

Convenience Translation



Please note that this translation is for convenience purposes only. Only the German original of this invitation is legally valid and binding. The Company assumes no responsibility for misunderstandings or misinterpretations that may arise from this translation or any mistakes or inaccuracies contained herein. In cases of doubt, only the German original shall form the basis for interpretation.

Deutsche Wohnen AG

Frankfurt am Main, Germany

ISIN DE0006283302

WKN 628330

ISIN DE000A0HN5C6

WKN A0HN5C

Invitation to the Extraordinary General Meeting

The shareholders of our company are hereby invited to attend on

Monday, 30 September 2013

at 10:00 A.M. (CEST)

at the

Japan Center

Taunustor Conference Center

Taunustor 2

60311 Frankfurt am Main, Germany

the

Extraordinary General Meeting

I. Agenda

The management board of Deutsche Wohnen AG (the “**Management Board**”) published its decision pursuant to section 10, para. 1, 3, sentence 1 of the German Securities Acquisition and Takeover Act (“**WpÜG**”), to issue a takeover offer to the shareholders of GSW Immobilien AG in the form of an exchange offer as stipulated in the WpÜG that relates to the purchase of all their shares held in GSW Immobilien AG. In consideration for each of their GSW Immobilien AG shares (the “**GSW Shares**”), each share with a notional value of EUR 1.00, the shareholders of GSW Immobilien AG shall be offered 2.55 shares in Deutsche Wohnen AG (the “**Exchange Offer**”).

The GSW Shares for which the takeover offer was accepted, subject to the limitations described below, shall be contributed to Deutsche Wohnen AG (the “**Company**”) in accordance with a capital increase against contributions in kind. The financial institutions UBS Deutschland AG, Opernturm, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, acting as exchange trustees (the “**Exchange Trustees**”) (*Umtauschtreuhänder*), are tasked with settlement of the capital increase against contributions in kind.

Pursuant to the Exchange Offer, the shareholders of GSW Immobilien AG who accept the offer will transfer their GSW Shares to the Exchange Trustees. The Exchange Trustees, holding these shares on a fiduciary basis, will contribute these shares to Deutsche Wohnen AG, and subject to the limitations described below, subscribe the newly created Deutsche Wohnen shares issued in accordance with a capital increase to be resolved upon as set out in section 1 of the agenda. Following the creation of the new shares, the Exchange Trustees will then transfer them, pursuant to the Exchange Offer, to the shareholders of GSW Immobilien AG.

Based on the exchange ratio described above and the current number of outstanding GSW Shares, the maximum number of Deutsche Wohnen AG shares issuable under the Exchange Offer is 128,842,101.

In the event the acceptance rate of the takeover offer reaches a threshold, which would result in Deutsche Wohnen AG holding an interest of more than 94.9% in GSW Immobilien AG, taking into account the GSW Shares already held but otherwise acquired by Deutsche Wohnen AG, Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany, has agreed to acquire, in place of Deutsche Wohnen AG, the GSW Shares tendered to the Exchange Trustees that exceed the acceptance rate threshold. In order to enable the Exchange Trustees, pursuant to the Exchange Offer, to grant new shares of Deutsche Wohnen AG for those GSW Shares that exceed the 94.9% threshold, the Exchange Trustees – if necessary – will subscribe for shares of Deutsche Wohnen AG issued through a capital increase against cash contributions as set out in section 2 of the agenda. Based on the exchange ratio described above and the current number of GSW Shares outstanding, the maximum number of Deutsche Wohnen AG shares that the Exchange Trustees can subscribe for under the capital increase against cash contributions is 6,570,948; whereas, in the event of the implementation of this capital increase against cash contributions, the maximum number of shares issuable pursuant to the capital increase against contributions in kind as set out in section 1 of the agenda would be reduced accordingly.

The Management Board and the supervisory board (the “**Supervisory Board**”) propose the following to the general meeting (the “**General Meeting**”):

1. Increase of the Company’s Share Capital against Contributions in kind with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association

- a) The Company’s current share capital, which amounts to EUR 168,907,143.00, divided, as of the date of this invitation, into 168,811,823 ordinary bearer shares, with no par value, and 95,320 ordinary registered shares, with no par value, each share with a notional value of EUR 1.00, will be increased by up to EUR 128,842,101.00 to up to EUR 297,749,244.00 through the issuance of up to 128,842,101 ordinary bearer shares, with no par value (the “**New Shares**”), each with a notional value of EUR 1.00 against contributions in kind.

The issue price (*Ausgabebetrag*) of the New Shares is EUR 1.00. The difference between the issue price (*Ausgabebetrag*) of the New Shares and the contribution value (*Einbringungswert*) of the contributions in kind shall be allocated to the capital reserve pursuant to section 272, para. 2, no. 4 of the German Commercial Code (the “**HGB**”).

- b) The New Shares carry full dividend rights as of 1 January 2014. Dividend rights for the fiscal year 2013 do not exist.
- c) The subscription rights of the shareholders of Deutsche Wohnen AG are excluded. The shares resulting from the capital increase against contributions in kind will be issued in connection with a takeover offer to the shareholders of GSW Immobilien AG pursuant to sections 29 et seq. of the WpÜG by way of the Exchange Offer for the purchase of all shares held by GSW Immobilien AG’s shareholders at a ratio of 1:2.55. Each shareholder of GSW Immobilien AG is therefore entitled to receive 2.55 New Shares of this capital increase against contributions in kind, in exchange for each tendered GSW Share.
- d) UBS Deutschland AG, Opernturm, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany, will subscribe for the New Shares in their capacity as Exchange Trustees (*Umtauschtreuhänder*) for the shareholders of GSW Immobilien AG that have accepted the Exchange Offer. Accordingly, the Exchange Trustees are hereby permitted to subscribe for the New Shares and will contribute the GSW Shares tendered for the exchange, provided they are subject to the capital increase against contributions in kind, as contributor in kind (*Sacheinleger*) in Deutsche Wohnen AG.
- e) The capital increase against contributions in kind shall only be implemented to the extent to which the New Shares have been subscribed for by the Exchange Trustees by the deadline stipulated in section 1 i).

- f) The Management Board intends to refrain from an appraisal of the contributions in kind (section 183, para. 3 of the German Stock Corporation Act (the “AktG”)) pursuant to section 183a, para. 33a of the AktG.
- g) The Management Board is authorised to determine further details regarding the implementation of the capital increase against contributions in kind.
- h) The Supervisory Board is authorised to amend the articles of association according to the implementation of the capital increase against contributions in kind.
- i) The resolution concerning the increase of the share capital against contributions in kind will become null and void if the completion of the capital increase has not been filed for entry in the commercial register within three months following the entry of this resolution in the commercial register. The Management Board and the chairman of the Supervisory Board are instructed to file the entry of the resolution concerning the increase of the share capital against contributions in kind without undue delay once the requirements for its registration have been met (in particular, in the event of pending rescission actions (*Anfechtungsklagen*) or the conclusion of a release procedure (*Freigabeverfahren*) pursuant to section 246a of the AktG).

The capital increases to be resolved upon as set out in sections 1 and 2 shall be effective independently of each other. The Management Board is authorised to file for the entry of both resolutions in the commercial register independently of each other, as soon as the conditions of the respective resolutions have been met.

2. Increase of the Company’s Share Capital against Cash Contributions with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association

- a) The Company’s current share capital, which amounts to EUR 168,907,143.00, divided, as of the date of this invitation, into 168,811,823 ordinary bearer shares, with no par value, and 95,320 ordinary registered shares, with no par value, each share with a notional value of EUR 1.00, will be increased by the future amount of the share capital, which will result from the to-be-resolved-upon capital increase against contributions in kind as set out in section 1, by up to EUR 6,570,948.00 through the issuance of up to 6,570,948 ordinary bearer shares, with no par value (the “**New Option Shares**”), each with a notional value of EUR 1.00 against cash contributions.

The issue price (*Ausgabebetrag*) of the New Option Shares is EUR 1.00. As subscribers for the New Option Shares, the Exchange Trustees have irrevocably undertaken to transfer to the Company the difference between the issue price (*Ausgabebetrag*) in the amount of EUR 1.00 and the agreed upon issue price (*Emissionspreis*) of the New Option Shares of EUR 14.16 per share. The difference between the issue price (*Ausgabebetrag*) and the agreed upon issue price (*Emissionspreis*) of the New Option Shares shall be allocated to the capital reserve pursuant to section 272, para. 2, no. 4 of the HGB.

- b) The New Option Shares carry full dividend rights as of 1 January 2014. Dividend rights for the fiscal year 2013 do not exist.
- c) The subscription rights of the shareholders of Deutsche Wohnen AG are excluded. In their capacity as Exchange Trustees for the shareholders of GSW Immobilien AG, UBS Deutschland AG, Opernturm, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany, have been authorised to subscribe for the New Option Shares in order to allow the shareholders of GSW Immobilien AG, in accordance with the Exchange Offer, to subscribe for shares of Deutsche Wohnen AG in exchange for GSW Shares tendered that will be acquired by Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany and not by Deutsche Wohnen AG.
- d) The capital increase against cash contributions shall only be implemented to the extent that New Option Shares have been subscribed for by the Exchange Trustees by the deadline stipulated in section 2 g).
- e) The Management Board is authorised to determine further details regarding the implementation of the capital increase against cash contributions.
- f) The Supervisory Board is authorised to amend the articles of association according to the implementation of the capital increase against cash contributions.
- g) The resolution concerning the increase of the share capital against cash contributions will become null and void if the completion of the capital increase has not been filed for entry in the commercial register within three months following the entry of this resolution in the commercial register. The Management Board and the chairman of the Supervisory Board are instructed to file the entry of the resolution concerning the increase of the share capital against cash contributions without undue delay, once the requirements for its registration have been met (in particular, in the event of pending rescission actions (*Anfechtungsklagen*) or the conclusion of a release procedure (*Freigabeverfahren*) pursuant to section 246a of the AktG).

The capital increases to be resolved upon as set out in sections 1 and 2 shall be effective independently of each other. The Management Board is authorised to file for the entry of both resolutions in the commercial register independently of each other as soon as the conditions of the respective resolutions have been met.

II. Report of the Management Board

The Management Board prepared a report on agenda items 1 and 2 pursuant to section 186, para. 4, sentence 2 of the AktG about the reason for the exclusion of shareholder subscription rights and the justification of the proposed exchange ratio and issue price (*Emissionspreis*). The management report with its principal content (excluding Annexes A and B) is attached to this invitation to the Extraordinary General Meeting as Annex 1.

III. Additional Information Regarding the Convocation

1. Total Number of Shares and Voting Rights at the Time of the Convocation of the Extraordinary General Meeting

At the time of the convocation of the Extraordinary General Meeting, the Company's share capital amounts to EUR 168,907,143 and is divided into 168,907,143 shares with no par value. Each non-par value share confers one vote at the General Meeting. The total number of shares entitled to participate and vote (*teilnahme- und stimmberechtigt*) is thus 168,907,143. The Company holds no treasury stock at the time of the convocation of the General Meeting.

2. Requirements for Participating at the Extraordinary General Meeting and the Exercise of Voting Rights

a) Participation of holders of bearer shares

Holders of bearer shares that also have registered themselves in a timely manner may participate in the General Meeting and exercise their voting rights. Registration must therefore be submitted to the Company by Monday, 23 September 2013, no later than midnight (24:00 CEST), at the following address:

Deutsche Wohnen AG
c/o Computershare Operations Center
80249 Munich, Germany

Fax: +49 (0) 89 30903-74675

Email: anmeldestelle@computershare.de

The holders of bearer shares also must have provided to the Company a special verification of share ownership, i.e. that they were shareholders at the beginning of Monday, 9 September 2013 (i.e. 00:00 CEST) (record date). For verification of the share ownership, a separate proof of share ownership issued by the depositary bank will suffice.

Just as with registration, proof of share ownership must also be submitted to the Company at the address mentioned above by Monday, 23 September 2013, no later than midnight (24:00 CEST). The registration and verification of share ownership require text form (pursuant to section 126 b of the BGB) and must be made in either German or English.

Further information regarding the registration process can be found for download at <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Extraordinary General Meeting 2013").

Importance of the record date:

In relation to the Company, only those persons who have submitted special verification of share ownership are deemed to be shareholders for purposes of participating in the General Meeting and exercising voting rights. The right to participate and the extent of voting rights are determined exclusively based on the share ownership as of the record date. The record date does not result in a blocking of any potential transfers of ownership in the shares. Should all or part of a share ownership interest be sold after the verification deadline, only the shareholder's share ownership as of the record date is relevant for determining the participation and voting rights, i.e. the sale of shares after the verification deadline has no effect on the right to participate in the meeting and the extent of voting rights. The same applies to the initial acquisition and further acquisition of shares after the verification date. Persons not yet holding shares by the record date, and only becoming shareholders thereafter, are entitled to participate and vote the shares held by them only to the extent that they are appointed as proxy holders or authorised to exercise such rights.

b) Participation of registered shareholders

Only those registered shareholders that have been registered in the share register (*Aktienregister*) and who registered themselves for the General Meeting in a timely manner may participate in the General Meeting and exercise their voting rights. Registration must therefore be submitted to the Company at the following address by Monday, 23 September 2013, no later than midnight (24:00 CEST):

Deutsche Wohnen AG
c/o Computershare Operations Center
80249 Munich, Germany

Fax: +49 (0) 89 30903-74675

Email: anmeldestelle@computershare.de

Registration shall be in text form (pursuant to section 126 b of the BGB) and must be made in either German or English.

Pursuant to section 67, para. 2, sentence 1 of the AktG, only those persons who are registered as shareholders in the share register (*Aktienregister*) are deemed to be shareholders in relation to the Company. As a result, the status of the entries in the share register (*Aktienregister*) on the day of the General Meeting is decisive in determining the participation rights and the number of voting rights to which an authorised participant is entitled. Deletions, new entries and changes to the share register (*Aktienregister*) do not take place in the last six days before the General Meeting or on the day of the General Meeting itself (section 9, para. 5, clause 2 of the articles of association). This means that in the period from Tuesday, 24 September 2013 up to and including Monday, 30 September 2013, no changes may be made in

the share register (*Aktienregister*). Therefore, the status of the entries in the share register (*Aktienregister*) on the day of the General Meeting corresponds to the status as of the last changes effected on Monday, 23 September 2013 (technical record date).

Credit institutions (*Kreditinstitute*) and shareholder associations or other persons, institutions, companies and associations deemed equivalent in the meaning of section 135, para. 8 and section 135, para. 10 in conjunction with section 125, para. 5 of the AktG, may exercise voting rights for shares which they do not own, but for which they are registered as owners in the share register (*Aktienregister*), only on the basis of a proxy. Details of such authorisation can be found in section 135 of the AktG.

Further information regarding the registration process can be found on the registration and proxy voting form sent to shareholders as well as at the website <http://www.deutsche-wohnen.com> (under “Investor Relations” > “Annual General Meetings” > “Extraordinary General Meeting 2013”).

Trading in shares is not blocked by registration for the General Meeting. Even after successful registration, shareholders may continue to freely dispose of or convey rights in their shares; however, as only those persons who are registered as such in the share register (*Aktienregister*) as of the day of the General Meeting (see above) may be treated as shareholders in relation to the Company, such a transaction may impact a shareholder’s rights to participate in the meeting and to vote.

3. Process for Voting via an Authorised Representative (Proxy)

Shareholders may also exercise their voting rights in the General Meeting by means of a corresponding authorisation given to an authorised representative, for example a credit institution (*Kreditinstitut*), a shareholders’ association or another third party. Even in the event of such representation of shareholders, the timely registration of the shareholders and, for holders of bearer shares, the timely verification of the share ownership and for registered shareholders, entry in the share register (*Aktienregister*) as described above, are required.

The granting of the power of proxy, its withdrawal and verification of the authorisation to the Company all require text form if a person or an entity other than a credit institution (*Kreditinstitut*), a shareholders’ association, or persons, institutions, companies or associations deemed equivalent in the meaning of section 135, para. 8 and section 135, para. 10 in conjunction with section 125, para. 5 of the AktG, is authorised to exercise voting rights by proxy.

If voting proxies are issued to credit institutions (*Kreditinstitute*), shareholders’ associations or persons, institutions, companies and associations deemed equivalent in the meaning of section 135, para. 8 and section 135, para. 10 in conjunction with section 125, para. 5 of the AktG, there is no text form requirement; however, the authorised agent shall keep a verifiable record of the proxy. In addition, it must be complete and may contain only statements relating to the exercise of the voting rights. We therefore request that shareholders who want to grant

the power of proxy for exercising voting rights to a credit institute (*Kreditinstitut*), shareholders' associations or persons, institutions, companies and associations deemed equivalent in the meaning of section 135, para. 8 and section 135, para. 10 in conjunction with section 125, para. 5 of the AktG coordinate with the authorised representative with regards to the form of the proxy.

If the shareholder authorises more than one person, the Company may reject either one or more of these.

Shareholders who would like to authorise a representative are requested to use the form for granting the power of proxy, which the Company provides for this purpose. The proxy voting form is provided by the Company together with the registration documents (registered shareholders) and/or together with the entry card after successful registration (holders of bearer shares and registered shareholders). In addition, a form for granting the power of proxy can be found on the Company's website at: <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Extraordinary General Meeting 2013").

Verification of the appointment of a proxy agent can be submitted to the Company electronically at the following email address: DWAG-aoHV2013@computershare.de.

Further advice on the proxy voting procedure can be found at the following website: <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Extraordinary General Meeting 2013").

Process for voting via Company-voting proxy:

Furthermore, the Company provides its shareholders with the opportunity to issue proxies to employees selected by the Company who act as authorised representatives and are bound by the shareholders' voting instructions. These authorised representatives shall vote according to their instructions; they cannot exercise the voting rights at their own discretion. Please note that the proxy agents can only vote your shares on agenda items on which you have given unambiguous voting instructions, and that they may not accept instructions on proposals of procedure (*Verfahrensanträge*) prior to or during the General Meeting. Similarly, the proxy agents may not accept instructions regarding the issuance of statements in the meeting (*Wortmeldungen*), for filing objections (*Widersprüche*) against General Meeting resolutions or to present questions or proposals. The granting of such power of proxy with instructions to the proxy agent prior to the General Meeting is only possible by using the proxy authorisation and instruction form (*Vollmachts- und Weisungsformular*), which the shareholders will receive with the entry card in their invitation to the Extraordinary General Meeting. The corresponding form can be found for download on the Company's website at: <http://www.deutsche-wohnen.com> (under "Investor Relations" > "Annual General Meetings" > "Extraordinary General Meeting 2013").

The authorisation of the Company's proxy agents and the issuance of instructions to them are to be submitted by Friday, 27 September 2013, 12:00 P.M. noon CEST (receipt); they require

text form. The authorisation and issuance of instructions to the proxy agents determined by the Company should be addressed by post, fax or electronically (by email) to the following address:

Deutsche Wohnen AG
c/o Computershare Operations Center
80249 Munich, Germany
Fax: +49 (0) 89 30903-74675
Email: anmeldestelle@computershare.de

4. Further Rights of Shareholders

- a) Proposals by shareholders for additions to the agenda pursuant to section 122, para. 2 of the AktG

Shareholders whose total shares reach one-twentieth of the share capital or the aggregate notional amount of EUR 500,000.00 (this corresponds to 500,000 shares) can request that items must be added to the agenda and must be announced.

