in the publication media referred to in section 5.13 of the Offer Document without undue delay. The Bidder will publish whether or not the conditions precedent pursuant to Sections 3.4.1 to 3.4.9 above have been fulfilled, at the latest in the publication of the results of the Offer.

The Offer becomes invalid if the conditions precedents have not been fulfilled within the period specified in the respective condition precedent, unless the Bidder has waived the fulfilment of the respective conditions precedent and the condition precedent set forth in Section 3.4.1 above has been fulfilled.

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### 3.6 Acceptance Period, acceptance and settlement of the Offer

This Offer can be accepted from 18 November 2016 until and including 19 December 2016, 17:00 CET, this corresponds to 21 trading days. The Bidder reserves the right to extend the Acceptance Period.

conwert shareholders, who accept the Cash Offer within the Acceptance Period, will receive the Cash Offer Price simultaneously (*Zug um Zug*) against the transfer of the conwert Shares no later than ten trading days after the Offer becomes unconditionally binding in accordance with section 5.5(v) of the Offer Document. Settlement is therefore expected to occur on 3 January 2017, but no later than on 3 March 2017, if all conditions precedent are fulfilled.

For conwert shareholders, who accept the Exchange Offer within the Acceptance Period, settlement of the Exchange Offer will take place through the delivery of New Vonovia Shares as consideration for the conwert Shares Tendered for Exchange. The transfer of the New Vonovia Shares by the Austrian Paying Agent to the respective Custodian Bank will take place without undue delay after the transfer of such shares by the Exchange Agents to the securities account maintained by the Austrian Paying Agent with OeKB; this will occur no later than ten trading days after the Offer becoming unconditionally binding (see the previous paragraph hereto).

If fractional shares (*Aktienspitzen*) in respect of New Vonovia Shares arise from the exchange ratio deriving from the exchange consideration, no shareholder rights shall attach thereto, so that monetary compensation for fractional shares (*Spitzenausgleich*) will be necessary. Fractional shares will be settled in cash at the prevailing stock market price for the Vonovia Shares as follows: After the fractional shares in respect of the New Vonovia Shares that have been allocated are transferred to the securities account kept by the Austrian Paying Agent with OeKB, the Austrian Paying Agent will compulsorily combine such fractional shares into whole shares and will promptly sell them via the stock exchange. The proceeds to be credited to the respective conwert shareholder will be determined on the basis of the average sales proceeds obtained for the fractional shares (representing whole New Vonovia Shares) and will then be disbursed in the course of the Settlement to the eligible conwert shareholders that tendered conwert Shares for exchange in accordance with the fractional shares allocated to them within ten banking days of the booking of the New Vonovia Shares. For example, if a conwert shareholder tenders 10 conwert Shares into the Exchange Offer, it would receive 4 New Vonovia Shares, and the conwert shareholder's fractional share of 0.96645 would be sold on the stock exchange, along with all other fractional shares, at the market price of the Vonovia Share prevailing at the time of sale with the sale proceeds being credited *pro rata* in cash to the account of the conwert shareholder.

In the event that, under the terms of the Offer, the Offer is accepted for more than 95% less 10,000 of the issued conwert Shares, after deducting any conwert Shares already held or subsequently acquired by Vonovia, the Exchange Agents are obliged to transfer any conwert Shares in excess thereof (the "**Surplus Shares**") to J.P. Morgan Securities plc, 25 Bank Street, London E14 5JP, Great Britain (the "**Third-Party Bank**") without any pass-through acquisition by Vonovia. To the extent that conwert shareholders have tendered conwert Shares for exchange and this gives rise to Surplus Shares (the "**Exchange Surplus Shares**"), the New Vonovia Shares required as offer consideration for

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the Exchange Surplus Shares shall be created by means of one or more Cash Capital Increase(s) against the provision of the requisite cash by the Third-Party Bank and shall be forwarded to the respective conwert shareholders. To the extent that conwert shareholders have tendered conwert Shares for sale and this gives rise to Surplus Shares (the "**Cash Surplus Shares**"), the cash required to provide the offer consideration for the Cash Surplus Shares will be provided by the Third-Party Bank and paid to the respective conwert shareholders.

The acceptance of the Offer must be declared in writing. The administrative board of the Target Company refers to section 5 of the Offer Document for further details, whereas section 5.7 of the Offer Document sets out special provisions for the acceptance of the Exchange Offer by certain U.S. Shareholders. According thereto, certain U.S. Shareholders accepting the Exchange Offer receive a cash amount in euros from the sale of the respective amount of New Vonovia Shares instead of the New Vonovia Shares.

### **3.7 Additional Acceptance Period (*Sell-out Period*)**

For all conwert shareholders, who have not accepted the Offer during the Acceptance Period, the acceptance period extends for three months from the publication of the offer result (section 19 para. 3 ÜbG). conwert shareholders that only accept the Offer in the Additional Acceptance Period will receive the offer consideration no later than 10 trading days after the end of the Additional Acceptance Period. For the sake of clarity, it is noted that the Offer (including the transfer of the consideration) for the conwert Shares tendered in the Additional Acceptance Period will no longer be subject to the conditions precedent set forth in Section 3.4 above.

### **3.8 Withdrawal rights in the case of competing offers**

If a competing offer is launched during the term of the Offer, conwert shareholders may, pursuant to section 17 ÜbG, withdraw their acceptance declarations no later than 4 trading days before the expiry of the initial Acceptance Period (section 19 para. 1 ÜbG). The declaration of withdrawal must be made in writing and must be sent to the Austrian Paying Agent. The Bidder reserves the right to withdraw from the Offer in the event another bidder launches a public offer for the shares of the Target Company.

### **3.9 Costs and taxes**

The Bidder bears all fees and costs levied by the Austrian Custodian Banks directly in connection with the Settlement of the Offer, but in a maximum amount of EUR 8 per deposit.

Income taxes and any other taxes will not be borne by the Bidder.

The administrative board of the Target Company refers to the explanations of the Bidder in section 7.3 of the Offer Document relating to selected tax consequences of the acceptance of the Offer.

Considering the complexity of Austrian tax legislation, the Bidder recommends that conwert shareholders shall consult with their tax advisors regarding the tax consequences of the acceptance of the Cash Offer or Exchange Offer. The administrative board of conwert shares the Bidder's recommendation in this regard.

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## **PART B – ASSESSMENT OF THE OFFER**

### **4. FINANCIAL PARAMETERS**

#### **4.1 Minimum price for shares of the Target Company**

Pursuant to section 26 para. 1 ÜbG, the Cash Purchase Price is subject to minimum pricing rules:

- (a) The Cash Purchase Price for a convert Share must at least correspond to the volume-weighted average market price of the convert Share (the "**VWAP**") for the six months period preceding the announcement of the Bidder's intention to launch the Offer.
- (b) Further, the Cash Purchase Price for a convert Share must not be lower than the highest cash consideration paid in cash or agreed by the Bidder or any Party Acting in Concert during the 12 months period prior to the submission of the Offer Document to the Austrian Takeover Commission (the "**Reference Price**"). The same applies to any consideration whereby the Bidder or any Party Acting in Concert is entitled or obliged to acquire convert Shares in the future.

If other securities than ordinary convert Shares were object of the Offer and if the Bidder or any Party Acting in Concert had acquired convert Shares within the last 12 months, then the price offered for such other securities would have to be in an adequate proportion to the consideration granted for the ordinary convert Shares pursuant to section 26 para. 2 ÜbG, whereas such proportion must be determined under consideration of the specific rights of the relevant other securities. The same applies to any consideration for which the Bidder or any Party Acting in Concert is entitled or obliged to acquire convert Shares in the future.

According to the Bidder, neither the Bidder nor any Party Acting in Concert has acquired shares in the Target Company during the 12 months period preceding the submission of the Offer to the Austrian Takeover Commission. Therefore, with respect to the convert Shares, the VWAP for the six months period preceding the announcement of the Bidder's intention to launch the Offer (the "**6M VWAP**") is relevant for determining the minimum offer price pursuant to section 26 para. 1 ÜbG. The 6M VWAP for the convert Share amounts to EUR 14.20. The Cash Purchase Price thus exceeds the 6M VWAP (see Section 4.2 below).