Requests for such amendments shall be made in writing to the attention of the Management Board and must be received by the Company at least 30 days prior to the General Meeting; the day of receipt and the day of the General Meeting shall not be included in the calculation. The latest possible date of receipt is therefore Friday, 30 August 2013, midnight (24:00 CEST). Requests for amendments that are received after this deadline will be disregarded.

We kindly ask that requests for amendments be sent to the following address:

Deutsche Wohnen AG
Management Board
Attn: Mr Dirk Sonnberg
Mecklenburgische Straße 57
14197 Berlin, Germany

- b) Counterproposals from shareholders pursuant to section 126, para. 1 of the AktG

Every shareholder has the right at the General Meeting to make a counterproposal to the proposals of the Management Board and/or the Supervisory Board regarding specific items on the agenda. Counterproposals shall include an explanatory statement (*Begründung*).

Counterproposals received by the Company at least 14 days prior to the General Meeting at the following address, whereby the date of receipt and the day of the General Meeting shall not be included in the calculation, that is, no later than Sunday, 15 September 2013, midnight (24:00 CEST), will be published without undue delay and include the shareholder's name, the explanatory statement (*Begründung*) and any

other comments by the management at: <http://www.deutsche-wohnen.com> (under “Investor Relations” > “Annual General Meetings” > “Extraordinary Annual General Meeting 2013”) (see section 126, para. 1, sentence 3 of the AktG).

Section 126, para. 2 of the AktG states several reasons whereby a counterproposal and its accompanying explanatory statement (*Begründung*) would not be required to be made accessible via the website. These are described on the Company’s website at: <http://www.deutsche-wohnen.com> (under “Investor Relations” > “Annual General Meetings” > “Extraordinary Annual General Meeting 2013”).

Only the following address is designated for submission of counterproposals (*Begründungen*) and explanatory statements:

Deutsche Wohnen AG
Investor Relations
Mecklenburgische Straße 57
14197 Berlin, Germany
Fax: +49 (0) 30 89 786-507
Email: ir@deutsche-wohnen.com

Counterproposals otherwise addressed will not be made accessible.

Counterproposals are only filed if they are presented during the General Meeting. The right of every shareholder to present counterproposals relating to various agenda items during the General Meeting without prior and timely submission to the Company remains unaffected.

c) Shareholders’ right to information pursuant to section 131, para. 1 of the AktG

Pursuant to section 131, para. 1 of the AktG, every shareholder at the General Meeting is entitled, upon request, to information by the Management Board on the affairs of the Company, to the extent that such information is necessary for a proper evaluation of an item on the agenda. This duty to provide information extends also to the Company’s legal and business relationships with any affiliated company as well as to the state of the group and the consolidated group companies.

Pursuant to section 9, para. 10, sentence 2 of the Company’s articles of association, the chairman of the general meeting (*Versammlungsleiter*) may reasonably limit the time allowed for shareholders’ question and answer statements (*Frage- und Rederecht der Aktionäre*). Under certain requirements, as described in more detail in section 131, para. 3 of the AktG, the Management Board may furthermore refuse a request for information. A detailed description of the requirements under which the Management Board may refuse to provide information can be found on the Company’s website at the following address: <http://www.deutsche-wohnen.com>

(under “Investor Relations” > “Annual General Meetings” > “Extraordinary Annual General Meeting 2013”).

5. Publication on the Website/Further Information pursuant to Section 124a of the AktG

Upon publication of the notice of this General Meeting (*Einberufung*), this invitation and particularly the following documents are available on the Company’s website at: <http://www.deutsche-wohnen.com> (under “Investor Relations” > “Annual General Meetings” > “Extraordinary General Meeting 2013”) and are also available in hardcopy at the Company’s office of Deutsche Wohnen AG, Mecklenburgische Straße 57, 14197 Berlin, Germany for examination by the shareholders:

On agenda items 1 and 2:

- Management report, pursuant to section 186, para. 4, sentence 2 of the AktG, on agenda items 1 and 2 of the General Meeting on Monday, 30 September 2013

It should be noted that by making the management report available (*Zugänglichmachung*) on the Company’s website, the statutory duty is satisfied. The document will be sent to every shareholder free of charge and without undue delay only once, upon request and via regular post. The aforementioned document will also be accessible during the General Meeting on Monday, 30 September 2013. Any counterproposals and requests to include additional items on the agenda from shareholders submitted in a timely fashion to the Company before the aforementioned deadline and whose publication is likewise mandatory will also be made available on the above-mentioned website.

This invitation was extended for publication to such media that it can be assumed the information will be disseminated throughout the entire European Union.

Frankfurt, August 2013

Deutsche Wohnen AG

The Management Board

Convenience Translation



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Annex 1

to the Invitation to the Extraordinary General Meeting

Report of the Management Board Pursuant to Section 186, Para. 4, Sentence 2 of the German Stock Corporation Act on Agenda Items 1 and 2 of the Extraordinary General Meeting on Monday, 30 September 2013 about the Reason for the Exclusion of Shareholder Subscription Rights

Deutsche Wohnen AG

Frankfurt am Main, Germany

ISIN DE0006283302

WKN 628330

ISIN DE000A0HN5C6

WKN A0HN5C

Report of the Management Board Pursuant to Section 186, Para. 4, Sentence 2 of the German Stock Corporation Act on Agenda Items 1 and 2 of the Extraordinary General Meeting on Monday, 30 September 2013 about the Reason for the Exclusion of Shareholder Subscription Rights

I.

The management board (the “**Management Board**”) and the supervisory board (the “**Supervisory Board**”) of Deutsche Wohnen AG, with its registered office in Frankfurt am Main, Germany (“**Deutsche Wohnen AG**” or the “**Company**”), propose the following to the general meeting (“**General Meeting**”):

1. **Increase of the Company’s Share Capital against Contributions in kind with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association**
2. **Increase of the Company’s Share Capital against Cash Contributions with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association**

II.

The proposed resolutions are as follows:

1. **Increase of the Company’s Share Capital against Contributions in kind with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association**

- a) The Company’s current share capital, which amounts to EUR 168,907,143.00, divided, as of the date of this invitation, into 168,811,823 ordinary bearer shares, with no par value, and 95,320 ordinary registered shares, with no par value, each share with a notional value of EUR 1.00, will be increased by up to EUR 128,842,101.00 to up to EUR 297,749,244.00 through the issuance of up to 128,842,101 ordinary bearer shares, with no par value (the “**New Shares**”), each with a notional value of EUR 1.00 against contributions in kind.

The issue price (*Ausgabebetrag*) of the New Shares is EUR 1.00. The difference between the issue price (*Ausgabebetrag*) of the New Shares and the contribution value (*Einbringungswert*) of the contributions in kind shall be allocated to the capital reserve pursuant to section 272, para. 2, no. 4 of the German Commercial Code (the “**HGB**”).

- b) The New Shares carry full dividend rights as of 1 January 2014. Dividend rights for the fiscal year 2013 do not exist.
- c) The subscription rights of the shareholders of Deutsche Wohnen AG are excluded. The shares resulting from the capital increase against contributions in kind will be issued in connection with a takeover offer to the shareholders of GSW Immobilien AG pursuant to sections 29 et seq. of the German Securities Acquisition and Takeover Act (“**WpÜG**”) by way of an exchange offer (the “**Exchange Offer**”) for the purchase of all shares held by GSW Immobilien AG’s shareholders at a ratio of 1:2.55. Each shareholder of GSW Immobilien AG is therefore entitled to receive 2.55

New Shares of this capital increase against contributions in kind, in exchange for each tendered GSW Immobilien AG share (the “**GSW Share**” or the “**GSW Shares**”).

- d) UBS Deutschland AG, Opernturm, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany, will subscribe for the New Shares in their capacity as exchange trustees (the “**Exchange Trustees**”) (*Umtauschtreuhänder*) for the shareholders of GSW Immobilien AG that have accepted the Exchange Offer. Accordingly, the Exchange Trustees are hereby permitted to subscribe for the New Shares and will contribute the GSW Shares tendered for the exchange, provided they are subject to the capital increase against contributions in kind, as contributor in kind (*Sacheinleger*) in Deutsche Wohnen AG.
- e) The capital increase against contributions in kind shall only be implemented to the extent to which the New Shares have been subscribed for by the Exchange Trustees by the deadline stipulated in section 1 i).
- f) The Management Board intends to refrain from an appraisal of the contributions in kind (section 183, para. 3 of the German Stock Corporation Act (the “**AktG**”)) pursuant to section 183a, para. 33a of the AktG.
- g) The Management Board is authorised to determine further details regarding the implementation of the capital increase against contributions in kind.
- h) The Supervisory Board is authorised to amend the articles of association according to the implementation of the capital increase against contributions in kind.
- i) The resolution concerning the increase of the share capital against contributions in kind will become null and void if the completion of the capital increase has not been filed for entry in the commercial register within three months following the entry of this resolution in the commercial register. The Management Board and the chairman of the Supervisory Board are instructed to file the entry of the resolution concerning the increase of the share capital against contributions in kind without undue delay once the requirements for its registration have been met (in particular, in the event of pending rescission actions (*Anfechtungsklagen*) or the conclusion of a release procedure (*Freigabeverfahren*) pursuant to section 246a of the AktG).

The capital increases to be resolved upon as set out in sections 1 and 2 shall be effective independently of each other. The Management Board is authorised to file for the entry of both resolutions in the commercial register independently of each other, as soon as the conditions of the respective resolutions have been met.

2. Increase of the Company’s Share Capital against Cash Contributions with the Exclusion of the Shareholders’ Subscription Rights and Authorisation for the Amendment of the Articles of Association

- a) The Company’s current share capital, which amounts to EUR 168,907,143.00, divided, as of the date of this invitation, into 168,811,823 ordinary bearer shares, with

no par value, and 95,320 ordinary registered shares, with no par value, each share with a notional value of EUR 1.00, will be increased by the future amount of the share capital, which will result from the to-be-resolved-upon capital increase against contributions in kind as set out in section 1, by up to EUR 6,570,948.00 through the issuance of up to 6,570,948 ordinary bearer shares, with no par value (the “**New Option Shares**”), each with a notional value of EUR 1.00 against cash contributions.

The issue price (*Ausgabebetrag*) of the New Option Shares is EUR 1.00. As subscribers for the New Option Shares, the Exchange Trustees have irrevocably undertaken to transfer to the Company the difference between the issue price (*Ausgabebetrag*) in the amount of EUR 1.00 and the agreed upon issue price (*Emissionspreis*) of the New Option Shares of EUR 14.16 per share. The difference between the issue price (*Ausgabebetrag*) and the agreed upon issue price (*Emissionspreis*) of the New Option Shares shall be allocated to the capital reserve pursuant to section 272, para. 2, no. 4 of the HGB.

- b) The New Option Shares carry full dividend rights as of 1 January 2014. Dividend rights for the fiscal year 2013 do not exist.
- c) The subscription rights of the shareholders of Deutsche Wohnen AG are excluded. In their capacity as Exchange Trustees for the shareholders of GSW Immobilien AG, UBS Deutschland AG, Opernturm, Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany, have been authorised to subscribe for the New Option Shares in order to allow the shareholders of GSW Immobilien AG, in accordance with the Exchange Offer, to subscribe for shares of Deutsche Wohnen AG in exchange for GSW Shares tendered that will be acquired by Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany and not by Deutsche Wohnen AG.
- d) The capital increase against cash contributions shall only be implemented to the extent that New Option Shares have been subscribed for by the Exchange Trustees by the deadline stipulated in section 2 g).
- e) The Management Board is authorised to determine further details regarding the implementation of the capital increase against cash contributions.
- f) The Supervisory Board is authorised to amend the articles of association according to the implementation of the capital increase against cash contributions.
- g) The resolution concerning the increase of the share capital against cash contributions will become null and void if the completion of the capital increase has not been filed for entry in the commercial register within three months following the entry of this resolution in the commercial register. The Management Board and the chairman of the Supervisory Board are instructed to file the entry of the resolution concerning the increase of the share capital against cash contributions without undue delay, once the requirements for its registration have been met (in particular, in the event of pending

rescission actions (*Anfechtungsklagen*) or the conclusion of a release procedure (*Freigabeverfahren*) pursuant to section 246a of the AktG).

The capital increases to be resolved upon as set out in sections 1 and 2 shall be effective independently of each other. The Management Board is authorised to file for the entry of both resolutions in the commercial register independently of each other, as soon as the conditions of the respective resolutions have been met.

III.

The Management Board intends to acquire an interest in GSW Immobilien AG by means of an Exchange Offer and to subsequently integrate GSW Immobilien AG into the Deutsche Wohnen group.

In the context of an Exchange Offer, shares of Deutsche Wohnen AG shall be offered to the shareholders of GSW Immobilien AG. The shares of Deutsche Wohnen AG shall be issued by means of the proposed capital increase against contributions in kind and – depending on the number of tendered GSW Shares – possibly also by means of the proposed capital increase against cash contributions. Since the shares issued by means of the capital increases shall be offered in exchange for GSW Shares, the subscription rights of Deutsche Wohnen shareholders will be excluded both in the proposed capital increase against contributions in kind and the proposed capital increase against cash contributions.

Hereinafter, the Management Board reports on the reasons for the exclusion of subscription rights according to section 186, para. 4, sentence 2 of the AktG. This report first describes the background of the transaction and the transaction itself in this section III., since the reasons justifying the planned capital increases with exclusion of subscription rights apply equally to the capital increase against contributions in kind and the capital increase against cash contributions. This relates in particular to the description of Deutsche Wohnen AG and GSW Immobilien AG, the market environment and the business conditions of the transaction, the expected synergies resulting from the transaction and an explanation of the valuation of the companies involved in the transaction.

In section IV., the objective justification (*sachliche Rechtfertigung*) for the exclusion of subscription rights in the context of the capital increase against contributions in kind and the capital increase against cash contributions will be justified with regards to the purpose of the respective capital measure.

1. Background of the Planned Transaction

a) Deutsche Wohnen AG

(1) Business activities

Deutsche Wohnen AG, with its registered office in Frankfurt am Main and its principal place of business in Berlin, is currently one of the largest publicly listed real estate companies in Germany, based on market capitalisation. The Company is active in residential property management, especially in letting residential units

owned by the Company, management of its housing properties and the sale of select residential properties. It also operates nursing homes and assisted living facilities. In the context of this business strategy, Deutsche Wohnen AG focuses on residential and nursing care real estate properties in high-growth areas and metropolitan regions in Germany; these include the greater Berlin area, the Rhine-Main region with Frankfurt am Main and Rhineland with an emphasis on Düsseldorf. Other important areas include stable urban regions and metropolitan areas such as Hanover, Brunswick and Magdeburg. Deutsche Wohnen AG is listed on the MDAX of Deutsche Börse.

(2) Segments

Deutsche Wohnen AG's business is divided into "Residential Property Management", "Sales" and "Nursing and Assisted Living Homes" segments. The "Residential Property Management" segment is the core and focus of its business, covering all activities in connection with the management and administration of residential properties, management of lease contracts and services for tenants. The "Sales" segment covers all activities relating to the sale of residential units, buildings and land. Deutsche Wohnen AG's housing portfolio earmarked for sale is sub-divided into block sales (institutional sales) and single-unit sales (residential property privatisation). The residential portfolio for block sales essentially includes residential units in the so-called non-core regions that are not part of the business strategy of Deutsche Wohnen AG. In connection with single-unit sales, Deutsche Wohnen AG seeks mainly to sell residential units to owner-occupants and investors. In its "Nursing and Assisted Living Homes" segment Deutsche Wohnen AG predominantly manages and markets its own nursing and residential properties for senior citizens under the brand KATHARINENHOF®.

(3) Portfolio

As of 30 June 2013, Deutsche Wohnen AG's residential property portfolio comprised 89,441 housing units with a total residential floor area of approximately 5.5 million square metres, based on the residential floor area listed in the rental contracts. As of 30 June 2013, the average monthly contractual rent, based on Deutsche Wohnen AG's total housing properties, amounted to EUR 5.51 per square metre. The vacancy rate as of this date was roughly 3%. In addition to the residential units, Deutsche Wohnen AG's real estate portfolio as of 30 June 2013 included 1,121 commercial property units with a total floor space of approximately 180,000 square metres based on the total commercial area listed in the rental agreements, as well as 22,165 parking spaces.

The residential real estate portfolio was evaluated by an external independent appraiser – CB Richard Ellis GmbH, Frankfurt ("CBRE") – as of 30 June 2013 (with the exception of real estate properties for senior citizens used by

Katharinenhof, for which the valuation was carried out as of 31 December 2012) using a DCF model. No adjustments were needed compared to the valuation as of 31 December 2012, which was also conducted by CBRE. According to this valuation, the real estate portfolio of Deutsche Wohnen AG is valued at approximately EUR 5.1 billion (excluding the real estate properties for senior citizens used by Katharinenhof) as of 30 June 2013.

Deutsche Wohnen AG's residential real estate portfolio is organised into strategic core and growth regions, as well as non-core regions. Within the strategic core and growth regions, Deutsche Wohnen AG further makes a distinction between core+ and core regions.

Core+ regions in this respect are large cities and urban areas, characterised by a high demand for living space and a limited supply due to a lack of new construction. This dynamic leads to potential rent price increases. The Management Board anticipates a continued positive development for these regions. Deutsche Wohnen AG's core+ regions are the metropolitan regions of greater Berlin, Rhine-Main (with a focus on Frankfurt) and Rhineland (with a focus on Düsseldorf). Based on the number of units, approximately 66% of the units in the residential real estate portfolio were in the core+ regions as of 30 June 2013. The greater Berlin area has approximately a 54% share in the total portfolio and is therefore the largest core+ region.

Core regions are cities and urban areas with a balanced living space supply and demand. The "core" cluster includes markets with moderately rising rents and a stable rent increase outlook. Therefore the Management Board expects stable or moderately increasing rents and prices in these regions. Deutsche Wohnen AG's core regions are Hanover/Brunswick/Magdeburg, and South Rhine Valley and North Rhine Valley, as well as selected locations in Central Germany. Based on the number of residential units, approximately 28% of the units in the residential real estate portfolio were located in the core region as of 30 June 2013.

The non-core regions are defined as geographical regions that have stagnating developments or negative trends. They include mainly rural areas and scattered properties in Rhineland-Palatinate, Brandenburg, Saxony-Anhalt and Lower Saxony. Based on the number of residential units, approximately 6% of the units in the residential property portfolio were located in the non-core regions as of 30 June 2013.

(4) Share capital

As of today, the share capital of the Company amounts to EUR 168,907,143.00 currently divided into 168,811,823 bearer shares and 95,320 ordinary registered shares, each with a notional value of EUR 1.00 per share.

b) GSW Immobilien AG

(1) Business operations

GSW Immobilien AG is a publicly traded real estate company domiciled in Berlin. The business model of GSW Immobilien AG is focused on the letting and management of residential units with a clear focus on Berlin. These business activities are complemented by selected sales of residential units and sub-portfolios. Facilita Berlin GmbH, Berlin, a subsidiary of GSW Immobilien AG, offers facility management specifically for residential units. This includes house cleaning, maintenance services, management of vacant residential units, restoration of vacant residential units and the management of technical building equipment including building measures and restorations.