#### **4.2 Cash Offer Price in relation to historic figures**

According to the Offer Document, the VWAP per convert Share of the last 3, 6, 12 and 24 calendar months prior to the announcement of the Bidder's intention to launch the Offer as well as the percentage premium by which the Cash Offer Price exceeds such amounts are as follows:

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	<b>3 months (03.06.2016- 02.09.2016)</b>	<b>6 months (03.03.2016- 02.09.2016)</b>	<b>12 months (03.09.2015- 02.09.2016)</b>	<b>24 months (03.09.2014- 02.09.2016)</b>
VWAP Target Company	14.54	14.20	13.46	12.22
Premium Cash Offer Price (against respective VWAP Target Company)	11.13%	13.80%	20.06%	32.26%

The VWAP of the last six months before the announcement of the Bidder's intention to launch the Offer on 5 September 2016, i.e. the period from 3 March 2016 until 2 September 2016 (inclusive), amounted to EUR 14.20 per conwert Share. The Cash Offer Price (EUR 16.16) thus exceeds the 6M VWAP by 13.80% and therefore complies with the minimum price provision under section 26 para. 1 ÜbG.

#### 4.3 Exchange Offer

As an alternative to the Cash Offer, the Bidder offers conwert shareholders to exchange each conwert Share into 0.496645 New Vonovia Shares (this corresponds to an exchange ratio of 149 conwert Shares for 74 New Vonovia Shares, rounding up to six decimal places). The New Vonovia Shares will be issued by Vonovia under a capital increase. The compensation for fractional shares shall be in cash.

According to the Offer Document, the New Vonovia Shares will carry full dividend rights as of 1 January 2016, payable in 2017, to the extent the issuance of the New Vonovia Shares with retroactive dividend entitlement is legally permitted.

The value of the Exchange Offer is not subject to any statutory legal requirements and is therefore not subject to review by the Austrian Takeover Commission.

Based on the exchange ratio of 0.496645 and the closing prices of the Vonovia Share at the following dates, the Exchange Offer had the following implied values:

<b>Date</b>	<b>Closing price of Vonovia Share on respective date</b>	<b>Implied value of the Exchange Offer in EUR per conwert Share (rounded)</b>	<b>Relation to 6M VWAP of the conwert Share (EUR 14.20) in % (rounded)</b>
02.09.2016	35.40	17.58	23.80%
17.11.2016	30.62	15.21	7.11%
28.11.2016	30.99	15.39	8.38%

**However, it should be noted that the commercial evaluation of the Exchange Offer primarily depends on the future development of the Bidder and the New Vonovia Shares, in particular at which point in time the New Vonovia Shares shall be sold. Therefore, retrospective value assessments are not a reliable parameter for the commercial evaluation of the Exchange Offer.**

#### 4.4 Equal treatment

The Cash Offer Price of EUR 16.16 per conwert Share and the Exchange Offer are equal for all conwert shareholders. With respect to the obligation of the Bidder to additional

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payment pursuant to section 16 para. 7 ÜbG, if any, the administrative board refers to section 3.8 of the Offer Document.

#### 4.5 Valuation of the Target Company by analysts

The following table shows the target prices for conwert Shares since August 2016, published by security analysts until the announcement of the Bidder's intention to launch the Offer:

Security analyst	Date of publication	Target price in EUR
Deutsche Bank	24.08.2016	19.00
SRC Research GmbH	24.08.2016	16.00
Baader Bank / HELVEA	25.08.2016	18.00
Kepler Cheuvreux	25.08.2016	17.50
Oddo Seydler Bank AG	25.08.2016	17.00
Raiffeisen Centrobank AG	26.08.2016	15.60
Erste Group Research	26.08.2016	16.00

#### 4.6 Fairness Opinion

The Target Company instructed J.P. Morgan Limited, London ("**J.P. Morgan**") to advise the Target Company in relation to the Offer and, in particular, to assess the financial adequacy of the offer consideration and to issue an opinion thereon (the "**Fairness Opinion**").

In this regard, J.P. Morgan evaluated the Target Company on the basis of international standard valuation methods. In its Fairness Opinion dated 29 November 2016, J.P. Morgan concludes that the Cash Offer Price is adequate from a financial perspective at that point in time.

### 5. INTERESTS OF THE STAKEHOLDERS

#### 5.1 Future business policy of the Bidder

The successful completion of the Offer would enable the Bidder to further enhance its position as, in its opinion, Germany's leading residential real estate company with a portfolio currently consisting of approximately 340,000 residential units with a total value of approximately EUR 24 billion.

The Bidder expects the integration of the Target Company to realise synergy potentials, especially through the joint administration and management of the German residential units, the further modernization of the assets, the expansion of the value chain and the optimization of cost structures. In particular, the Bidder intends to consolidate the administration of the German properties of the conwert group, thereby taking into consideration conwert's business interests on standard market terms at arm's length terms.