Since the sales activities are accounted for under the category “living”, the assignment of GSW Immobilien AG’s business is not done in segments.

(2) Portfolio

By its own account, as of 30 June 2013, GSW Immobilien AG’s real estate portfolio comprises 57,988 residential units, 977 commercial units as well as 9,493 garages and parking spaces. The total living space amounts to 3.5 million square metres and the average rent for residential units of the total portfolio amounted to EUR 5.31 per square metre as of 30 June 2013. As of this date, the vacancy rate for residential units was 2.7%.

Almost 100% of the residential units of GSW Immobilien AG are located in Berlin and therefore, according to Deutsche Wohnen AG’s definition, within a core+ region.

GSW Immobilien AG also instructed external real estate property appraiser CBRE to appraise its portfolio as of 31 December 2012 on the basis of a DCF model. There has been no adjustment of the portfolio valuation as of the date of the half-year financial statement of GSW Immobilien AG; the same applies to Deutsche Wohnen AG. Pursuant to this valuation report, the real estate portfolio of GSW Immobilien AG was valued on 31 December 2012 at approximately EUR 3.3 billion.

(3) Share capital

As of 30 June 2013, the share capital of GSW Immobilien AG amounts to EUR 50,526,314 and is divided into the equal number of no par value shares, each with a notional value of EUR 1.00 per share.

Furthermore, GSW Immobilien AG currently has outstanding convertible bonds with a nominal value of EUR 182.9 million (due on 20 November 2019). Based

upon the current conversion price of EUR 35.0855, the exercise of all conversion rights would result in the issuance of approximately 5.2 million shares and would therefore increase the total number of shares outstanding by approximately 10.3%.

If the launch of the Exchange Offer results in a change of control, a “Change of Control” provision (change in corporate control) under the terms and conditions of the convertible bonds will be triggered. As a consequence, bondholders may choose until a certain due date (between 40 and 60 days after the occurrence of a change of control) to either:

- demand early redemption of the convertible bonds at par value (plus accrued interest), or
- demand conversion of the bonds into GSW Shares at an adjusted conversion price.

In the event of a conversion, the conversion price will be reduced according to the following formula:

$$CP' = \frac{CP}{1 + [ICP \times \frac{D}{M}]}$$

Where:

CP' = the adjusted conversion price,

CP = the conversion price as of the date of the change of control,

ICP = the initial conversion premium of 22.5%,

D = the number of calendar days from and including the date on which the change of control occurs but excluding the maturity date, and

M = the number of calendar days from and including the issue date but excluding the maturity date.

c) Competitive advantages and synergies resulting from the acquisition of GSW Immobilien AG

The acquisition of GSW Immobilien AG by Deutsche Wohnen AG results in particular in the following competitive advantages and synergies:

(1) Focus on Growth Markets

The acquisition will allow Deutsche Wohnen AG to increase the portfolio share of residential units located in the greater Berlin area from currently 54% to 72% and therefore to further expand and strengthen the core+ region.

Compared to the nationwide demand, the Berlin housing market has a strong demand for living space. The reason for this is that the population of Berlin and the number of households have steadily increased in recent years, whereas new construction activity relative to demand remains low. Furthermore, the economic environment in Berlin has greatly improved in recent years. Since 2005, the economy has grown almost without exception year over year, while the unemployment rate has decreased. However, the average purchasing power of the population of Berlin falls short of that of other German cities' citizens (Munich, Frankfurt, Hamburg and Cologne). Nevertheless, since the number of employees in Berlin has steadily increased since 2005, the potential for further rental growth is significant.

(2) Potential for synergies

With the merger of the two companies, unified structures and processes will be established. The Management Board of Deutsche Wohnen AG believes that this will result in cost savings in the administration and purchasing with a positive effect on the combined FFO (without disposals) in the amount of approximately EUR 25 million per year, after taxes. The Management Board expects that these synergies can be fully realised within 24 months after the closing of the transaction.

The potential for synergies is primarily based on the following factors:

- *Administration:* In 2012, the staff and general administration expenses of Deutsche Wohnen AG were about 17% measured against the in-place rent. Due to business combination advantages (*Verbundvorteile*), the investments made in fiscal years 2012 and 2013 will only have an expense ratio of 5-6%, although some of the new acquisitions affected new regions. For 2013, the Management Board therefore expects to be able to further reduce the staff and general administration expenses of Deutsche Wohnen AG to about 13% of the in-place rent. In a merger of the two companies, especially in light of the strong focus of the residential real estate portfolio on Berlin, the Management Board expects to realise significant cost reductions through a unified corporate structure. An improved staff and general administration quota of the combined company is expected to rise at most to the current level of Deutsche Wohnen AG.
- *Purchasing:* In the Company's opinion, the combined company will also be in a strong negotiating position to optimise purchasing. This pertains, in particular, to contracts with energy suppliers, insurances and system providers. The realisation of these potentials is dependent upon the existing contractual conditions, in particular with regard to the duration of the contracts.

In addition, the Management Board believes there to be further potential to increase the FFO of the combined company that is currently difficult to quantify, thereby creating added value for the Deutsche Wohnen AG shareholders and GSW Immobilien AG shareholders who register their shares for conversion. The critical mass of residential units, especially in Berlin, allows for value-creating portfolio adjustments and opportunistic privatisations to further benefit from the attractive current market conditions. The optimisation and adjustment of operative processes will make it easier to realise existing rent increase potential and to reduce the costs caused by vacancies. The Management Board takes the view that the debt situation could also be improved. Taking into account the current interest rates and the refinancing needs in the coming years, the Management Board sees further opportunities to reduce interest expenses.

The capitalised value of the synergies in the amount of EUR 25 million per year, after taxes, beginning 24 months following the closing of the transaction, calculated on the basis of a capitalisation rate of 5% (expected average FFO margin (excluding sales) of EPRA NAV in the fiscal year 2013, and based on the current forecast of Deutsche Wohnen AG and GSW Immobilien AG for the year 2013), is approximately EUR 500 million. The synergies are offset by anticipated expenses. Based on information currently available to it, the Management Board estimates these expenses to be approximately EUR 45 million, after taxes. These include transaction costs in the amount of approximately EUR 20 million and integration costs of approximately EUR 25 million. Based on the aforementioned estimates of the Management Board regarding the level of synergies on the one hand and the expenses required to achieve these synergies on the other hand, the expected net value of the synergies amounts to approximately EUR 455 million. Assuming the synergies, until they are fully realised, take place in a linear fashion 24 months following the closing of the transaction, the net present value of the synergies amounts to a total of about EUR 430 million.

(3) Improvement of key performance indicators

The acquisition in the form of a share-for-share transaction leads to an improvement of key performance indicators and a strengthening relative to competitors. The Management Board anticipates that the merger will enable efficiency advantages as compared to publicly traded competitors. In particular, the Management Board expects that the FFO (excluding sales) will improve by a mid-single digit percentage and, on an absolute basis after full realisation of synergies, to the amount of EUR 25 million per year.

Furthermore, the Management Board expects that, compared to its main competitors, the combined company will have the most efficient cost structure. As a result of the merger, the combined company will, in terms of the number of rental units owned, become the second-largest German residential real estate

company. Additionally, the acquisition by means of the Exchange Offer prevents a liquidity outflow of the Company. The Management Board of Deutsche Wohnen AG expects a loan-to-value ratio of the combined company of approximately 55% and thus a sustainable funding structure.

(4) Strengthened capital market profile

Finally, the acquisition strengthens the capital market profile of the combined company. The combined market capitalisation (free float) of the Company and GSW Immobilien AG (based on the Xetra closing prices on 19 August 2013) of approximately EUR 4.0 billion will strengthen the liquidity of the Company's shares and therefore its attractiveness for investors. This should ensure the financing of equity and/or liabilities at more favourable terms. This is particularly linked to the initial public offerings of important competitors who increase the competition for investors.

Through the acquisition of GSW Immobilien AG, Deutsche Wohnen AG will become one of the five largest listed real estate companies in Europe measured by market capitalisation, allowing for a broader diversification of its funding sources on both the equity and the debt capital side. Moreover, the Exchange Offer allows the Company access to new groups of investors.

2. Description of the Proposed Transaction

Based on the resolution recommendation as proposed by the Management Board, the acquisition of the shares of GSW Immobilien AG (the "**GSW Shares**") by Deutsche Wohnen AG is planned as follows:

a) Takeover offer in the form of an Exchange Offer

The Management Board of Deutsche Wohnen AG resolved to issue a voluntary public takeover offer in the form of an Exchange Offer to all shareholders of GSW Immobilien AG pursuant to sections 29, 31, para. 2, sentence 1, second alternative of the WpÜG and published this decision according to section 10, para. 1 and 3, sentence 1 of the WpÜG. It is intended to offer the shareholders of GSW Immobilien AG, for each of their GSW Shares, each share with a notional value of EUR 1.00, 2.55 shares in Deutsche Wohnen AG.

The exchange ratio of 20 GSW Shares for 51 shares of Deutsche Wohnen AG grants the shareholders of GSW Immobilien AG:

- an 8.6% premium compared to the valuation ratio of GSW Immobilien AG and Deutsche Wohnen AG based on the EPRA NAV (Net Asset Value – calculated in accordance with the recommendations of the European Public Real Estate Association) as of 30 June 2013,

- a 14.7% premium compared to the closing price of the last trading day prior to the date of the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG and a 15.4% premium based on the volume weighted average price (VWAP) of the shares during the three months prior to that publication date.

The valuation ratio, on the basis of the EPRA NAV or the market valuation using the closing and average rates, is based on an evaluation of the Company or of GSW Immobilien AG, in accordance with the methods and parameters commonly used in the valuation of real estate companies.

The Company plans to make the Exchange Offer subject to several conditions. The proposed conditions are as follows: minimum acceptance rate by the GSW Immobilien AG shareholders, antitrust clearance, registration of the capital increase in the commercial register, a material adverse change (MAC) clause (no occurrence of a material adverse change), and that no capital measure and no profit appropriation resolution on the GSW Immobilien AG level has been made or taken.

- b) Capital increase against contributions in kind with the exclusion of statutory subscription rights of shareholders for the purpose of the implementation of the Exchange Offer

Subject to the limitations described in c) (see below), the shares required for the implementation of the Exchange Offer will be created by way of a capital increase against contributions in kind with the exclusion of statutory subscription rights of the shareholders.

As contributions in kind, the GSW Shares shall be contributed, and the GSW Immobilien AG shareholders shall receive the newly created shares of the Company in exchange for their shares. The Exchange Trustees enabled by the shareholders of GSW Immobilien AG for the execution of the Exchange Offer shall be the only ones admitted for the subscription of the new shares. The subscription rights of the shareholders of the Company shall be excluded.

Shareholders of GSW Immobilien AG accepting the Exchange Offer will transfer their GSW Shares to the Exchange Trustees. In the context of the envisaged capital increase against contributions in kind, the Exchange Trustees will contribute the GSW Shares that they hold in trust to Deutsche Wohnen AG and will subscribe for the shares created by way of this capital increase. Once the new Deutsche Wohnen AG shares are created, the Exchange Trustees will transfer the shares, in accordance with the exchange ratio, through the settlement agent to the respective shareholders of GSW Immobilien AG.

Where shareholders of GSW Immobilien AG would be entitled to fractional amounts of Deutsche Wohnen shares according to the exchange ratio, such fractional amount shall be sold by the Exchange Trustees. The proceeds from the sale of the fractional

amounts will be credited pro rata to the affected shareholders of GSW Immobilien AG.

The maximum amount of this capital increase against contributions in kind is such that, based on the number of currently outstanding GSW Shares and the proposed exchange ratio in the Exchange Offer, a sufficient number of Deutsche Wohnen AG shares for all the tendered GSW Shares may be issued and shall amount to EUR 128,842,101.00 and therefore 128,842,101 shares (subject to the issuance of shares by way of the capital increase against cash contributions (as set out in c)) and subject to the issuance of shares pursuant to the utilisation of existing capital (see e)).

As the Exchange Trustees do not to bear a differential liability (*Differenzhaftung*) under section 188, para. 2, sentence 1 and section 36a, para. 2, sentence 3 of the AktG in the amount of the contribution value (*Einbringungswert*) of the GSW Shares, the New Shares of Deutsche Wohnen AG will be issued at the minimum issue price (*Ausgabebetrag*) of EUR 1.00 (section 8, para. 3, sentence 3 and section 9, para. 1 of the AktG) and the difference between the issue price (*Ausgabebetrag*) and the value of the contributions in kind (*Einbringungswert*) will be allocated to the capital reserve pursuant to section 272, para. 2, no. 4 of HGB.

c) Capital increase against cash contributions with the exclusion of the shareholders' statutory subscription rights

Pursuant to sections 29, 31 para. 2, sentence 1, second alternative and 32 of the WpÜG, the Exchange Offer must always be directed to all shareholders of GSW Immobilien AG, insofar as the Federal Financial Supervisory Authority ("BaFin") does not grant an exemption pursuant to section 24 of the WpÜG.

For tax reasons, Deutsche Wohnen AG intends to acquire a maximum of 94.9% of GSW Shares. According to section 1, para. 3 and para. 3a of the German Real Estate Transfer Tax Act ("GrEStG"), the acquisition of at least 95% of the shares in a company will lead to a real estate transfer tax liability for real estate property in Germany belonging to the Company's assets, with the applicable tax rate in Berlin currently being 5%. Based on the information available, the Management Board estimates the real estate transfer tax incurred in the case of a full acquisition of GSW Immobilien AG to amount to approximately EUR 130 million.

The tax liability pursuant to section 1, para. 3 and para. 3a of GrEStG would arise if the acceptance rate of the Exchange Offer would be of such magnitude that the Exchange Trustees would have to contribute the GSW Shares as contributions in kind to the Company in such amount that would result in Deutsche Wohnen AG owning at least 95% of the share capital of GSW Immobilien AG.

To the extent that the capital increase against contributions in kind (taking into account the GSW Shares possibly already held by Deutsche Wohnen AG that have

not been acquired as part of the Exchange Offer) would result in Deutsche Wohnen AG owning more than 94.9% of the share capital of GSW Immobilien AG, Deutsche Bank AG has agreed to acquire and take over all GSW Shares issued to the Exchange Trustees above this acceptance rate (i.e. a maximum of 5.1% of the outstanding GSW Shares) from the Exchange Trustees instead of Deutsche Wohnen AG.

In order to enable the Exchange Trustees to provide the GSW Immobilien AG shareholders with Deutsche Wohnen AG shares even for this excessive number of GSW Shares in accordance with the proposed Exchange Offer, a resolution for a capital increase against cash contributions shall be taken and, where necessary, implemented. The maximum amount of this capital increase is such that, based on the number of currently outstanding GSW Shares and the exchange ratio of the Exchange Offer, a sufficient number of Deutsche Wohnen AG shares for 5.1% of the tendered GSW Shares may be issued and amounts to 6,570,948 shares; whereas in the case of the implementation of this capital increase against cash contributions, the maximum number of shares issued in the context of the still to-be-resolved capital increase against contributions in kind according to section 1 of the agenda will decrease correspondingly. Accordingly, the maximum number of shares to be issued in the context of this capital increase against cash contributions and the capital increase against contributions in kind – notwithstanding the issuance of shares from currently existing authorised capital (see e)) – pursuant to item 1 of the agenda shall not exceed 128,842,101 shares.

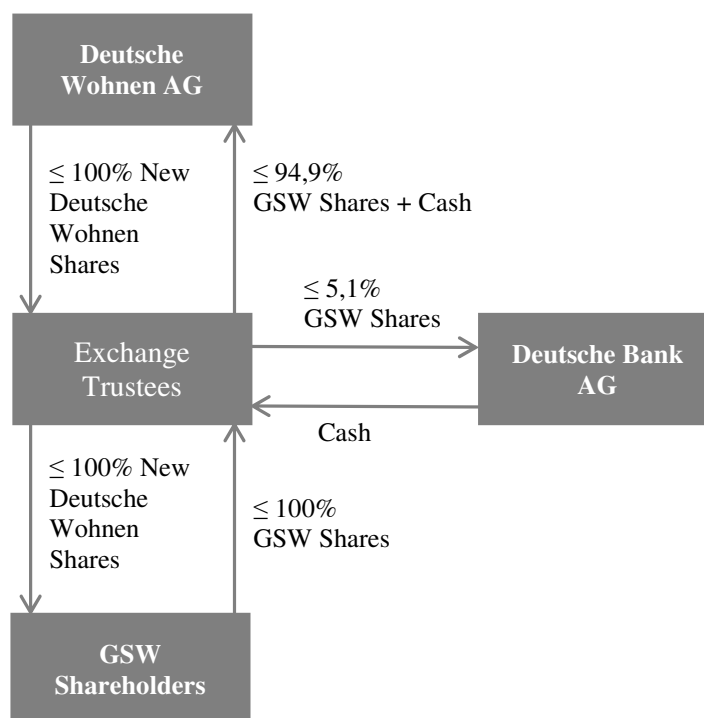
Only UBS Deutschland AG and DZ BANK AG Deutsche Zentral-Genossenschaftsbank as Exchange Trustees for the GSW Immobilien AG shareholders are admitted to subscribe for the shares to be issued in this capital increase. The subscription right of the shareholders of the Company is excluded.

Insofar as it is evident at the time of the execution of the Exchange Offer that the acquisition of all tendered GSW Shares would result in Deutsche Wohnen AG owning more than 94.9% of the shares in GSW Immobilien AG, the Exchange Trustees will subscribe from the capital increase against cash contributions for the number of Deutsche Wohnen shares required for the exchange of the excess shares. The Exchange Trustees will make the cash contributions required for the subscription to the shares through financing instruments made accessible to them by Deutsche Bank AG in return for the acquisition of up to 5.1% of the GSW Shares. After registration of the execution of the capital increase against cash contributions, the Exchange Trustees will transfer the shares in accordance with the exchange ratio, together with the shares created through the capital increase against contributions in kind through the settlement agent to the shareholders accepting the Exchange Offer.

Deutsche Bank AG receives a commission from Deutsche Wohnen AG in an amount dependent on, *inter alia*, the sum given as a consideration for the acquisition of the GSW Shares and on the period elapsed until the resale of the shares. Deutsche

Wohnen AG has two years to name a buyer for the shares to Deutsche Bank, otherwise Deutsche Bank AG will dispose of the shares as it deems best. Deutsche Wohnen AG is obliged to compensate Deutsche Bank AG for the difference between the purchase price paid by the buyer in this process and the amount for which Deutsche Bank AG has acquired the GSW Shares.

d) Simplified outline of the transaction structure



e) Utilisation of authorised capital for the creation of any required additional shares of Deutsche Wohnen AG

If, following completion of the Exchange Offer, Deutsche Wohnen AG and Deutsche Bank AG jointly hold at least 95% of the GSW Shares, the shareholders of GSW Immobilien AG have the right to sell-out their GSW Shares under the Exchange Offer by analogous application of section 39c of the WpÜG after the expiration of the acceptance period. This may require, even after the completion of capital increases against contributions in kind and/or cash contributions in accordance with items 1 and 2 of the agenda, delivery of additional Deutsche Wohnen AG shares. Furthermore, the number of the outstanding GSW Shares may also increase before expiration of the acceptance period for the takeover offer or expiration of the exercise period for the aforementioned right-to-tender shares. This can be due to the partial or total conversion of the convertible bonds issued on 20 November 2012, capital measures taken by GSW Immobilien AG in the interim or other causes. In order to enable the Exchange Trustees to deliver the number of Deutsche Wohnen AG shares required in accordance with the exchange ratio described above, additional shares shall be

created – to the extent necessary – through the use of the Company’s currently existing authorised capital in case of such an increase in the number of outstanding GSW Shares or in case such sell-out rights are exercised, respectively. These shares will be issued in exchange for contributions in kind or cash contributions, and the latter applies to the extent the GSW Shares tendered for exchange are taken over by Deutsche Bank AG and not by Deutsche Wohnen AG for reasons mentioned under section III.2.c). Today, the Company’s Management Board and Supervisory Board have passed the corresponding resolutions, excluding the shareholders’ subscription rights, for such use as a precautionary measure in the amount of up to 33,781,428 new bearer shares of Deutsche Wohnen AG.

f) Further steps

The Management Board is considering the conclusion of a domination and/or profit and loss transfer agreement (*Beherrschungs- und/oder Ergebnisabführungsvertrag*) between Deutsche Wohnen AG and GSW Immobilien AG pursuant to section 291, para. 1, sentence 1 of the AktG following implementation of the Exchange Offer, to the extent required for the best possible realisation of business combination advantages (*Verbundvorteile*).

g) Timetable

The transaction timetable is as follows:

- Within the four- to eight-week period beginning tomorrow, the offer document regarding the Exchange Offer will be communicated to BaFin (sections 34, 11, 14, para. 1 of the WpÜG).
- The offer document will be published without delay pursuant to section 14, para. 2, 3 of the WpÜG if BaFin authorises its publication or if a period of ten working days (with the possibility of an extension of up to five working days) has elapsed after BaFin has received the offer document but has not prohibited the takeover offer.
- During this procedure, the Extraordinary General Meeting will take place on Monday, 30 September 2013 10:00 A.M. (CEST) and there will be a vote on the resolution proposals mentioned under II.
- The offer period, which lasts for at least four weeks and, as a rule, ten weeks at the most, begins with the publication of the offer document; the additional acceptance period of two weeks which applies to takeover offers will begin thereafter (sections 34, 16, para. 1, 2 and section 23, para. 1, sentence 1, no. 2 of the WpÜG).
- If the General Meeting passes its resolutions in accordance with the resolution proposals, no objection has been lodged and no rescission action

(*Anfechtungsklage*) has been instituted, the resolutions regarding the share capital increase will be registered following the expiration of the offer period. Following this procedure, the Exchange Offer may be implemented if the other conditions have been met.

- If the General Meeting passes its resolutions in accordance with the resolution proposals but a rescission action (*Anfechtungsklage*) has been instituted, such resolutions will be registered subsequent to a successful release procedure (section 246a of the AktG). In this case, the registration of the resolutions may occur after the offer period has expired. In the event the other conditions are fulfilled, the Exchange Offer will only be implemented at this later point in time.

3. Explanation and Justification of Exchange Ratio

a) Preliminary remarks

The determination of the exchange ratio is based on the Management Board's valuation of both GSW Immobilien AG and Deutsche Wohnen AG. The same methods and valuation parameters commonly used in the valuation of real estate companies were applied in the valuation of both companies involved in the transaction.

In addition, Deutsche Wohnen AG has commissioned Deutsche Bank AG and UBS AG to examine the appropriateness of the fixed exchange ratio and to each draft a fairness opinion to such effect. The examination of the appropriateness of the exchange ratio by the Management Board as set forth in this section III. 3 is supported by the conclusion of these fairness opinions, attached hereto as Annexes A and B.

Deutsche Wohnen AG and its advisers were not able to complete a full due diligence with respect to the business and assets of GSW Immobilien AG. As a result, the valuation of GSW Immobilien AG is based on publicly available information, which was evaluated to the best of the Management Board's knowledge according to its industry experience. As part of the valuation of GSW Immobilien AG, the following documents in particular were taken into consideration:

- Listing Prospectus of GSW Immobilien AG, dated 18 April 2012,
- Annual Report of GSW Immobilien AG for the fiscal years 2012 and 2011,
- Interim Reports of GSW Immobilien AG for the first quarter of 2013 and for the first six months of 2013,

Furthermore, the Management Board has analysed analyst reports and other documents that it believes to be appropriate with respect to the exchange ratio and has taken into consideration the result of such analysis for its assessment.

b) Valuation approaches and methods

The determination of the exchange ratio is based on the same methods applied to the valuation of both companies. In particular, the valuation was carried out on the basis of the following parameters:

- *Net asset value, measured according to the recommendations of the European Public Real Estate Association (EPRA NAV).* The Management Board believes that the EPRA NAV is the most commonly used valuation standard for determining the fair value of the net asset value of real estate companies that keep their property for long-term rental and management. The properties are to be appraised based on the market value calculated using the discounted cash flow (“DCF”) method. The EPRA NAV is calculated on the basis of equity excluding minority interests, adjusted for (i) the exercise of options, convertible bonds and other equity rights and (ii) the market value of derivative financial instruments as well as deferred taxes (sum of net assets and net liabilities (*Netto der Aktiv- und Passivsaldo*)). The EPRA NAV is thus derived from the DCF-based values that account for the intrinsic value (equity) of a real estate company by adjusting for assumed positions that have no influence on long-term assets held by owners in the regular course of business. For the purpose of the pro-forma EPRA NAVs for the combined company, potential effects arising out of the allocation of the purchase price according to IFRS 3 (e.g. goodwill) are not taken into account.
- *Market capitalisation.* The market capitalisations of GSW Immobilien AG and Deutsche Wohnen AG was determined based on the number of shares outstanding and the closing prices on Xetra of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG. For purposes of comparison and to check for potential date-related fluctuations, the market capitalisation was also determined using the volume-weighted average price (VWAP) of trading volume during the three months prior to the valuation, and it was applied to the current number of outstanding shares of each company (market capitalisation on the basis of the three-month VWAP). The VWAP was calculated based on the closing prices and the daily trading volumes on Xetra. A comparison of the market capitalisation of each company in terms of a value comparison is thus meaningful, because both companies have a significant amount of free-float, and trading in both companies is considered to be liquid.

The absolute valuation of GSW Immobilien AG and Deutsche Wohnen AG was initially carried out without considering the related business combination advantages (*Verbundvorteile*) associated with the transaction.

c) Alternative valuation methods

During deliberations, the Management Board considered alternative methods to value the companies involved in the transaction, but these were rejected as either unsuitable or less suitable.

- *Income approach (Ertragswertverfahren)*. A valuation of the entire company based on the income approach, in which the valuation of a company is placed within the context of the proposed merger and is based on projected earnings expectations, is a less common method for the valuation of residential real estate companies. Unlike valuation on the basis of the income approach, the EPRA NAV-based valuation used here allows the appraisal of individual pieces of property, the values of which are in turn based on future recoverable cash flows from the management of these properties. Because of the comparatively high visibility of future cash flows from the management of residential properties, the Management Board is of the opinion that a valuation on the basis of EPRA NAV leads to a more reliable result, compared to a valuation of a company as a whole based on the income approach; therefore, the Management Board has deemed the latter to be less suitable. In addition, the Management Board would have had no access to data essential to the valuation of GSW Immobilien AG on the basis of the income approach, whereas GSW Immobilien AG discloses its EPRA NAV in both its annual and interim reports and has its real estate valuation based on this parameter reviewed annually by an independent external appraiser for the preparation of its annual report.
- *Valuation on the basis of liquidation values*. A valuation on the basis of liquidation values was dismissed since both companies participating in the transaction are expected to continue to operate. In addition, because of the continuity of the leases in the event of a liquidation, it is not expected that this valuation method would have led to a substantially different exchange ratio compared with a valuation on the basis of EPRA NAV.
- *Price targets from analysts' reports*. The Management Board evaluated available analysts' reports from major providers for both Deutsche Wohnen AG and GSW Immobilien AG. The Management Board rejected as less suitable an exclusive valuation on the basis of price targets shown in these reports. Firstly, the analysts' studies are based on different methods related to a share target price that is typically issued for a 12-month time frame. Furthermore, the valuation methods are not completely transparent and therefore it is insufficient to evaluate their validity. Both companies were each evaluated and analysed by over 15 analysts at major banks. There was significant variation across this evaluation group with respect to the share target price, calling into question the actual validity of such a measure. A selection of a weighting of the price targets would lead to a subjective valuation result. Although an examination of the arithmetic average as well as the

median of each share target price would indeed mathematically support the result of the valuation methods used by the Management Board, they would also be less suitable given such a high variance in share target prices.

- *FFO yields.* The Management Board considered a separate valuation of Deutsche Wohnen AG and GSW Immobilien AG on the basis of their Funds from Operations (FFO) yields and rejected such valuation as less suitable. The determination of a company's absolute value on the basis of FFO yields requires a comparison of returns achieved by similar companies. Because of the regional focus of other leading German residential real estate companies and thus the resulting inability to compare achieved returns, the Management Board rejected this valuation method. It produced, however, a comparison of the FFO profiles of Deutsche Wohnen AG and GSW Immobilien AG in order to verify the appropriateness of the relative valuation of both companies on the basis of both their market capitalisation and EPRA NAV, reaching the conclusion that the result of its valuation is appropriate even considering the FFO comparison (see III.3.f) below).

d) Valuation of Deutsche Wohnen AG

On the basis of the valuation parameters described above in section b), Deutsche Wohnen AG is valued as follows:

- *EPRA NAV.* Based on the EPRA NAV of 30 June 2013, the value of Deutsche Wohnen AG amounted to EUR 2,160 million.

Using EPRA NAV, the calculation of the underlying value of investment properties (which represent roughly 97% of Deutsche Wohnen AG's total real estate portfolio and roughly 92% of the assets) was conducted initially using acquisition and production costs including additional expenses. After the initial estimate, investment property values will be measured at their fair value.

Determination of the fair value of individual properties was carried out using the DCF method and was independently evaluated by CBRE according to the measures of the Royal Institution of Chartered Surveyors (RICS), pursuant to the Red Book and pursuant to international valuation standards (IVS) on the basis of a DCF model. According to CBRE, future income and expenditure flow estimates related to the reviewed properties were calculated using a detailed planning period of ten years, in which a lease scenario is assumed without taking potential single-unit sales (privatisations) into consideration. The discounted cash flows with respect to the valuation were based on discount rates of approximately 6.1% for the residential real estate portfolio and 7.1% for the portfolio of residential property for senior citizens (weighted average) and capitalisation rates of approximately 5.1% for the residential real estate portfolio and 6.7% for the portfolio of residential property for senior citizens (weighted average).

The result of the valuation by CBRE does not differ significantly from the real estate value determined by the Company and reported in its financial statements (no more than 10% or less than EUR 250,000 based on individual properties and around 0.3% based on its total valued portfolio). CBRE's valuation report as of 30 June 2013 (with the exception of real estate properties for senior citizens used by Katharinenhof, for which the valuation as of 31 December 2012 is used) is included in this management report as Appendix C. For purposes of this report, the Management Board adopts all information contained in CBRE's valuation report and uses it in this management report.

The EPRA NAV was derived as follows:

	30.06.2013
	EUR in millions
Investment properties	5,178.7
Other non-current assets.....	108.4
Current assets	334.1
Total assets.....	5,621.2
Non-current liabilities	-3,087.5
Current liabilities.....	-569.9
Total liabilities	-3,657.4
Equity	1,963.7
Non-controlling interests.....	-8.2
Equity before non-controlling interests.....	1,955.6
Derivative financial instruments	110.7
Deferred taxes	93.6
EPRA NAV	2,159.9

- *Market capitalisation.* Based on its market capitalisation, the value of Deutsche Wohnen AG amounts to EUR 2,392 million.

This calculation is based on the closing price of Deutsche Wohnen AG's shares on Xetra of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, and amounts to EUR 14.16 and the underlying 168.8 million bearer shares outstanding on this reference date (*Stichtag*), whereupon the 95,320 registered shares outstanding are likewise taken into account. As these registered shares carry the same rights as the bearer shares, it is assumed that the registered shares also carry the same value as the bearer shares. Based on the volume-weighted average price (VWAP) of the shares during the three months up to the last trading day prior to the publication, pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, of EUR 13.58 per share (according to Bloomberg), and the 168.8 million bearer shares outstanding as of the reference date (*Stichtag*), the market capitalisation of Deutsche Wohnen AG amounts to EUR 2,294 million; again, the outstanding 95,320 registered shares have been taken into account and it is assumed that they are of the same value as the bearer shares since they carry the same rights.

e) Valuation of GSW Immobilien AG

Based on the previously described valuation parameters, GSW Immobilien AG is valued as follows:

- *EPRA NAV*. As of the valuation reference date (*Stichtag*), based on the EPRA NAV as of 30 June 2013, the value of GSW Immobilien AG amounts to EUR 1,517 million (undiluted).

According to the annual report for the year, which ended 31 December 2012, the valuation of GSW Immobilien AG's real estate portfolio, based on the EPRA NAV, was also carried out by CBRE, and was updated by GSW Immobilien AG for the preparation of the quarterly financial statements as of 30 June 2013. The DCF methodology was used to determine the market values. According to GSW Immobilien AG, the expected future net cash income from property management was forecast over a detailed planning period of ten years. A sales value calculated from the capitalisation of the net annual income for the eleventh period was set after the end of the tenth year. Discount rates averaging 6.07% (weighted average) and standard perpetuity capitalisation rates averaging 5.23% (weighted average) were used to discount cash flows in the course of the valuation as of 31 December 2013. The market values for GSW Immobilien AG's properties in the respective districts of Berlin and outside Berlin were determined on this basis.

The EPRA NAV was derived as follows:

	30.06.2013 EUR in millions
Investment properties.....	3,287.0
Other non-current assets	21.6
Current assets	219.4
Total assets	3,528.1
Non-current liabilities	-1,947.8
Current liabilities	-119.6
Total liabilities	-2,067.3
Equity	1,460.7
Non-controlling interests	-0.4
Equity before non-controlling interests	1,460.3
Derivative financial instruments	61.9
Deferred taxes	- 5.3
EPRA NAV	1,516.9

Apart from the EPRA NAV of EUR 1,517 million, GSW Immobilien AG reports a diluted EPRA NAV in the amount of EUR 1,678 million in its quarterly report as of 30 June 2013. This differs from the undiluted EPRA NAV under the assumption that the conversion right of all outstanding convertible bonds would be exercised at a conversion price of EUR 35.09 at that time, with a corresponding debt reduction of around EUR 160.2 million. In this event, the GSW Shares would have increased by

approximately 5.21 million from 50.53 million to 55.74 million and the EPRA NAV per share would have increased from EUR 30.03 (undiluted) to EUR 30.10 (undiluted).

According to the terms and conditions of the convertible bonds, the implementation of the Exchange Offer will trigger a “change of control” provision, pursuant to which the bondholders, *inter alia*, can demand the conversion at an adjusted conversion price. The conversion price may be lower depending on the completion date of the takeover offer; at the expected completion date of 20 November 2013 (six years prior to maturity of the bond) to EUR 29.41 (see III.1.b)(3) for the provisions of the terms and conditions of the bonds upon which this calculation is based). In this event, a conversion of all outstanding convertible bonds would result in an increase of GSW Shares by approximately 6.22 million from approximately 50.53 million to approximately 56.75 million. Based on the diluted EPRA NAV in the amount of EUR 1,678 as of 30 June 2013, taking into consideration the adjusted conversion price on a pro-forma basis, this results in an EPRA NAV per share of EUR 29.57 (diluted) (the “**Pro Forma EPRA NAV (diluted)**”).

- *Market capitalisation.* Based on its market capitalisation, the value of GSW Immobilien AG amounts to EUR 1,590 million.

This calculation is based on the number of shares outstanding and the closing price of GSW Immobilien AG’s shares on Xetra of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, in an amount of EUR 31.47 per share. Based on the volume-weighted average price (VWAP) during the three months up to the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, which amounts to EUR 30.01 per share (according to Bloomberg), market capitalisation would amount to EUR 1,516 million.

- f) Appropriateness of the exchange ratio based on the valuation of Deutsche Wohnen AG and GSW Immobilien AG

Based on the absolute valuations of Deutsche Wohnen AG and GSW Immobilien AG, presented under (d) and (e), the value ratio (*Wertverhältnis*) based on the respective average values of the two companies is as follows:

- *EPRA NAV.* Due to the valuation of the two companies on the basis of their respective EPRA NAVs as of 30 June 2013, the exchange ratio of 20 GSW Shares for 51 shares of Deutsche Wohnen AG under the Exchange Offer includes a premium in the amount of EUR 2.58 for every GSW Share, or 8.6%, based on the 50.53 million outstanding GSW Shares as of this date. If the premium is calculated using the Pro Forma EPRA NAV (diluted) of GSW Immobilien AG, this premium would amount to EUR 3.04 per each GSW Share, or 10.3%, taking into account that the number of GSW Shares, which will increase as a result of

the assumed conversion at the adjusted conversion price, is 56.75 million for purposes of determining the premium.

- *Market capitalisation.* The closing prices on Xetra of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, and the outstanding number of bearer shares on this reference date (*Stichtag*), result in a market capitalisation of EUR 2,392 million for Deutsche Wohnen AG and EUR 1,590 million for GSW Immobilien AG; this corresponds to a value ratio (*Wertverhältnis*) of 60% to 40%, respectively. Based on volume-weighted average price (VWAP) of the shares during the three months up to the last day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, and the outstanding number of bearer shares on this reference date (*Stichtag*), the market capitalisation of Deutsche Wohnen AG amounts to EUR 2,294 million and EUR 1,516 million for GSW Immobilien AG; this corresponds to a value ratio (*Wertverhältnis*) of 60% to 40%, respectively.

Based on the market valuation of both companies calculated using the closing prices on the last trading day prior to the publication pursuant to section 10, para. 1, 3, sentence 1 of the WpÜG, the exchange ratio under the Exchange Offer of 20 GSW Shares for 51 shares of Deutsche Wohnen AG includes a premium of EUR 4.64 per GSW Share, or 14.7%. Based on the market valuation of both companies calculated using the Three-Month VWAP, the exchange ratio under the Exchange Offer includes a premium of EUR 4.62 per GSW Share, or 15.4%.

The premium underlying the exchange ratio results in a dilution of the interest held by Deutsche Wohnen shareholders in the Company's assets. Such dilution is, however, offset by an increase in value resulting from the synergies related to the merger. It is recognised that such business combination advantages (*Verbundvorteile*) must be taken into consideration when determining the appropriateness of the exchange ratio in connection with a capital increase against contributions in kind. The synergies result – as presented in detail under III.1.c) – primarily from the combination of the two companies, the expected cost savings resulting therefrom and the improved operating performance of the combined company.