The Bidder intends to integrate the Target Company into the national management platform and thus realise the potential for value creation. Because of its good positioning, the Target Company shall continue to be present on the Austrian market.

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Should the Bidder hold more than 75% of the share capital and voting rights after Settlement, the Bidder could individually resolve upon structural or capital measures under corporate law.

## 5.2 **Effects on conwert shareholders and stock market**

It is the intention of the Bidder that, for the time being, the Target Company should remain listed on the Vienna Stock Exchange. However, the Bidder states that, in the event of a high acceptance rate of the Offer, the minimum free float requirements to keep the shares admitted to the Official Market (or the Second Regulated Market) or to remain in the "Prime Market" segment of the Vienna Stock Exchange may no longer be met. Legally, a delisting from the Official Market of the Vienna Stock Exchange is required if the statutory listing requirements according to section 66a para. 1 no. 7 of the Austrian Stock Exchange Act (in particular the minimum statutory free float) are no longer fulfilled. The possible termination of trading on the stock market or re-listing in a different market segment could be expected to severely restrict the liquidity of the shares and the setting of market prices.

The Bidder also reserves the right to implement a voluntary change in the market segment.

In the event that the Bidder holds more than 90% of the registered share capital and the voting rights of the Target Company following the Settlement of the Offer or at a later point in time, a squeeze-out of conwert shareholders (*squeeze-out*) in accordance with the Austrian Squeeze-out Act (*Gesellschaftsrausschlussgesetz – GesAusG*) would be legally permitted. A squeeze-out would lead to an exit of the remaining conwert shareholders from the Target Company and a delisting of the conwert Shares. In such event, the cash compensation could be lower (but also higher) than the Cash Offer Price. The Bidder, according to its own statements, has presently not made a decision in this regard.

Apart from a squeeze-out, the Bidder may have the required simple or qualified majority in the general assembly of the Target Company after the Settlement of the Offer to implement structural measures, such as amendments of the articles of association, capital increases, capital measures, reorganizations (in particular mergers and changes of the legal form) or the liquidation of the Target Company.

## 5.3 **Effects on employment and headquarter**

The Bidder does not have a presence in Austria at present and consequently also does not have a branch operating on the Austrian market. According to the BCA, the strategic orientation of the Target Company intended by the Bidder includes the continuation of the activities of the conwert group in the field of residential real estate, including the Austrian residential real estate portfolios, as well as the continuation of the current non-core disposal activities.

The Target Company already launched a programme to reduce overcapacity in the past. The Bidder currently sees no need for any job cuts other than those resulting from the measures already planned. Thus, according to the Bidder's statements, plans to scale back personnel are not a priority for this takeover, it being contemplated that it is considered to combine existing structures in connection with the integration of the Target Company's property portfolio, especially in Germany.

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#### **5.4 Effect on creditors and public interest**

As far as creditors are concerned, the Offer does not pose any recognizable 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.

#### **5.5 Independence pursuant to ÖCGK and business relations with the Bidder**

There are currently no personal or contractual connections between members of the administrative board of the Target Company and (i) the Bidder as well as (ii) members of the executive bodies of the Bidder (or with Parties Acting in Concert with the Bidder and members of their executive bodies). This means that there is no reciprocal personal connection between the Bidder and Parties Acting in Concert with the Bidder on the one side and the members of the administrative board of the Target Company on the other side.

The members of the administrative board of the Target are independent pursuant to rule 53 and (excluding Dr. Hofmann) rule 54 of the Austrian Corporate Governance Code (the "**ÖCGK**").

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

The members of the administrative board declare that they have not been promised or granted any monetary benefits in case the Offer is successful or in case of its failure.

#### **5.6 Obligation to support the Offer**

Subject to applicable duties and responsibilities under Austrian law, in particular relating to fiduciary duties of members of corporate bodies as well as requirements set out by the Austrian Takeover Act, the Target Company agreed to support the preparation and execution of the Offer until the Settlement.

#### **5.7 Intended changes to the administrative board of the Target Company**

Should the Offer be successful, the Bidder intends to newly appoint the administrative board of the Target Company and to thereby reflect the new ownership structure.

In this regard, an extraordinary general meeting of the Target Company shall be convened likely in January 2017 to increase the number of members of the administrative board of the Target Company from five to seven and to re-elect all members of the administrative board. The parties of the BCA intend that all current members of the administrative board of the Target Company resign as per the end of this extraordinary general meeting 2017. Four suitable candidates designated by the Bidder shall be proposed for election to the administrative board. Should the increase of the number of members of the administrative board fail, the administrative board shall continue to have five members, whereas three suitable candidates designated by the Bidder shall be elected into the administrative board of the Target Company.

The Bidder publicly declared and intends that minority conwert shareholders will be adequately represented in the administrative board of the Target Company and undertook that it will in this regard support the candidates nominated by the administrative board for election at the abovementioned extraordinary general meeting.

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## **6. FURTHER INFORMATION**

In case of questions regarding 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. EXPERT PURSUANT TO SECTION 13 ÜBG**

The Target Company has appointed PwC Wirtschaftsprüfung GmbH as expert pursuant to section 13 ÜBG.

## **8. ADVISORS OF THE TARGET COMPANY**

In relation to the Offer, the Target Company is advised by J.P. Morgan Limited, London as well as Eisenberger & Herzog Rechtsanwalts GmbH. Legal advice provided is limited to Austrian law.

## **9. POSITION OF THE ADMINISTRATIVE BOARD OF THE TARGET COMPANY ON THE OFFER**

The administrative board of the Target Company recommends conwert shareholders to accept the Offer. However, the administrative board expressly highlights that conwert shareholders can only individually assess, whether the Offer is favourable based on their individual circumstances (including purchase price, investment strategy, tax situation, etc.) and that any such decision also largely depends on the conwert shareholders' expectation on future developments of the stock and the real estate markets. The conwert shareholders therefore have to decide themselves whether to accept or reject the Offer. In this regard, the conwert shareholders' expectation on the future development of the conwert Share price (and, with respect to the Exchange Offer, of the Vonovia Share price) are decisive. In order to be able to factor in developments that occur after the issuance of this Statement, it may be advantageous for conwert shareholders to make the decision whether to accept or reject the Offer (timely but) towards the end of the Acceptance Period.

From the perspective of the administrative board, the following are the main arguments in favour and against the acceptance of the Offer. The fact that the Offer contains offer alternatives (Cash Offer / Exchange Offer) increases the decision alternatives for the conwert shareholders – taking into consideration the above-mentioned individual circumstances of each conwert shareholder – but on the other hand requires a more complex assessment of the arguments in favour and against the acceptance of the Offer. The following assessment of arguments must therefore be made on the basis of a generalised consideration and may also significantly differ from the conclusions adequate for each single conwert shareholder.

### **9.1 Arguments in favour of accepting the Offer**

- (a) The Cash Offer exceeds the undiluted EPRA net asset value ("NAV") per conwert Share of EUR 15.92 (as per 30 September 2016<sup>1</sup>) by 1.5%. In the years prior to the announcement of the Bidder's intention to launch the Offer, the conwert Share price traded below the NAV published by the Target Company.

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<sup>1</sup> This therefore does not factor in the expected revaluation gains for the fourth quarter of the business year 2016 (cf. the announcement of the Target Company dated 25 November 2016).

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- (b) In its Fairness Opinion dated 29 November 2016, J.P. Morgan concludes that the Cash Offer Price is adequate from a financial perspective at this point in time (see Section 4.6 above).
- (c) The Cash Offer is significantly higher than the average volume-weighted average market prices of the Target Company for the last 3, 6, 12 and 24 calendar months prior to the announcement of the Bidder's intention to launch the Offer on 5 September 2016.
- (d) In March 2015, Deutsche Wohnen AG published a voluntary public takeover offer to acquire control pursuant to section 25a ÜbG for an offer price of EUR 11.50 per conwert Share, which failed. The current Cash Offer is approximately 40.5% higher than the offer by Deutsche Wohnen AG.
- (e) The Offer enables sales of high volumes of conwert Shares without negative impacts on the share price. A consideration comparable to the Offer may be difficult to achieve in the future for high volumes after the Offer (and as the effect supporting the conwert Share price ceases to apply).
- (f) If the Offer is successful, the free float will decrease. This is likely to result in lower daily trading volumes in conwert Shares, which might make the conwert Shares less attractive following the completion of the Offer. Therefore, conwert shareholders may not be able to achieve a price comparable to the Cash Offer Price (also for smaller volumes) in the future.
- (g) It is unclear from a current perspective, whether the shareholder structure will materially remain the same if the Offer fails and whether further public offers for conwert Shares will be launched under the ÜbG that – from the perspective of the conwert shareholders – offer at least equal terms compared to the Offer.
- (h) Economic developments, an unfavourable business environment, including higher competition on the German and Austrian real estate markets from other real estate companies, which partially benefit from higher economies of scale, political crises as well as natural disasters may have a negative impact on the future business and earnings of the Target Company as well as on the share price. In particular, it is unclear if real estate prices will continue to rise especially in Germany and Austria and interest rates will continue to stay low, which are particularly important for the development of the Target Company, or whether real estate and rent prices in those core markets of the Target Company may fall or interest rates may rise, both of which may negatively impact the share price of the Target Company. In this regard, it should be noted that share prices in the German real estate sector significantly declined over the past few weeks (some relevant real estate shares declined to NAV levels, or below), which might indicate a general downward trend of real estate shares. It is possible that the conwert Share would also have been affected, or will be affected in the future, from such downward trend without the Offer and its share price supporting effect. By accepting the Cash Offer, conwert shareholders may avoid future share price declines.