The capitalised value of the synergies is approximately EUR 430 million after deduction of necessary costs. Based on the number of currently outstanding GSW Shares and assuming that 100% of these GSW Shares are tendered for exchange, this capitalised value will be apportioned to Deutsche Wohnen AG shares outstanding as of closing in the amount of EUR 1.44. If the calculation of the premium is based on the Pro Forma EPRA NAV (diluted) underlying number of GSW Shares, the capitalised value of the synergies is EUR 1.37 for every outstanding Deutsche Wohnen AG share at the completion of the transaction.

On the other hand, calculated on the basis of EPRA NAV (undiluted) on the part of GSW Immobilien AG and again assuming that 100% of the currently outstanding GSW Shares are tendered for exchange, EPRA NAV would be reduced from EUR 12.79 to EUR 12.35 by EUR 0.44 as a result of the premium for every Deutsche Wohnen AG share granted to the GSW shareholders. If this calculation is based on the Pro Forma EPRA NAV (diluted) of GSW Immobilien AG, the EPRA NAV per each Deutsche Wohnen AG share so calculated would be reduced from EUR 12.79 to EUR 12.24 by EUR 0.55.

Therefore, the increased value of the shares held by Deutsche Wohnen AG shareholders with regards to the resulting synergies significantly outweighs the dilution of their interest in the assets of the Company. This applies regardless of whether or not the calculation is based on the undiluted or Pro Forma EPRA NAV (diluted).

When setting the exchange ratio, it was furthermore considered that the New Shares to be issued to the shareholders of GSW Immobilien AG in accordance with the Exchange Offer and pursuant to the capital increase against contributions in kind to be resolved upon as set out in item 1 of the agenda will not bear any dividend rights for the fiscal year 2013. At the same time, due to the probable completion of this offer prior to the 2014 annual general meeting of GSW Immobilien AG, the shareholders of GSW Immobilien AG who accept the Exchange Offer will receive no dividends for GSW Shares for fiscal year 2013.

The appropriateness of the relative market valuation of the two companies is also proven by a comparison of their Funds from Operations (FFO) profiles. Funds from Operations (FFO) is a relevant liquidity indicator for listed real estate companies, which is derived from the profit and loss statement. Based on the profit or loss for a period, adjustments are made for depreciations and amortisations, special items, non-liquidity-related financing expenses or financing income and non-liquidity-related tax expenses or tax income. FFO (including disposals) is adjusted for results from sales in order to determine the FFO (without disposals). FFO (without disposals) is specifically used as a reference value because it depicts the sustainable rental business more accurately and does not take fluctuations on the disposals side into account. As a result, it is also used as measure for the pay-out ratio (*Ausschüttungsquote*).

The FFO (without disposals) estimates of the two companies as measured by return based on the EPRA NAV as of 30 June 2013 can be compared as follows:

	<u>Deutsche Wohnen</u>	<u>GSW</u>	
Forecast 2013 FFO (without disposals) in EUR millions	110	73-78	*)
Return on EPRA NAV as of 30 June 2013	5.1%	4.8% to 5.1%	

*) Forecast pursuant to half-year interim report as of 30 June 2013

Despite the premium, the FFO (without disposals) profile will improve due to the expected realisation of the synergies in an amount of EUR 25 million.

	Deutsche Wohnen AG	GSW	Combined Company
FFO in EUR million	110	73-78	183-188
Synergies in EUR million			25
FFO new in EUR million.....			208-213
per share in EUR (based on new share capital after the transaction)			0.70 – 0.72
Value creation.....			7.7% - 10.8%

Since the transaction, as shown above, creates value for the shareholders of Deutsche Wohnen AG, the Management Board believes the exchange ratio underlying the Exchange Offer to be reasonable.

IV.

The Management Board hereby presents the General Meeting, pursuant to section 186, para. 4, sentence 2 of the AktG, with the following specific reports, justifying each of the proposed exclusions of the shareholders' subscription rights under the aforementioned capital increase resolutions: Proposed resolutions for the capital increase against contributions in kind (see section II.1.) as well as for the capital increase against cash contributions (see section II.2.). The statements made in section III. for the whole transaction also apply for these specific reports and shall be an integral part thereof.

1. **Report of the Management Board pursuant to Section 186, Para. 4, Sentence 2 of the AktG relating to Agenda Item 1 (Capital Increase against Contributions in Kind for the Purpose of the Acquisition of GSW Immobilien AG registered in Berlin as part of a Takeover Offer to the Shareholders of GSW Immobilien AG pursuant to Sections 29 et seq. of the WpÜG) Regarding the Approval of the Exclusion of the Shareholders' Subscription Rights**

It is proposed to the General Meeting to resolve on an increase of the share capital of the Company against contributions in kind from EUR 168,907,143 by up to EUR 128,842,101.00 up to a total share capital of EUR 297,749,244.00.

Generally, in case of a capital increase, the shareholders have a statutory subscription right (section 186, para. 1, sentence 1 of the AktG). However, the Supervisory Board and the Management Board propose to the General Meeting to exclude the shareholders' subscription rights pursuant to section 186, para. 3 of the AktG in the resolution on the increase of the share capital.

The purpose of the proposed capital increase with exclusion of the shareholders' subscription rights is to enable the Company to acquire an interest in GSW Immobilien AG by way of an

increase of the Company's share capital by the issuance of shares of the Company as consideration for the contribution of GSW Shares as contributions in kind. The shares issued in the course of the proposed capital increase of the Company shall be issued at a ratio of 20 to 51 in connection with the Exchange Offer made to all shareholders of GSW Immobilien AG pursuant to sections 29, 31, para. 2, sentence 1, second alternative of the WpÜG to acquire all GSW Shares held by the shareholders of GSW Immobilien AG, i.e. GSW shareholders receive 51 shares in Deutsche Wohnen AG for 20 GSW Shares.

The purpose of the proposed exclusion of the shareholders' subscription rights is in the interest of Deutsche Wohnen AG. The exclusion of the shareholders' subscription rights is suitable and necessary for the furtherance of the interests of Deutsche Wohnen AG and is proportional to the disadvantages of the shareholders of Deutsche Wohnen AG. The exchange ratio between the GSW Shares and the shares of Deutsche Wohnen AG of 20:51 is not unreasonably to the detriment of the shareholders of Deutsche Wohnen AG.

- a) The interest of Deutsche Wohnen AG in the exclusion of the shareholders' subscription rights

The purpose of the proposed exclusion of the shareholders' subscription rights – acquiring an interest in GSW Immobilien AG via a capital increase against contributions in kind and the Exchange Offer to the shareholders of GSW Immobilien AG – is in the interest of the Company. This criterion is satisfied if the corporate bodies involved in the decision making are justifiably taking the view that the capital increase against contributions in kind is in the best interest of the Company and thus of all shareholders. According to the business combination advantages (*Verbundvorteile*) described above under III.1.c), the Company is especially interested in concentrating on a growth market through the acquisition of GSW Immobilien AG and achieving the described synergy potential.

With this acquisition, the Company can achieve the key strategic objective to grow in its Core+- regions, to greatly expand the share of its portfolio in Berlin and to gain a competitive advantage from the stronger focus. The approximately 58,000 residential units of GSW Immobilien AG are located almost exclusively in Berlin, and the Management Board of Deutsche Wohnen AG holds the view that the Berlin housing market is particularly attractive due to its high demand for residential property. It anticipates further potential for growth in the future.

In addition, Deutsche Wohnen AG benefits from significant flexibility and efficiency advantages compared to GSW Immobilien AG. Therefore, full integration of GSW Immobilien AG offers annual synergies, which the Management Board deems feasible given full integration within 24 months after closing of the transaction; these amount to approximately EUR 25 million. The capitalised cash value of the synergies amounts to approximately EUR 430 million, taking into account the costs required to realise the synergies (see above under III.1.c)).

Furthermore, the acquisition of GSW Immobilien AG strengthens the capital market profile of the combined company. The combined market capitalisation of the free float is among the five largest in Europe and strengthens the liquidity of the stock. In addition, the raising of equity and debt will be facilitated because the combined company's position in the competition for investors would be improved.

Finally, the Management Board expects that the combined company has superior key financial figures and a stronger competitive position. In comparison to its main competitors it achieves the most efficient cost structure, and measured against the residential units it would be the second largest listed residential real estate company in Germany (see III.1.c)(3)).

b) Suitability and necessity of the exclusion of the shareholders' subscription rights

The Management Board considers the exclusion of the shareholders' subscription rights to be suitable and necessary to achieve the underlying purpose in the interest of the Company.

The exclusion of the shareholders' subscription rights is suitable to achieve the purpose pursued in the interest of the Company because the Exchange Offer to the shareholders of GSW Immobilien AG, i.e. the offer to exchange all of their GSW Shares for New Shares of the Company from the proposed capital increase against contributions in kind requires an exclusion of the Company's shareholders' subscription rights.

The exclusion of the shareholders' subscription rights is also necessary to achieve this purpose. In its deliberations the Management Board has considered alternatives for structuring the proposed transaction, but it has rejected them as impractical or less suitable:

Due to the magnitude of the required financing, a debt financing of the acquisition is not feasible. As of 30 June 2013 Deutsche Wohnen AG's loan-to-value ratio amounts to approximately 56% (reported net financial debt of EUR 2,964 million in relation to properties held for sale as investment properties, non-current assets held for sale, as well as land and buildings held for sale, amounting to a reported value of EUR 5,313 million). As of 30 June, 2013 GSW Immobilien AG has a loan-to-value ratio of approximately 54% (reported net financial debt of EUR 1,789.9 million in relation to properties held for sale as investment properties and assets held for sale, amounting to a reported total value of EUR 3,324.4 million). If the acquisition of all shares in GSW Immobilien AG including the proposed premium would be entirely debt financed, then the combined company would have a loan-to-value ratio of around 75%. This loan-to-value ratio would be significantly above the industry standard and thus excludes the borrowing of funds in the required amount – in any case, due to the financing costs, a fully debt-financed acquisition would be associated with high economic risks for the Company.

A capital increase against cash contributions with shareholders' subscription rights, in order to pursue the contemplated transaction using cash and allowing the shareholders of the Company to subscribe for the shares issued in the context of the transaction, is less suitable than an acquisition by way of an Exchange Offer for several reasons. First, such a capital increase against cash contributions would have to finance the entire takeover offer even in case of an acceptance rate of 100%. Neither the extent to which shareholders subscribe for new shares nor the purchase price of the subscription rights in the course of such capital increase – at least with such a volume – can be predicted with any certainty and depends in particular on the market conditions at the time of the implementation of the capital increase. In order to obtain reasonable assurance as to the financial viability of the offer, a rights issue would have to precede the acceptance period of the Exchange Offer. This in turn means that the capital increase would have to be implemented before the actual acceptance rate and the success of the takeover offer could be determined. Consequently, following the capital increase, the Company would be significantly overcapitalised if the offer would not or only be partially implemented, for example, due to a competing offer or non-occurrence of offer conditions or due to an acceptance rate lower than was assumed when calculating the size of the capital increase. Finally, the implementation of such a measure would require a direct resolution of the General Meeting; therefore, implementation of the measure before the beginning of the acceptance period would be associated with significant timing risks.

A combined equity- and debt-financed acquisition of the shares in GSW Immobilien AG is also less suitable than a capital increase against contributions in kind with the exclusion of the shareholders' subscription rights in connection with the Exchange Offer, even though a partial debt financing could in principle complement a capital increase against cash contributions without an exclusion of the shareholders' subscription rights and lead to a reduction of the market risk. However, taking into account the current debt financing of GSW Immobilien AG's portfolio, the transaction would lead to a significant increase of the loan-to-value ratio of the combined company. Moreover, this would not change the fact that the Company would be overcapitalised if the Exchange Offer were to be either not at all or not fully implemented.

Finally, an acquisition by way of a merger by absorption (*Verschmelzung zur Aufnahme*) (section 2, no. 1 of the German Transformation Act ("UmwG")) is also less suitable. Firstly, the subscription rights of the Company's shareholders would be excluded in the same way as in the case of a capital increase against contributions in kind, because the shares issued in the course of the merger-linked capital increase (*Verschmelzung mit Kapitalerhöhung*) (section 69 of the UmwG) shall also require that the shareholders' subscription rights be excluded. Secondly, in contrast to the contemplated acquisition of a maximum of 94.9% of the shares in GSW Immobilien AG in case of a capital increase against contributions in kind excluding the shareholders' subscription right, the merger would lead to the acquisition of all shares

in GSW Immobilien AG and thus trigger a German real estate transfer tax with regard to the real estate of GSW Immobilien AG located in Germany.

c) Appropriateness of the exclusion of subscription rights and appropriateness of the exchange ratio

The exclusion of the subscription rights is also appropriate in order to achieve the goal to acquire an interest in GSW Immobilien AG, which is in the interest of the Company, by means of a capital increase against contributions in kind and an Exchange Offer to the shareholders of GSW Immobilien AG. Moreover, the exchange ratio between the GSW Shares and the shares of Deutsche Wohnen AG is not unreasonably low at the expense of the shareholders of Deutsche Wohnen.

In the context of the capital increase against contributions in kind, the exclusion of subscription rights will inevitably cause a dilution of membership rights (*Mitgliedschaftsrechte*) of the shareholders of Deutsche Wohnen AG. The dilution of the existing participations in Deutsche Wohnen AG associated with the exclusion of subscription rights is, however, proportionate to the objective pursued in the interest of the Company and therefore justified.

There is no value-based dilution of the existing shareholdings. The exchange ratio between the shares of Deutsche Wohnen AG and the GSW Shares indeed includes

- an 8.6% premium based on the EPRA NAV (Net Asset Value – as measured according to the recommendations of the European Public Real Estate Association) of GSW Immobilien AG and Deutsche Wohnen AG as of 30 June 2013,
- a 14.7% premium in comparison to the closing price on the last trading day before publication of this management report and a 15.4% premium on the basis of the volume weighted average price (VWAP) of the shares in the three months before this point in time.

As detailed in section III.3 of this management report, however, the value-based dilution in relation to the granting of this premium is more than balanced by the rise in value of the shares of the Deutsche Wohnen AG shareholders as a result of the synergies associated with the transaction. Business combination advantages (*Verbundvorteile*) are to be considered in assessing the appropriateness of the exchange ratio in the context of a capital increase against contributions in kind. It is also acknowledged that an appropriate premium in favour of the new shareholders is acceptable in order to help the Exchange Offer succeed.

The Management Board therefore concludes that the exchange ratio underlying the capital increase against contributions in kind is appropriate from the perspective of Deutsche Wohnen AG.

2. Report of the Management Board pursuant to Section 186, Para. 4, Sentence 2 of the AktG relating to Agenda Item 2 (Capital Increase against Cash Contributions by up to EUR 6,570,948.00 through the Issuance of up to 6,570,948 New Ordinary Bearer Shares, with no par value, with the Exclusion of the Shareholders' Subscription Rights) Regarding the Approval of the Exclusion of the Shareholders' Subscription Rights.

It is proposed to the General Meeting to resolve on an increase of the Company's share capital, currently amounting to EUR 168,907,143 from the future amount of the share capital as it will stand after the implementation of the capital increase against contributions in kind according to agenda item 1, against cash contributions by up to EUR 6,570,948.00.

Generally, in the event of a capital increase, the shareholders have a statutory subscription right (section 186, para. 1, sentence 1 of the AktG). However, the Supervisory Board and the Management Board propose to the General Meeting to exclude the shareholders' subscription rights pursuant to section 186, para. 3 of the AktG, in the resolution on the increase of the share capital.

The purpose of the proposed capital increase against cash contributions is to allow for a tax-optimised acquisition of an interest in GSW Immobilien AG by way of the Exchange Offer (see the more detailed description below under a)).

The purpose of the proposed exclusion of shareholders' subscription rights is in the interest of Deutsche Wohnen AG. The exclusion of shareholders' subscription rights is required to further the interest of the Company, and it is suitable, necessary and proportional to the disadvantages of the shareholders of Deutsche Wohnen AG. The issue price (*Emissionspreis*) of the newly issued shares is not unreasonably low at the expense of the shareholders of Deutsche Wohnen AG. Measured against the Company's value based on its EPRA NAV (see III.3.), at the time of the convention of the General Meeting, the issue price (*Emissionspreis*) exceeds the intrinsic share value of the shares in Deutsche Wohnen AG so that a value-based dilution is excluded. In addition, the exclusion of the shareholders' subscription rights is also justified pursuant to section 186, para. 3, sentence 4 of the AktG.

- a) The interest of Deutsche Wohnen AG in the exclusion of the shareholders' subscription rights

The purpose of the exclusion of shareholders' subscription rights is in the interest of the Company.

Firstly, the acquisition of an interest in GSW Immobilien AG via a public takeover offer addressed to the shareholders of GSW Immobilien AG is in the interest of the Company because in this way the business combination advantages (*Verbundvorteile*) resulting from the acquisition of GSW Immobilien AG described above under III.1.c) can be achieved, particularly by concentrating on a growth market and by realising the outlined synergy potential. The capital increase against cash contributions with

the exclusion of subscription rights, is equally in the interest of the Company, allowing it to achieve this purpose in a tax-optimised way.

This is because by means of the capital increase against cash contributions, the Company can avoid, for the reasons described below, the German real estate transfer tax burden in the amount of approximately EUR 130 million that would otherwise accrue in connection with a capital increase against contributions in kind.

As a general rule, pursuant to sections 29, 31, para. 2, sentence 1, second alternative, 32 of the WpÜG, the Exchange Offer shall be addressed to all shareholders of GSW Immobilien AG. However, Deutsche Wohnen AG intends to acquire at most 94.9% of the shares in GSW Immobilien AG, because the acquisition of at least 95% of the shares in GSW Immobilien AG would trigger a real estate transfer tax pursuant to section 1, para. 3, and para. 3a of the GrEStG with respect to real estate owned by GSW Immobilien AG. This situation would arise if the acceptance rate of the Exchange Offer would be so high that the Exchange Trustees would have to contribute GSW Shares to Deutsche Wohnen AG, leading to Deutsche Wohnen AG holding at least 95% of the shares in GSW Immobilien AG (see III.2.c)). For this reason, the tax-optimised Exchange Offer can be implemented only through a capital increase against contributions in kind.

If a capital increase against contributions in kind (taking into account GSW Shares already held or acquired by Deutsche Wohnen AG outside the Exchange Offer) would result in Deutsche Wohnen AG holding a share of the share capital of GSW Immobilien AG exceeding 94.9%, Deutsche Bank AG has agreed to acquire from the Exchange Trustees and to hold in lieu of Deutsche Wohnen AG these excess shares in GSW Immobilien AG (i.e. a maximum of 5.1% of the outstanding shares in GSW Immobilien AG). To enable the Exchange Trustees to provide the shareholders of GSW Immobilien AG with shares in Deutsche Wohnen AG for this excess number of GSW Shares according to the conditions of the intended Exchange Offer, this proposed capital increase against cash contributions shall be implemented with the exclusion of the shareholders' subscription rights and, if necessary, the Exchange Trustees will subscribe for these shares.

b) Suitability and necessity of the exclusion of the shareholders' subscription rights

The exclusion of the shareholders' subscription rights in the capital increase against cash contributions is also suitable and necessary to achieve the intended purpose – a tax-optimised acquisition of an interest in GSW Immobilien AG via a capital increase against cash contributions and an Exchange Offer to the shareholders of GSW Immobilien AG.

The exclusion of the shareholders' subscription rights is suitable to achieve the purpose pursued in the interest of the Company. As stated above, according to the set out conditions, the Exchange Trustee requires further shares in Deutsche Wohnen AG

in order to be in a position to fulfil the entirety of its obligations to the shareholders of GSW Immobilien AG under the Exchange Offer. The exclusion of the shareholders' subscription rights in connection with the proposed cash capital increase enables the allocation of these shares to the Exchange Trustee.

The exclusion of the shareholders' subscription rights is also necessary to achieve this purpose. In its deliberations, the Management Board has considered potential alternatives for structuring the proposed transaction, but has rejected them as impractical or less suitable:

In particular, the use of treasury shares acquired pursuant to section 71, para. 1, no. 8 of the AktG instead of newly issued shares from a capital increase is not a valid alternative to ensure the implementation of this transaction. Until publication of the offer documents, it cannot be predicted with reasonable certainty whether such acquisition by the Company would actually be possible. Thus the provision of the consideration would not be feasible with a satisfactory degree of likelihood as required by section 13 of the WpÜG. In addition, when selling treasury shares the principle of equality would have to be respected so that a transfer of shares to the Exchange Trustee would be possible only under the same conditions that need to be met when establishing the legality of the exclusion of the shareholders' subscription rights in the event of a capital increase (see section 71, para. 1, no. 8, sentence 5 of the AktG).

The possibility of a direct acquisition of 5.1% of the outstanding shares in GSW Immobilien AG on the stock exchange by a third party and the conclusion of a so-called "Non-Tender Commitment" (agreement to waive acceptance of the Exchange Offer) with respect to these shares has been considered and rejected. Firstly, it cannot be predicted with reasonable certainty whether such acquisition by Deutsche Bank AG or another third party is actually possible. Moreover, in this scenario, the precautionary acquisition of the GSW Shares by the third party would be necessary regardless if the acceptance quota of Deutsche Wohnen AG would result in an excess of its interest in GSW Immobilien AG of 94.9%. The costs associated with the acquisition of shares by Deutsche Bank AG or another third party for the Company would be triggered in the full amount regardless of whether a very high acceptance rate is achieved. In addition, a "Non-Tender Commitment" would have to be agreed upon by a certain date, before the acceptance rate arrived at in the offer is known. Therefore, there is a risk that the intended minimum acceptance rate will not be achieved with a "Non-Tender Commitment."

- c) Appropriateness of the issue price (*Emissionspreis*) and of the exclusion of subscription rights

The exclusion of subscription rights is appropriate for the achievement of the pursued objective and the issue price (*Emissionspreis*) is not unreasonably low.

First, the issue price (*Emissionspreis*) agreed upon with the Exchange Trustee in the amount of EUR 14.16 per share is not unreasonably low to the detriment of the shareholders of Deutsche Wohnen AG. This is because the issue price (*Emissionspreis*) at the date of the invitation exceeds the intrinsic share value of the Company measured on the basis of the EPRA NAV in the amount of EUR 12.79 per share and therefore excludes a value-based dilution of the existing shares (refer to III.3). In addition, the issue price (*Emissionspreis*) for Deutsche Wohnen AG corresponds with the market price and would therefore justify the exclusion of subscription rights even pursuant to section 186, para. 3, sentence 4 of the AktG, as the issue price (*Emissionspreis*) is not significantly lower than the market price.

Moreover, the exclusion of subscription rights is appropriate in spite of the associated dilution of existing shareholdings. The exclusion of subscription rights does not, as already stated, result in a value-based dilution. The dilution of shareholdings as a result of the cash capital increase (in the course of which shares are issued with a value of at most EUR 93,044,623.68 based on the XETRA closing prices on 19 August 2013) is proportionate also in light of the amount of potential tax savings (EUR 130 million). The financial gain through the tax-savings benefits the value per share of the existing shares of Deutsche Wohnen AG and justifies the exclusion of subscription rights, as it outweighs the disadvantages of the relative marginal dilution of the distribution of shares.

* * *

Frankfurt in August 2013

Deutsche Wohnen AG

The Management Board

Annex A

to the Report of the Management Board Pursuant to Section 186, Para. 4, Sentence 2 of the German Stock Corporation Act on Agenda Items 1 and 2 of the Extraordinary General Meeting on Monday, 30 September 2013 about the Reason for the Exclusion of Shareholder Subscription Rights



August 19, 2013

Management Board (*Vorstand*) and Supervisory Board (*Aufsichtsrat*)

Deutsche Wohnen AG
Mecklenburgische Str. 57
14197 Berlin, Germany

Dear Sirs

Deutsche Bank AG, Frankfurt ("**Deutsche Bank**") is acting as financial advisor to Deutsche Wohnen AG, Frankfurt ("**Client**") in connection with the proposed offer (the "**Offer**") for the entire issued and outstanding ordinary share capital of GSW Immobilien AG, Berlin (the "**Offeree**"), made by Client. The consideration proposed to be paid by the Client pursuant to the Offer is an exchange of 51 ordinary shares of Client with attributable value €1.00 each and dividend entitlement as of January 1, 2014 (each a "**Client Share**" and together the "**Client Shares**") for 20 ordinary shares of Offeree with attributable value €1.00 each (each an "**Offeree Share**" and together the "**Offeree Shares**") (the "**Consideration**") to be paid pursuant to certain terms and conditions set out in the final draft Sec. 10 WpÜG-announcement dated the date hereof (the "**Announcement**").

Client has requested Deutsche Bank to provide an opinion addressed to the management board and supervisory board of Client (together the "**Boards**") as to whether the Consideration is fair, from a financial point of view, to Client.

In connection with Deutsche Bank's role as financial advisor to Client, and in arriving at its opinion, Deutsche Bank has reviewed the following principal sources of information:

1. Consolidated audited annual financial statements of Client, prepared by Client in accordance with IFRS as adopted in the European Union, for the years ended December 31, 2010, 2011 and 2012;
2. Unaudited interim financial statements of Client for the quarter ended March 31, 2013 as well as for the six-month period ended June 30, 2013 prepared by Client in accordance with IFRS as adopted in the European Union;



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3. Financial forecasts for Client (2013-2016) for the four years ending December 31, 2016 as prepared and provided by the Client, and an extrapolation of such financial forecasts (2017-2023) for the seven years ending December 31, 2023 as endorsed by Client;
4. Consolidated audited annual financial statements of Offeree, prepared by Offeree in accordance with IFRS as adopted in the European Union, for the years ended December 31, 2010, 2011 and 2012;
5. Unaudited interim financial statements of Offeree for the quarter ended March 31, 2013 as well as for the six-month period ended June 30, 2013, prepared by Offeree in accordance with IFRS as adopted in the European Union;
6. Financial forecasts for Offeree (2013-2016) for the four years ending December 31, 2016 as prepared and provided by the Client, and an extrapolation of such financial forecasts (2017-2023) for the seven years ending December 31, 2023 as endorsed by Client;
7. An estimate by Client of the synergy potential and respective implementation and transaction costs arising out of the Offer;
8. Selected equity research on Client and Offeree, including the respective analysts' valuations and target prices of Client and Offeree, respectively.

Deutsche Bank has also held discussions with members of the senior management of Client regarding the businesses and prospects of Client and Offeree, respectively.

In addition, Deutsche Bank has: (i) reviewed the reported prices and trading activity for the Offeree Shares and for the shares of Client; (ii) prepared a discounted cash flow analyses for Offeree and Client; (iii) to the extent publicly available, compared certain financial and stock market information for Offeree and Client with similar information for certain selected companies which Deutsche Bank has considered comparable to the Offeree and Client and whose securities are publicly traded; (iv) reviewed the premia paid over the market price in certain selected merger and acquisition transactions which Deutsche Bank has considered comparable to the Offer; (v) reviewed the financial terms of the Offer as envisaged by Client on the date hereof and described in the Announcement; (vi) reviewed the terms of the Announcement and certain related documents, including the draft of the report of the



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management board (*Vorstandsbericht*) as part of the invitation to Client's shareholder meeting to approve the capital increases underlying the Offer; and (vii) performed such other studies and analyses and considered such other factors as it deemed appropriate.

In conducting its analyses and arriving at its opinion, Deutsche Bank utilized a variety of generally accepted valuation methods commonly used for these types of analyses. The analyses prepared by Deutsche Bank were prepared solely for the purpose of enabling Deutsche Bank to provide its opinion to the Boards as to the fairness, from a financial point of view, to Client of the Consideration proposed to be paid by the Client and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold, which are inherently subject to uncertainty.

This opinion is not based on a valuation as it is typically prepared by auditors with regard to German corporate law requirements and Deutsche Bank did not prepare a valuation on the basis of IDW Standard S 1 Principles for the Performance of Business Valuations (*Grundsätze zur Durchführung von Unternehmensbewertungen*) published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW). Also, this opinion has not been prepared in accordance with the IDW Standard S 8 Principles for the preparation of Fairness Opinions (*Grundsätze für die Erstellung von Fairness Opinions*). Furthermore, Deutsche Bank does not opine herein whether the Offer, its terms and conditions or the Consideration comply with the German takeover act (WpÜG).

Deutsche Bank has not assumed responsibility for, and has not verified, any information, whether publicly available or furnished to it, concerning Client or the Offeree, including, without limitation, any financial information, forecasts or projections considered in connection with the rendering of its opinion. Accordingly, for the purposes of its opinion, Deutsche Bank has, with Client's permission, assumed and relied upon the accuracy and completeness of all such information. Deutsche Bank has not conducted a physical inspection of any of the properties or assets, and has not prepared or obtained any independent valuation or appraisal of any of the assets or liabilities (including any contingent, derivative, or off-balance sheet assets and liabilities), of Client or the Offeree or any of their respective affiliates, nor has Deutsche Bank evaluated the solvency or fair value of Client or Offeree under any applicable law relating to bankruptcy, insolvency or similar matters. With respect to



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the financial forecasts and projections, including the analyses and forecasts of certain financial benefits including cost savings and respective implementation and transaction costs expected by Client to be achieved and incurred respectively as a result of the Offer (collectively the “**Synergies**”), made available to Deutsche Bank and used in its analyses, Deutsche Bank has assumed with Client’s permission that they have been reasonably prepared on bases reflecting the best currently available estimates and judgements of Client as to the matters covered thereby. In rendering its opinion, Deutsche Bank expresses no view as to the reasonableness of such financial information, forecasts and projections, including the Synergies, or the assumptions on which they are based.

For purposes of rendering its opinion, Deutsche Bank has assumed with Client’s permission that, in all respects material to its analysis, the Offer will be consummated in accordance with its terms as contained in the Announcement, without any material waiver, modification or amendment of any term, condition or agreement. Deutsche Bank has also assumed that, in all respects material to its analysis, all necessary governmental, regulatory or other approvals and consents required in connection with the consummation of the Offer will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, no material restrictions will be imposed. Deutsche Bank is not a legal, regulatory, tax or accounting expert and has relied on the binding tax ruling with regard to real estate transfer taxes (*verbindliche Auskunft des Finanzamts zur Grunderwerbsteuer*) received by Client as well as the assessments made by Client and its advisors with respect to such issues. Representatives of Client have informed Deutsche Bank, and Deutsche Bank has further assumed, that the final terms of the Offer will not differ materially from the terms set forth in the Announcement.

This opinion has been approved and authorized for issuance by a fairness opinion review committee of Deutsche Bank, is addressed to, and for the use and benefit of, the Boards only and is not a recommendation to the shareholders of Client to approve the Offer. Furthermore, this opinion is not for the use and benefit of the shareholders of Offeree, and it is not a recommendation to them to participate in the Offer. Neither the shareholders of Client or of Offeree nor any other third party (together “Third Parties”) is authorised to rely upon this letter, and Third Parties shall not be covered by the scope of protection (*Schutzbereich*) of this letter. Hence, Deutsche Bank is not liable vis-a-vis Third Parties for this letter and the content therein. Nothing in this letter shall be taken as constituting the giving of advice or a



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recommendation by Deutsche Bank to Third Parties.

This opinion is limited to the fairness, from a financial point of view, of the Consideration to Client, and is subject to the assumptions, limitations, qualifications and other conditions contained herein and is necessarily based on financial, economic, market and other conditions, and the information made available to Deutsche Bank, as of the date hereof. Client has not asked Deutsche Bank to, and this opinion does not, address the fairness of the Offer, or any consideration received in connection therewith, to the holders of any class of securities, creditors or other constituencies of Client, nor does it address the fairness of the contemplated benefits of the Offer. Deutsche Bank expressly disclaims any undertaking or obligation to advise any person of any change in any fact or other matter affecting its opinion of which it becomes aware after the date hereof. Deutsche Bank expresses no opinion as to the merits of the underlying decision by Client to engage in the Offer. In addition, Deutsche Bank does not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received as a result of the Offer by any of the officers, directors, or employees of any parties to the Offer, or any class of such persons. This opinion does not address the prices at which the shares of Client or other securities will trade following the announcement or consummation of the Offer.

Deutsche Bank will be paid fees for its services as (i) financial advisor to Client, (ii) tender agent of Offer and (iii) provider of a structure which ensures that Client will not own more than 94.9% in Offeree in connection with the Offer, a significant amount of which is contingent upon completion of the Offer. Client has also agreed to indemnify Deutsche Bank against certain liabilities in connection with its engagement. In this letter, Deutsche Bank AG and its subsidiaries are referred to as the “**DB Group**”. One or more members of the DB Group has, from time to time, provided investment banking, commercial banking (including extension of credit) and other financial services to Client and Offeree or their respective affiliates for which it has received compensation. Client was founded by Deutsche Bank in 1998 and listed on the stock exchange (IPO in 1999/2000). Until mid-2006, RREEF Management GmbH (RREEF), a wholly owned subsidiary of Deutsche Bank, and Client were parties to a ‘Beherrschungsvertrag’ (domination agreement). In December 2011, Client and RREEF have agreed on a court settlement in order to conclude court proceedings relating to loss compensation claims with regard to the financial years 1999 to 2001 and 2004 to 2006 (first half year), requiring RREEF to pay EUR 20m to Client.



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Deutsche Bank has been involved in the following transactions relating to the Offeree: its IPO (April 2011), a capital increase (Rights issue, May 2012) and a convertible bond (November 2012). In the ordinary course of their business, members of the DB Group may actively trade in the securities and other instruments and obligations of Client and Offeree for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations. For the purpose of this opinion, Deutsche Bank has not considered any information that may have been provided to it in those capacities or in any other capacity than fairness opinion provider.

Based upon and subject to the foregoing, it is Deutsche Bank's opinion as investment bankers that, as of the date hereof, that the Consideration is fair, from a financial point of view, to Client.

This letter is addressed to, and for the use and benefit of, the Boards only. It may not be reproduced, summarised or referred to in any public document, used in any court or other legal proceedings of parties to the Offer, given to any person other than the members of the Boards, or used in any other way by Client or any other person without the prior written consent of Deutsche Bank and, in the case of such consent, subject to the restrictions under which such consent is granted. Notwithstanding the foregoing, this opinion may, if required by law, be included in any disclosure document filed by Client with any applicable securities regulatory authorities with respect to the Offer, provided that it is reproduced in full, and that any description of or reference to Deutsche Bank in such disclosure document is in a form reasonably acceptable to Deutsche Bank.

Yours faithfully,

DEUTSCHE BANK AG

Name: Carsten Laux
Title: MD

Name: Klaus Elmendorff
Title: MD

Annex B

to the Report of the Management Board Pursuant to Section 186, Para. 4, Sentence 2 of the German Stock Corporation Act on Agenda Items 1 and 2 of the Extraordinary General Meeting on Monday, 30 September 2013 about the Reason for the Exclusion of Shareholder Subscription Rights

STRICTLY PRIVATE & CONFIDENTIAL & RELIANCE RESTRICTED

IMPORTANT NOTICE / DISCLAIMER FOR THIRD PARTY RECIPIENTS

This important notice / disclaimer and the letter immediately following this important notice / disclaimer (collectively, the "**Opinion**") is being provided by UBS Deutschland AG ("**UBS**") at the request of our client, Deutsche Wohnen AG (the "**Company**"). In connection with our engagement by the Company, it has been requested that we consent to a copy of the Opinion being accessible to third party recipients (the "**Third Party Recipient**") on an informational and non-reliance basis and we are prepared to so consent strictly on the terms set out below. We are granting access to the Third Party Recipient on the basis that the Third Party Recipient acknowledges that the Opinion was prepared solely for the benefit of the Company's Management Board and Supervisory Board and is being provided to the Third Party Recipient solely for informational purposes and on a confidential and non-reliance basis.

The Opinion shall not confer any rights or remedies upon the Third Party Recipient or any other person (other than the Company in accordance with and subject to the express provisions of UBS' engagement letter with the Company). The Opinion does not purport to give a complete assessment of all matters to which it refers and does not constitute and should not be construed by the Third Party Recipient as any form of assurance as to the financial condition, valuation or prospects of the Company and/or the Target (as defined herein) by or on behalf of UBS or any member of the UBS Group (as defined below). The Opinion was prepared as at the date stated on it and has not been updated since then. Subsequent financial, market, operational or other developments may have had an impact on the Opinion, which have not been taken into account in the Opinion. UBS is under no obligation or duty to update, revise or reaffirm the Opinion based on any subsequent developments, nor to advise the Third Party Recipient of any further information concerning the Company coming to its attention. The Opinion is not intended to and should not provide the basis of any credit or other evaluation by the Third Party Recipient or others and should not be considered a recommendation as to any actions that may be taken based on the Opinion or otherwise. The Third Party Recipient will undertake its own investigation and analysis, independent of the contents of the Opinion, and will depend on its own assessments and that of its advisors (if desired). The Opinion shall not in any way serve as a substitute for the proper inquiries and procedures that the Third Party Recipient would (or should) undertake, and/or the judgments that the Third Party Recipient must (or should) make for purposes of satisfying itself regarding any matter of interest to the Third Party Recipient regarding the Opinion, any information contained therein or the Company. Any estimates of value reflected in the Opinion may not necessarily reflect actual values.

The Opinion was prepared based solely on information provided to us by or on behalf of the Company and was based on and subject to various assumptions, limitations and qualifications, including those set forth in the Opinion. This information has, in many cases, been furnished on a non-reliance basis and we have not assumed any responsibility for independently testing, conducting a diligence or verifying any information provided to us in connection with the engagement. The Third Party Recipient acknowledges and agrees that UBS makes no representation or warranty, express or implied, in relation to the Opinion or any information contained therein, the sufficiency of the procedures performed by us in connection therewith or the accuracy or completeness of the information provided to us for the purposes of compiling the Opinion and other information available to us on which the Opinion is based and any liability therefore is hereby expressly disclaimed.