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***With respect to the Exchange Offer, also the following aspects should be considered:***

- (i) By accepting the Exchange Offer, conwert shareholders can participate in the Offer, continue to be invested in the German and Austrian real estate market and benefit from a potential value creation of the Bidder, including through the realization of synergies between the Bidder and the Target Company. The analyst consensus for Vonovia Shares, as published shortly before the announcement of the Bidder's intention to launch the Offer, amounted to EUR 36.39<sup>2</sup> on average, which indicates a considerable appreciation potential compared to the closing price per 28 November 2016 of EUR 30.99<sup>3</sup> and which, taking into consideration the exchange ratio of 0.496645, would translate into a valuation of the conwert Share of EUR 18.07, as opposed to EUR 15.39 as per 28 November 2016.
- (j) The Bidder is, according to its own statements, the largest German residential real estate company in the private sector, in terms of value and unit count of the real estate portfolio as well as market capitalization. Further, the Bidder is the first real estate company listed on the DAX-30 index. Approximately 75.57% of the Existing Vonovia Shares are held in free float (respectively 92.37% according to the definition of the Deutsche Börse AG as of 31 October 2016) and have a higher liquidity than the conwert Shares.
- (k) According to published guidance, the Target Company expects that a dividend of EUR 0.48 per share will be resolved for the business year 2016; in contrast, the guidance published by the Bidder indicates a dividend in the amount of EUR 1.12 per share. Considering the exchange ratio for the Exchange Offer, this translates into a dividend for the New Vonovia Shares of approximately EUR 0.56 per share for the business year 2016 thus EUR 0.08 higher than for the conwert Share. To the extent legally permitted, the New Vonovia Shares will be entitled to receive full dividends as of 1 January 2016, payable in 2017. However, as it cannot be ruled out that, including in case of a delayed Settlement of the Offer following the Additional Acceptance Period, if any, conwert shareholders are not entitled to dividends or are excluded from such right for the business year 2016, this also needs to be considered as argument against the acceptance of the Exchange Offer.
- (l) Pursuant to the published guidance, conwert expects rental revenues to increase by approximately 3% p.a. on the medium term; Vonovia on the other hand expects increases of between 3.5% and 3.7% for the business year 2017.
- (m) According to the rating agency Standard & Poor's (S&P), the Bidder's investment grade rating is higher (BBB+ on 10 May 2016) than conwert's (BBB- on 9 March 2016). S&P indicated that it would consider upgrading conwert's investment grade rating in case the Offer is successful.<sup>4</sup>

## 9.2 Arguments against accepting the Offer

- (a) By concept, each conwert shareholder accepting the Offer will not participate in any future share price increase of the conwert Share. In particular, such increases may result from continued positive developments on the German and Austrian real

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<sup>2</sup> Source: Bloomberg as of 2 September 2016.

<sup>3</sup> Source: FactSet as of 28 November 2016.

<sup>4</sup> Source: S&P Ratings Research dated 6 September 2016.

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estate markets and on the level of the Target Company (increases in efficiency, more favourable financing conditions, revaluation gains, such as those announced by the Target Company on 25 November 2016 etc.). Also, certain analysts have in the past forecasted higher share prices than the Cash Offer Price.