By accepting access to the Opinion, the Third Party Recipient acknowledges and agrees that the Opinion may not be relied upon by the Third Party Recipient or any other party (other than the members of the Company's Management Board and Supervisory Board in accordance with and subject to the express provisions of UBS' engagement letter with the Company) for any purpose whatsoever and that no UBS Persons (as defined below) owe nor accept any duty, liability or responsibility to the Third Party Recipient or any other person (other than the Company in accordance with and subject to the express provisions of UBS' engagement letter with the Company) including, without limitation, negligence and breach of statutory duty or otherwise and shall not be liable in respect of any loss, damage or expense whatsoever which is caused by inspection of the Opinion or otherwise. The Third Party Recipient covenants not to make any claim, institute or otherwise participate (except as required by a validly issued court order or subpoena) in any legal proceeding, directly or indirectly against any UBS Persons that relates in any way to the Opinion, any information contained therein, or the Third Party Recipient's access to the Opinion. For purposes of the Opinion, "UBS Group" means UBS AG and any subsidiary, branch or affiliate of UBS AG and "UBS Persons" means UBS and each other member of the UBS Group and all directors, officers, employees and agents of each member of the UBS Group.

UBS is acting as financial adviser to the Company for the purpose of providing the Opinion and to no one else and will not be responsible to anyone other than the Company (whether or not access to the Opinion has been received) for providing the protections offered to clients of UBS nor for providing advice in relation to such Opinion.

Strictly Private & Confidential

The Supervisory Board
The Management Board
Deutsche Wohnen AG
Mecklenburgische Straße 57
14197 Berlin
Germany

20 August 2013

Dear Sirs,

Further to our engagement with you, Deutsche Wohnen AG ("**you**" or the "**Company**") to advise you in relation to the envisaged acquisition of GSW Immobilien AG ("**GSW**" or the "**Target**") (the "**Transaction**"), you have requested us, UBS Deutschland AG ("**UBS**"), to provide the Company's Supervisory Board and Management Board with an opinion as to the fairness, from a financial point of view, of the Consideration (as defined below) for the Transaction (the "**Opinion**").

We understand from you that the Company intends to pursue the acquisition of GSW via an all-stock public exchange offer according to the German Securities Takeover and Acquisition Act with an exchange ratio of 2.55 shares of Deutsche Wohnen AG for each share of GSW (the "**Consideration**").

UBS is acting as financial adviser to the Company in connection with the Transaction and will receive a fee for its services, which is contingent upon public announcement of the Transaction and a separate fee, which is contingent upon the consummation of the Transaction.

From time to time, UBS, other members of the UBS Group (which for the purpose of this letter means UBS AG and any subsidiary, branch or affiliate of UBS AG) and their predecessors may have provided investment banking services to the Company and/or the Target or any of their affiliates unrelated to the proposed Transaction and received customary compensation for the rendering of such services. In the ordinary course of business, UBS, UBS AG and their successors and affiliates may trade securities of the Company and the Target for their own accounts or for the accounts of their customers and, accordingly, may at any time hold long or short positions in such securities.

In determining our Opinion we have used such customary valuation methodologies as we have deemed necessary or appropriate for the purposes of this opinion, including:

- Discounted cash flow analysis;

This Opinion is strictly private and confidential. This Opinion was prepared solely for Deutsche Wohnen AG. No other person or entity shall be entitled to rely on this Opinion, nor have any remedies in relation to or in connection with its content against UBS Deutschland AG.

UBS Deutschland AG is a subsidiary of UBS AG.

Company seat: Bockenheimer Landstraße 2-4, D-60306 Frankfurt am Main, Tel. +49-69 1369 0
Registered in the Commercial Registry of Frankfurt am Main HRB 58164; Chairman of Supervisory Board: Roland Koch (Chairman)
Management Board: Axel Hörger (Chairman), Dr. Martin Deckert, Carsten Dentler, Stefan Winter

- Comparable companies' trading multiples and yields; and
- Precedent asset portfolio transactions analysis

Our Opinion does not address the relative merits of the Transaction as compared to other business strategies or transactions that might be available with respect to the Company or the underlying business decision of the Company to effect the Transaction. At your direction, we have not been asked to, nor do we, offer any opinion as to the material terms of the Transaction, other than the Consideration (to the extent expressly specified in this letter) under the Agreement, or the form of the Transaction. Our Opinion does not constitute an offer by us, or represent a price or exchange ratio at which we would be willing to purchase, sell, enter into, assign, terminate or settle any transaction. The valuation herein is not an indicative price quotation, in particular, it does not necessarily reflect such factors as hedging and transaction costs, credit considerations, market liquidity and bid-ask spreads, all of which could be relevant in establishing an indicative price for the Target's shares. A valuation estimate for any transaction does not necessarily suggest that a market exists for the transaction. In rendering this Opinion, we have assumed, with your consent, that the Transaction as consummated will not differ in any material respect from that described in the Transaction documents, without any adverse waiver or amendment of any material terms or conditions thereof, and that the Company will comply with all material terms of the Transaction documents.

In determining our Opinion, we have, among other things:

- (i) reviewed the intended transaction structure to optimize any potential payment of real estate transfer tax (the "**Tax Structure**") and the associated received legally binding ruling by the State of Berlin thereon (the "**Tax Ruling**")
- (ii) reviewed current and historic share prices for the Target and the Company;
- (iii) reviewed certain publicly available business and financial information and other data relating to the business and financial prospects of the Target and the Company based on research analysts' estimates and financial forecasts;
- (iv) reviewed publicly available financial and stock market information with respect to certain other companies in lines of business we believe to be generally comparable to those of the Target and the Company;
- (v) reviewed the business plans for the Target and the Company that were produced, and provided to us, by the Company and that you have directed us to use for the purposes of our analysis;
- (vi) conducted discussions with, and relied on statements made by, members of the senior management of the Company concerning the business and financial prospects of the Target and the Company;
- (vii) compared the financial terms of the Transaction with publicly available financial terms of certain other asset portfolio transactions which we believe to be appropriate;
- (viii) reviewed estimates of synergies prepared by the Company's management that you directed us to use for the purposes of our analysis of the value creation to the Company; and
- (ix) conducted such other financial studies, analyses, and investigations, and considered such other information, as we deemed necessary or appropriate.

In connection with our review, at your direction, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or was furnished to us by or on behalf of the Company, or otherwise reviewed by us for the purposes of this Opinion, and we have not assumed and we do not assume any responsibility or liability for any such information. In addition, at your direction, we have not made any independent valuation or appraisal of the assets or liabilities (contingent or otherwise) of the Target, nor have we been furnished with any such evaluation or appraisal.

With respect to the financial forecasts, estimates and calculations of synergies prepared by the Company as referred to above, we have assumed, at your direction, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future performance of the Target and the Company and such pro-forma synergies. In addition, we have assumed with your approval that the future financial forecasts and estimates, including synergies, referred to above will be realised in the amounts and time periods contemplated thereby. In this context we note that the synergies as calculated and provided by the management of the Company are a highly important element of the economics of the Transaction.

We have also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained (and/or not revoked as in the case with the Tax Ruling) without any material adverse effect on the Company, Target or the Transaction. Our Opinion is necessarily based on the economic, regulatory, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof (or as otherwise specified above in relation to certain information). It should be understood that subsequent developments may affect this Opinion, which we are under no obligation to update, revise or reaffirm.

We accept no responsibility for the accounting or other data and commercial assumptions on which this Opinion is based. Furthermore, our Opinion does not address any legal, regulatory, taxation or accounting matters, as to which we understand that the Company has obtained such advice as it deemed necessary from qualified professionals.

Based on and subject to the foregoing, it is our opinion, as of the date hereof, that the Consideration is fair, from a financial point of view, to the Company.

This letter and the Opinion is provided solely for the benefit of the members of the Supervisory and Management Board of the Company, in their capacity as Directors of the Company, in connection with and for the purposes of their consideration of the Transaction. This letter is not on behalf of, and shall not confer rights or remedies upon, may not be relied upon, and does not constitute a recommendation by UBS to, any holder of securities of the Company or any other person other than the members of the Supervisory and Management Board of the Company to vote in favour of or take any other action in relation to the Transaction or any form of assurance by UBS as to the financial condition of the Target.

This letter may not be used for any other purpose, or reproduced (other than for the Supervisory Board and Management Board, acting in such capacity), disseminated or quoted at any time and in any manner without our prior written consent provided that this letter may be disclosed without UBS prior consent where required by law, court order or regulatory authority, or where necessary in connection with any judicial or arbitral proceeding in relation with the Transaction where the Company is a party.

To the extent legally possible, this letter and the Opinion are made without legal liability or responsibility on our part. We accept no responsibility to any person other than the members of the Supervisory Board and the Management Board of the Company in relation to the contents of this letter, even if it has been disclosed with our consent.

Yours faithfully
UBS Deutschland AG



Managing Director



Managing Director

Annex C

To the Report of the Management Board Pursuant to Section 186, Para. 4, Sentence 2 of the German Stock Corporation Act on Agenda Items 1 and 2 of the Extraordinary General Meeting on Monday, 30 September 2013 about the Reason for the Exclusion of Shareholder Subscription Rights

SHORT REPORT FOR THE DETERMINATION OF FAIR VALUE

in the form of a short valuation report ("Short Report") of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the Valuation - Professional Standards (March 2012) of the Royal Institution of Chartered Surveyors ("Red Book"), for the purpose of the integration into the corporate management report for the extraordinary general meeting in Q3 or Q4 2013 of the Residential Portfolio of **Deutsche Wohnen AG** involving 1,876 assets, including 88,672 residential units, 1,269 commercial units and 23,789 miscellaneous rented units (garages, parking spaces, antennae) as well as the Nursing Home and Sheltered Housing Portfolio, comprising 11 properties.

Date of Valuation: December 31, 2012 / June 30, 2013

Date of Short Report: August 20, 2013

Valuer:

CBRE

CBRE GmbH
Bockenheimer Landstraße 24
60323 Frankfurt
Germany

Addressee:

Deutsche Wohnen AG
Mecklenburgische Str. 57
14197 Berlin
Germany

CBRE is a "Gesellschaft mit beschränkter Haftung" (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Bockenheimer Landstraße 24, 60323 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however in its valuation department it employs amongst others a publicly appointed and sworn-in valuer (Öffentlich bestellter und vereidigter Sachverständiger), members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert AG.

SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Short Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets in the Residential Portfolio, as at June 30, 2013, and in the Nursing Home and Sheltered Housing Portfolio, as at December 31, 2012, rounded at asset level, is in total:

5,224,129,800 EUR

(Five billion, two hundred and twenty-four million one hundred and twenty-nine thousand eight hundred Euro)

The assessment of Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discount or premium on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots. For a detailed breakdown of values between freehold-equivalent and leasehold assets please refer to Part 5 "Valuation Conclusions".

Three properties in the Residential Portfolio have negative values (see table):

Asset	Cluster	Postcode	City	Address	Fair Value EUR
1150.67	106	14193	Berlin	Nikischstr. 4, 4a, 6; Fegerstr. 11, 11a-c, 13	-665,700
1300.208b	BBC_159b	06502	Thale	Obersteigerweg 27 - 29	-63,200
1300.210	BBC_157b	06502	Thale	Walter-Pathenau-Str. 9, 10	-25,800

The total of the Fair Values of these assets is minus 754,700 EUR. This amount is reflected in the total valuation result.

Our opinion of Fair Value is based upon the scope of work and valuation assumptions as detailed in Part 4 "Valuation" and Part 5 "Valuation Conclusions" of this Short Report.

For further information please refer to Part 6 "Valuation Key Definitions".

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1 BASIS OF VALUATION

1.1 Preamble

CBRE GmbH ("CBRE") has carried out a determination of Fair Value at the date of valuation June 30, 2013, with inspections of the properties acquired since the last valuation.

In addition, CBRE has carried out an updated determination of Fair Value of the Nursing Home and Sheltered Housing Portfolio, without inspections (with the exception of the property in Leipzig) as at the date of valuation December 31, 2012. CBRE has carried out an initial determination of Fair Value (first valuation) for the property in Leipzig, as at the date of valuation December 31, 2012.

CBRE has compiled a short valuation report (the "Short Report") for both portfolios, in German.

Taking into account the existing economic units, the assets have been valued at valuation unit level.

For inspection purposes, the newly-acquired properties in the Residential Portfolio were classified in roughly homogenous inspection clusters, which represent 100% of the market value. For this, full inspections (external and internal) of inspection clusters accounting for 77% of the rental income and external ("drive-by") inspections of inspection clusters accounting for 22.5% of the rental income were carried out. As agreed, the remaining inspection clusters, in assets subject to privatisation and which account for 0.5% of the rental income, were not inspected.

CBRE was instructed to value the freehold and ground leasehold interests in the assets.

1.2 Valuation Instructions

CBRE has been instructed to adapt the wording of the Short Report referred to in the preamble, so that it can be included in the corporate management report for the extraordinary general meeting. In doing so, in particular Sections 2-6 of the Short Report remain unaltered.

This integration is carried out with the exclusion of all liability by CBRE.

The portfolio has not been re-valued.

CBRE confirms that it has no conflicts of interests in relation to this instruction.

1.3 Purpose of Valuation

Our Short Report will be used by the Principal exclusively for integration into the corporate management report for the extraordinary general meeting in Q3 or Q4 2013.

1.4 Principal

Deutsche Wohnen AG

Mecklenburgische Str. 57

14197 Berlin

Germany

(hereinafter the "Principal")

1.5 Valuer

CBRE GmbH
Bockenheimer Landstraße 24
60323 Frankfurt
Germany

(hereinafter "CBRE")

1.6 Addressee

The Short Report is addressed to and for the use of the Principal only, who may only utilise it under the exclusion of any liability by CBRE.

The content of the Short Report is strictly confidential and is only to be used for the specific purpose set out under 1.3. Apart from this, neither the Short Report nor copies of it may be transmitted to third parties.

1.7 Disclosure

Copies of the Short Report may be disclosed on a non-reliance basis to the addressee's legal advisors as far as it is necessary in connection with the integration of the Short Report into the corporate management report for the extraordinary general meeting.

Disclosure is allowable in any instance provided that this results from the application of statutory provisions or a judicial or official order.

1.8 Publication

CBRE acknowledges and agrees that the Short Report will be published in unaltered form (subject to prior written approval by CBRE) in the corporate management report for the extraordinary general meeting in Q3 or Q4 2013.

Apart from that, neither the whole nor any part of the Short Report nor any references thereto may be published in any form without CBRE's prior approval of the form and context in which it will appear (e.g. in the form of documents or circulars).

1.9 Date of Valuation

The date of valuation for the Residential Portfolio is June 30, 2013.

The date of valuation for the Nursing Home and Sheltered Housing Portfolio is December 31, 2012.

1.10 Subject Assets

The subject of the valuation is the Residential Portfolio, comprising 1,876 assets with 88,672 residential units, of which 12,093 are subject to public rent control, 1,269 commercial units and 23,789 miscella-

neous rented units (garages, parking spaces, antennae) as well as the Nursing Home and Sheltered Housing Portfolio comprising 11 properties.

1.11 Tenure

1,785 assets in the Residential Portfolio and the Nursing Home and Sheltered Housing Portfolio are held on the equivalent of freehold (*Eigentum*). 91 assets are held on the equivalent of ground leaseholds (*Erbbaurechte*), with the Principal as ground lessee. The unweighted average leasehold term ends on July 31, 2059. The 91 ground leasehold assets account for 3.9% of the aggregate Fair Value of the portfolio.

1.12 Basis of Valuation

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines in the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards) and the Valuation – Professional Standards (March 2012) of the Royal Institution of Chartered Surveyors (Red Book).

The assets have been valued to "Fair Value" in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value" (RICS), which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the assets individually and no account has been taken of any discount or premium that might be negotiated in the market if all or part of the portfolio were to be marketed simultaneously, either in lots or as a whole.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal. Our valuations are net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases or arrangements, or of any mortgages, debentures or other charges. No account has been taken of the availability or otherwise of capital-based government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective opinion of Fair Value in accordance with the

definitions set out above as at the date of valuation. Inter alia, this assumes that the assets had been properly marketed and that exchange of contracts took place on that date.

1.13 Currency

The currency used in the Short Report is Euro.

1.14 Sources of Information

The information on which the valuation was based was provided to CBRE by the client, or by third parties acting on the client's instructions, in the form of an extensive correspondence. The valuation was carried out on the basis of external inspections of the assets (inspection cluster) in the scope of the update valuation as at December 31, 2012. The valuation of the properties newly acquired in 2013 (the sub-portfolios Hamlet, Larry, Centuria and Samson) was carried out on the basis of external and internal inspections. For this, properties that account for 77% of the gross annual rental income were inspected externally and internally, properties accounting for a further 22.5% of the gross annual rental income were inspected externally. As agreed, the remaining inspection clusters, in assets subject to privatisation and which account for 0.5% of the gross annual rental income were not inspected.

For the Residential Portfolio, the statements and figures in this report are based on the tenancy schedule as at June 30, 2013 provided by the Principal. For the Nursing Home and Sheltered Housing Portfolio, the statements and figures are based on the list sent by the Principal, stating current lease terms, rents and vacancy as at December 31, 2012.

An adequate number of documents were checked for plausibility using random sampling at the time of carrying-out the initial valuation.

1.15 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

1.16 Assignment of Rights

The parties to this Short Report are not entitled to assign their rights - in whole or in part - to third parties.

1.17 Declaration of Independence

We hereby confirm that, to the best of our knowledge and belief, CBRE has carried out the determination of Fair Value on the instructions of Deutsche Wohnen AG in its status as independent valuer and that the valuations so far carried out for Deutsche Wohnen AG account for less than 2.5% of the annual turnover of the CBRE Valuation Department. We further confirm that we are not aware of any actual or potential conflict of interest that might have influenced CBRE's independent status. This declaration also includes all other departments of CBRE, including the Investment and Agency Departments.