- (b) In case the Offer is successful, the aforementioned improvements on the Target Company level may materialise for the remaining convert shareholders from synergies realised by the integration of the Target Company into the Bidder's group of companies; however, this only applies if a sufficient amount of convert shareholders accept the Offer and the statutory minimum acceptance threshold is reached so that the Offer becomes effective.
- (c) convert shareholders are temporarily restricted in their ability to trade the convert Shares, which have been tendered into the Offer, as Tendered convert Shares cannot be traded on the stock exchange until the settlement of the Offer. Due to the Offer structure, such limitation may apply until 3 March 2017 at the latest, if the conditions precedents to the Offer are not fulfilled earlier. This may create uncertainties for the convert shareholders, which have accepted the Offer during the initial Acceptance Period, as the share price developments of the convert Share and the Vonovia Share cannot be predicted during this period.

***With respect to the Exchange Offer, also the following aspects should be considered:***

- (d) Since the announcement of the Bidder's intention to launch the Offer until 28 November 2016, the Bidder's share price decreased by 12.5%. As of 28 November 2016, the implied value of the Exchange Offer (i.e. this day's closing price of the Vonovia Share multiplied with the exchange ratio of the Exchange Offer) amounts to EUR 15.39 and is thus lower than the Cash Offer and lower than the NAV (as of 30 September 2016<sup>5</sup>). Depending on the price development of the share price of the New Vonovia Shares, this ratio might further deteriorate (but also improve). Thus, the attractiveness of the Exchange Offer primarily depends on the development of the share price of the Vonovia Share and the personal expectations and investment strategy of the individual convert shareholders. Instead of accepting the Exchange Offer, which is less favourable than the Cash Offer as per 28 November 2016, convert shareholders who wish to invest in the future potential of the Vonovia Share could also accept the Cash Offer and fully or partially reinvest the sales proceeds (minus costs and taxes) in Vonovia Shares.
- (e) By accepting the Exchange Offer, convert shareholders invest in potential risks that may previously not have been part of their portfolio. The Target Company has not performed a due diligence of the Bidder and is not able to assess, whether other risk factors exist than those described in the summary of the prospectus, and their potential impact.
- (f) At least in the short term, Vonovia's share price may face certain pressure also for the following reasons:

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<sup>5</sup> This therefore does not factor in the expected revaluation gains for the fourth quarter of the business year 2016 (cf. the announcement of the Target Company dated 25 November 2016).

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- (i) as described in detail in section 5.7 of the Offer Document, the New Vonovia Shares may not be offered or sold to certain U.S. Shareholders; if such conwert shareholders nevertheless accept the Exchange Offer, they will receive the respective cash amount from the disposal of the assigned New Vonovia Shares, instead of the respective New Vonovia Shares; this process shall be performed immediately after the settlement of the Offer;
- (ii) in case the Target Company accepts the Exchange Offer with its Treasury Shares, the assigned New Vonovia Shares must be sold on the stock exchange without undue delay and with minimum impact on the stock price;
- (iii) if more than 95% minus 10,000 conwert Shares are tendered into the Offer, the so-called Surplus Shares are auctioned by the Third-Party Bank in accordance with section 1.6 of the Offer Document;
- (iv) as set out in detail in section 5.9 of the Offer Document, fractional shares that result from the acceptance of the Exchange Offer will be sold by the Austrian Paying Agent on the stock exchange and paid to the respective conwert shareholders in cash;
- (v) conwert shareholders having accepted the Exchange Offer may decide to sell the New Vonovia Shares if the market develops favourable.

Due to the aforementioned reasons, the Vonovia Share price may, at least short term, come under pressure irrespective of other developments. This may create disadvantages for conwert shareholders having accepted the Exchange Offer, especially if they intend to sell their New Vonovia Shares short term.

- (g) U.S. Shareholders should further consider, that (i) additional fees may be incurred in the context of the sale of New Vonovia Shares in accordance with section 5.7 of the Offer Document – however, according to the Bidder, such fees will be covered by the Austrian Paying Agent – and (ii) U.S. Shareholders will, in any case, receive the price for the sale of their shares only after the Settlement.
- (h) As described in detail in section 5.9 of the Offer Document in particular, the conwert Shares will be transferred to the Bidder as contribution in kind, subject to the condition precedent that the registration of the Offer Capital Increases occurs. The offer consideration (i.e. the New Vonovia Shares) will then be transferred from the Austrian Paying Agent via the OeKB and the depository banks to the conwert shareholders. In contrast to the Cash Offer, which will be settled simultaneously with the payment of the Cash Purchase Price against the transfer of the conwert Shares, conwert shareholders having accepted the Exchange Offer bear certain pre-settlement risks (*Vorleistungsrisiko*), which are inherent in the settlement mechanisms itself. However, such risks are unlikely to materialise except for very extraordinary circumstances.
- (i) The New Vonovia Shares will be issued in the course of the Offer Capital Increases. According to section 3.3.2 of the Offer Document, the Bidder will effect the admission of the New Vonovia Shares to trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange shortly after the registration of

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the implementation of the Offer Capital Increases. Admission of the New Vonovia Shares to trading may be delayed and may thereby limit the tradability of the New Vonovia Shares.

- (j) It cannot be ruled out that conwert shareholders accepting the Exchange Offer may incur additional fees from the sale of fractional shares, which will, according to the Bidder, however be covered by the Austrian Paying Agent.
- (k) According to Vonovia's website, the annual general meeting of Vonovia for the year 2017 is scheduled for 16 May 2017. In order to be able to exercise shareholder rights and to profit from dividend rights (see also Section 9.1(k) above) at such general meeting, the New Vonovia Shares will need to be issued in due time. In extraordinary circumstances, the issuance of New Vonovia Shares to conwert shareholders, who have accepted the Exchange Offer during the Additional Acceptance Period, may be delayed and the New Vonovia Shares may then be issued too late in this respect.

With regard to these and further risks relevant for the Exchange Offer, we also refer to the risk factors as set out in the summary of the prospectus of Vonovia (see Section 2.2 above). Any of the risks factors mentioned therein may have a negative impact on the Vonovia Share price.

### 9.3 **Acceptance of the Offer during the Additional Acceptance Period**

For all holders of securities who have not accepted the Offer during the initial Acceptance Period, such period is extended for 3 months from the announcement (publication) of the result of the Offer (section 19 para. 3 ÜbG), to the extent all conditions precedent are satisfied. During the Additional Acceptance Period, conwert shareholders are offered the same offer considerations (Cash and Exchange Offer) than during the initial Acceptance Period. During the Additional Acceptance Period, the Offer is not subject to any conditions precedent. **However, the Offer period is only extended by the Additional Acceptance Period, if the Offer is successful during the initial Acceptance Period, i.e. if the Bidder has received Acceptance Declarations for more than 50% of the Offer conwert Shares during the initial Acceptance Period.**

Considering the currently low interest rates, it may be beneficial for conwert shareholders to hold their conwert Shares while maintaining the possibility to tender their conwert Shares later. However, as described in the previous paragraph, this only applies if the Offer is successful during the initial Acceptance Period and the Bidder receives Acceptance Declarations for more than 50% of the Offer conwert Shares; otherwise the Offer fails and acceptance of the Offer during the Additional Acceptance Period is not possible.

The arguments described in this Statement in favour and against the acceptance of the Offer during the Acceptance Period apply *mutatis mutandis* to the acceptance of the Offer during the Additional Acceptance Period.

### 9.4 **Concluding remarks**

According to the Bidder, MountainPeak, the largest shareholder of the Target Company, committed to tender 26,190,921 conwert Shares into the Exchange Offer (corresponding to approximately 25.67% of the registered share capital of the Target Company).

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However, this does not allow for a final assessment of the expected acceptance rate of the Offer.

J.P. Morgan conducted a valuation of the Target Company on the basis of international standard valuation methods and on this basis issued the Fairness Opinion dated 29 November 2016. In this Fairness Opinion, J.P. Morgan concludes that the Cash Offer Price is adequate from a financial perspective at that point in time.

Considering the entire Offer and the fact that the Cash Offer Price exceeds the statutory minimum price, also the administrative board concludes that the Cash Offer Price is adequate.

In summary, the administrative board concludes that the Offer adequately reflects the interests of conwert shareholders. The administrative board believes that the business policy as outlined by the Bidder provides for a suitable basis for the development of the conwert group.

**Based on its extensive review of the Offer and reflecting its knowledge as of 29 November 2016, the administrative board**

**recommends**

**conwert shareholders to accept the Offer as Cash Offer. If the Vonovia Share price were to rise adequately during the initial Acceptance Period (respectively the Additional Acceptance Period), the acceptance of the Exchange Offer may become more favourable than the acceptance of the Cash Offer.**

Vienna, this 29 November 2016

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administrative board

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**Mag. Erich Kandler**  
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