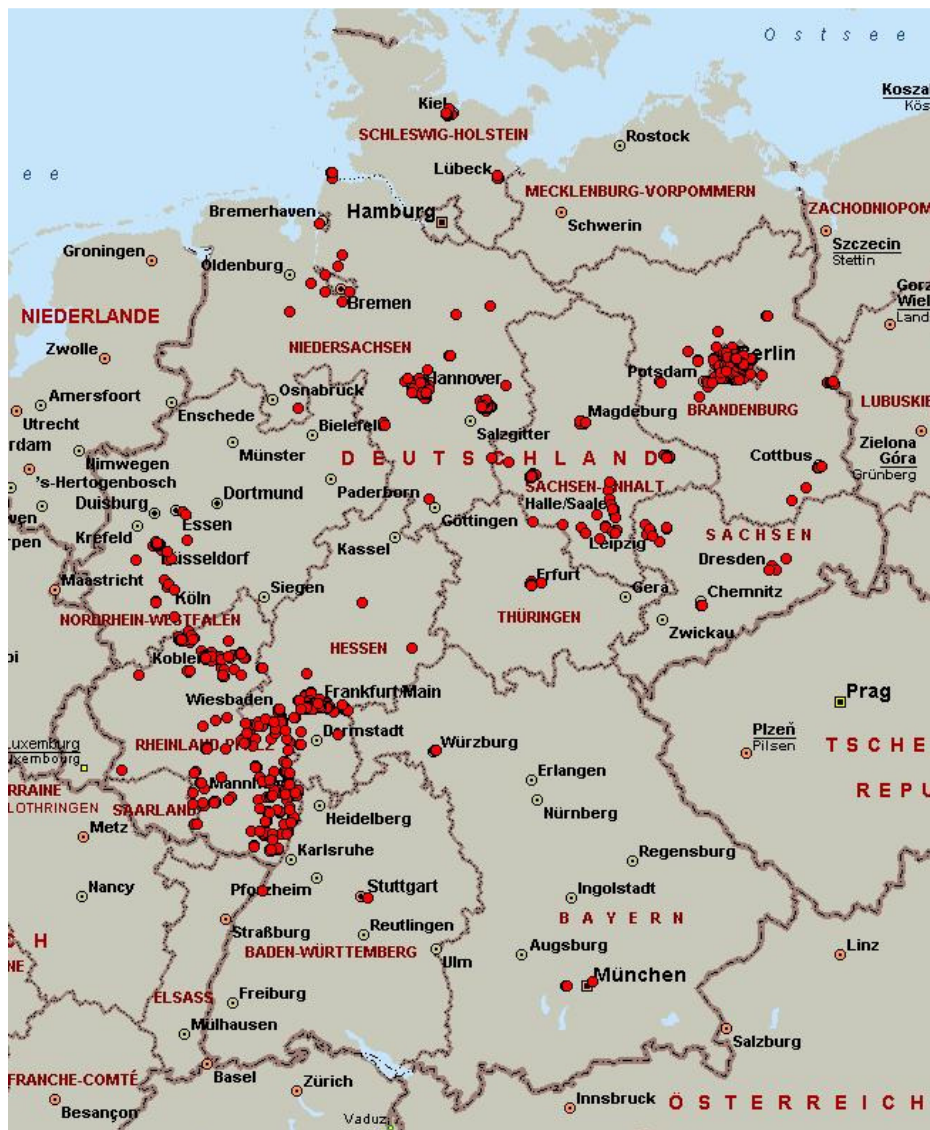
2 RESIDENTIAL PORTFOLIO

2.1 Portfolio Structure

1,876 of the assets in the Residential Portfolio are residential buildings (1,640 properties). The remainder comprises mixed-use buildings (61 assets), commercial buildings (28 assets), parking units (138 units), other use types (6 units) and undeveloped sites (3 units). The portfolio includes 113,730 rental units, made up of 88,672 residential units, 1,269 commercial units (office, retail and other commercial), 1,707 other units (including 90 mansards) and 22,082 parking spaces.

2.2 Regional Allocation

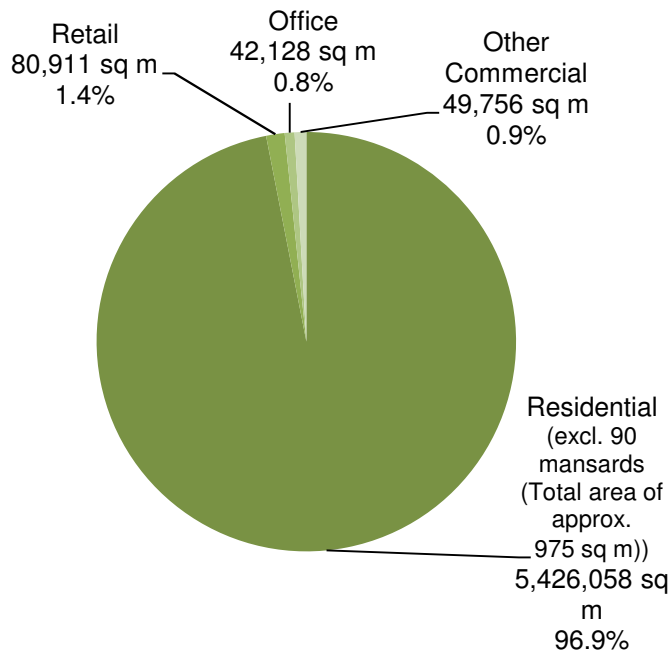
As shown on the following map, the assets of the portfolio are located in 187 towns and cities throughout Germany, mainly concentrated in the Berlin and Rhine-Main core economic regions.



Microsoft MapPoint Europa 2009; CBRE GmbH

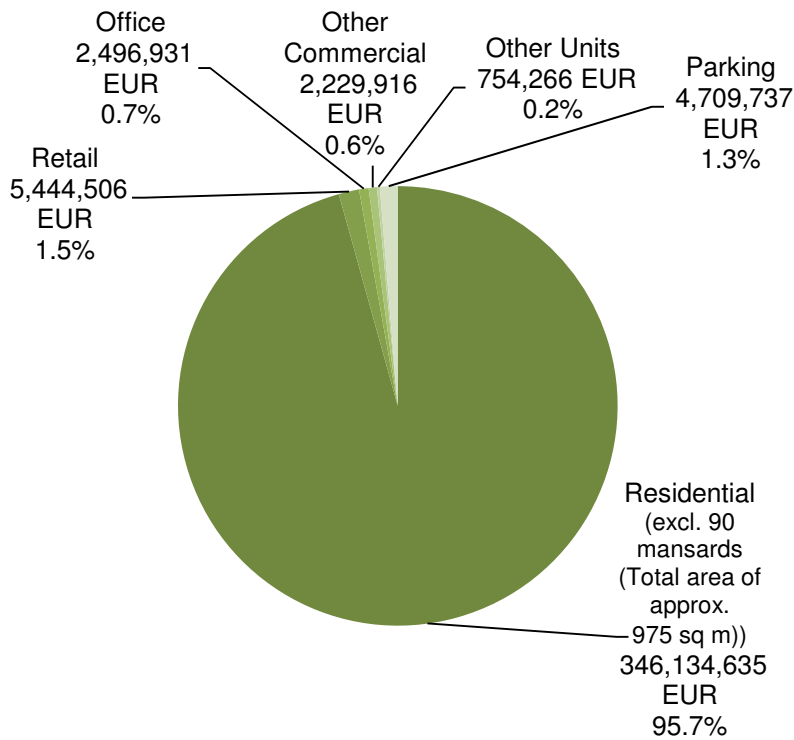
2.3 Types of Use by Total Lettable Area

(Total lettable area¹: 5,598,853 sq m)



2.4 Current Rental Income (annualised) by Type of Use

(Total rental income²: 361,769,991 EUR)



¹ excluding owner-occupied assets

² excluding owner-occupied assets

2.5 Residential Units by Regional Portfolios³

The Principal, Deutsche Wohnen AG, has divided the Residential Portfolio into eleven "Regional Portfolios". The following table, which is provided for information purposes only, refers to residential units only and illustrates, together with the other graphics, the distribution of total lettable areas, Fair Values and Fair Values per sq m in these Regional Portfolios.

Regional Portfolio	Number of Residential Units	Residential Accommodation sq m	Current Residential Rent EUR per sq m per month ⁴	Gross Multiplier (based on current rent)	Gross Multiplier (based on potential rent)	Gross Multiplier (based on rental value)
Berlin area	47,356	2,823,513	5.48	14.9	14.5	13.4
Hanover-Brunswick-Magdeburg	11,154	719,572	5.14	13.2	12.2	11.8
Central Germany	5,427	324,481	4.88	12.2	11.5	11.4
North	1,095	71,892	4.65	11.4	9.8	9.4
North Rhine-Westphalia	368	25,627	4.55	12.6	11.1	9.8
Rhineland	1,616	107,589	6.37	15.2	14.5	13.6
Rhineland-Palatinate	32	1,932	4.81	11.6	8.6	8.7
Rhine-Main	9,163	554,421	6.85	15.1	14.3	13.7
Rhine Valley North	3,089	199,453	5.07	12.1	11.7	11.5
Rhine Valley South	6,569	416,573	5.27	12.8	12.2	11.9
Other Deutsche Wohnen	2,803	181,005	4.99	12.1	11.4	11.1
Total	88,672	5,426,058	5.50	14.2	13.6	12.9

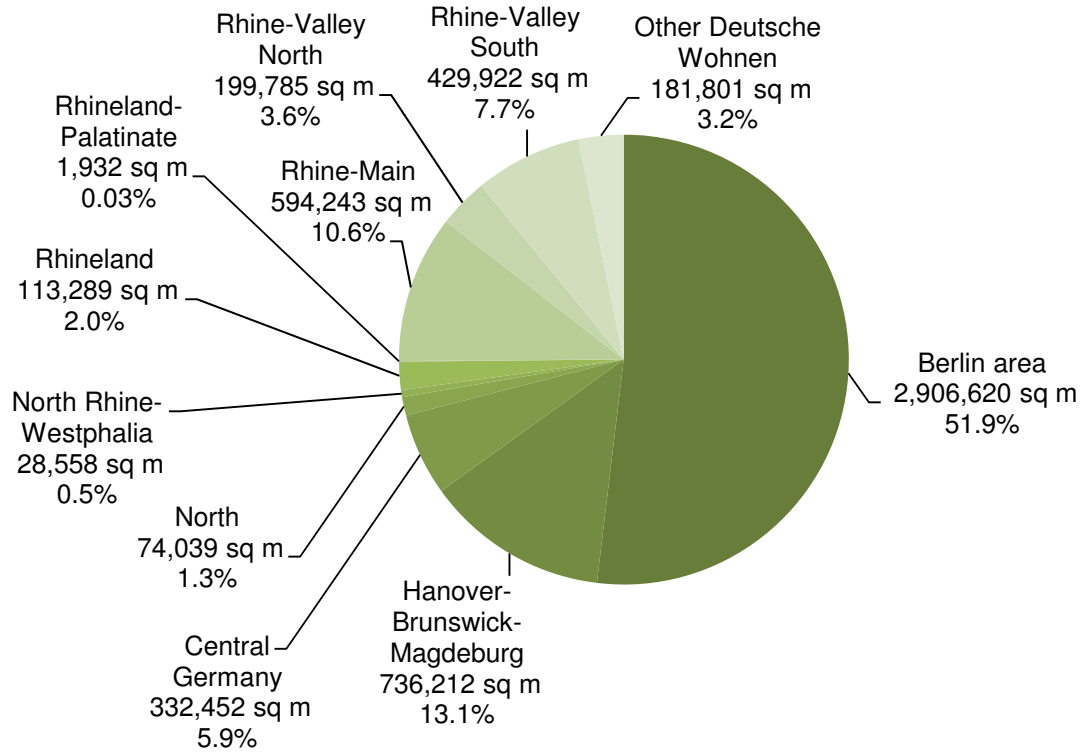
(Please refer to the Valuation Key Definitions.)

³ excluding 90 mansards (total area approx. 975 sq m)

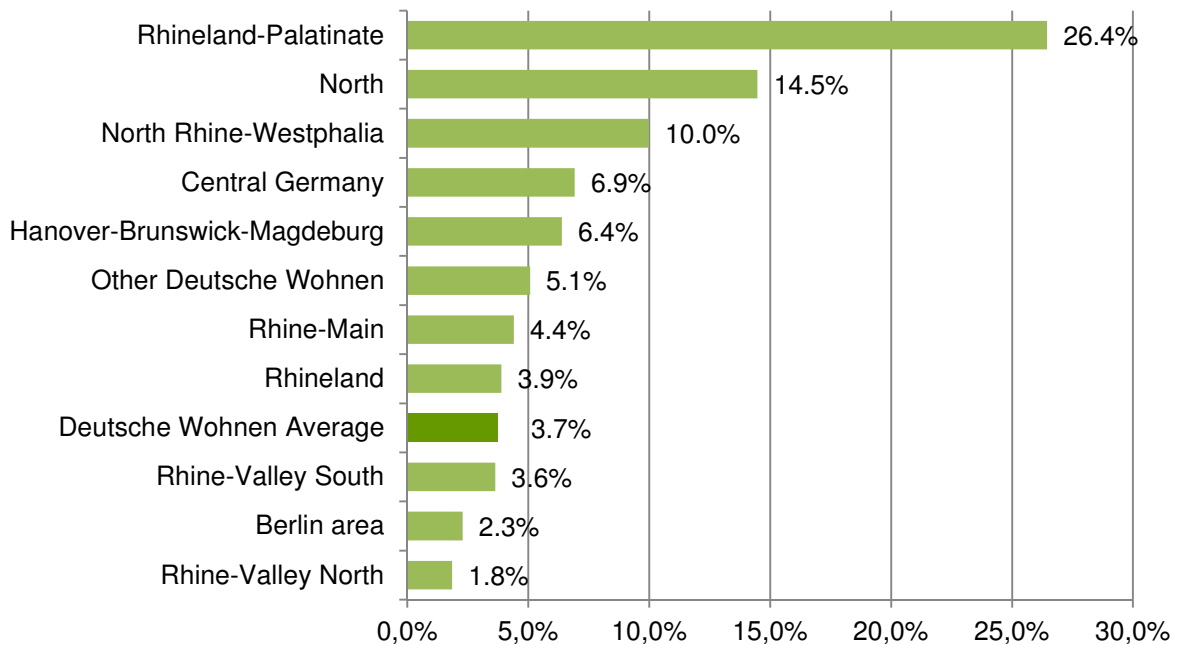
⁴ taking into account occupied units only

2.6 Lettable Area by Regional Portfolios

(Total lettable area⁵: 5,598,853 sq m)



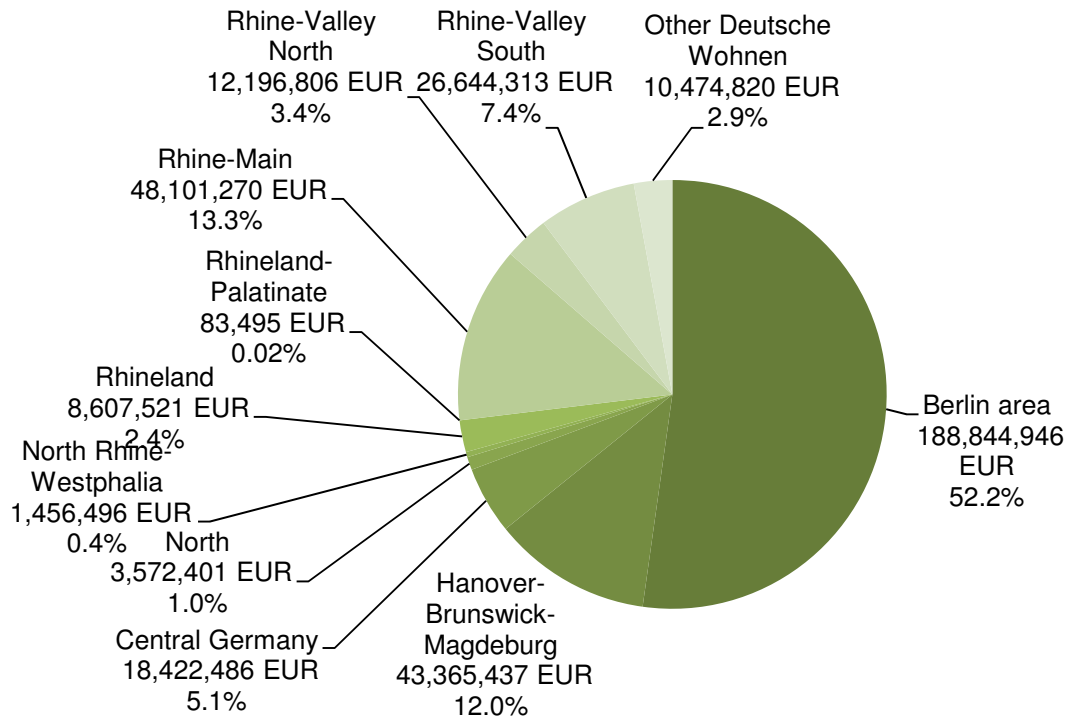
2.7 Vacancy Rate by Regional Portfolios



⁵ excluding owner-occupied assets

2.8 Rental Income (annualised) by Regional Portfolios

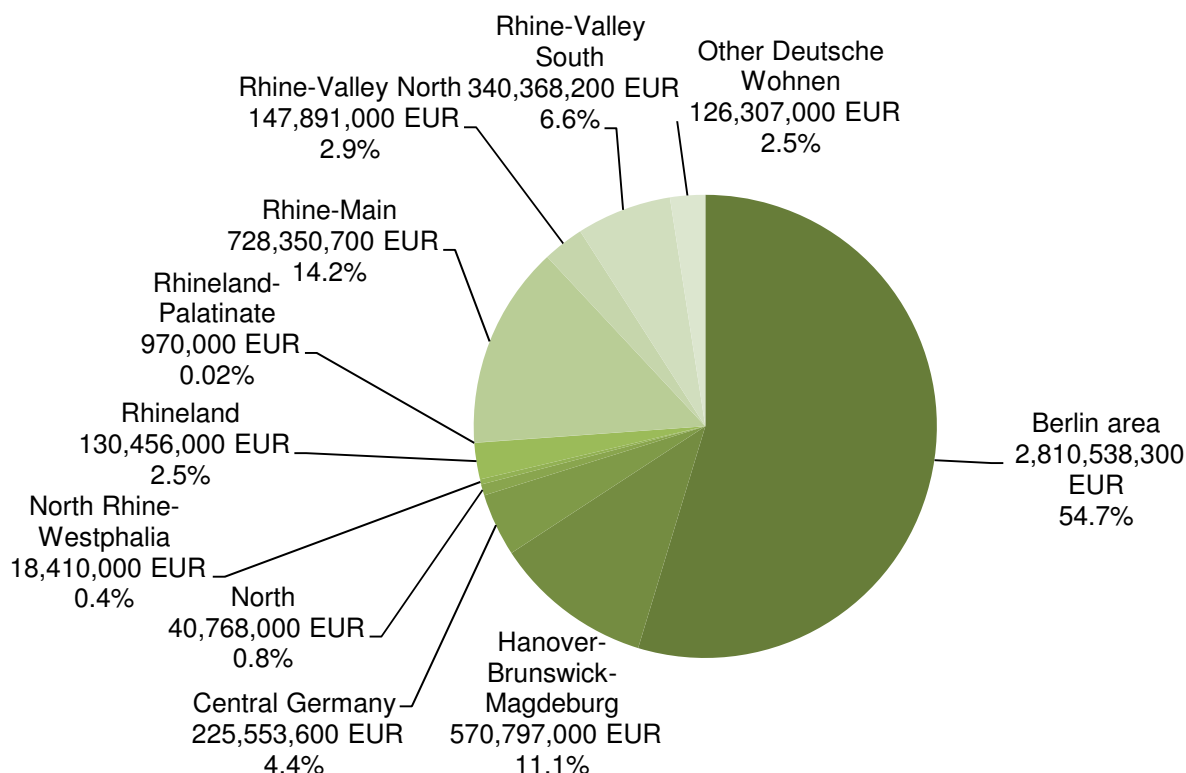
(Total rental income⁶: 361,769,991 EUR)



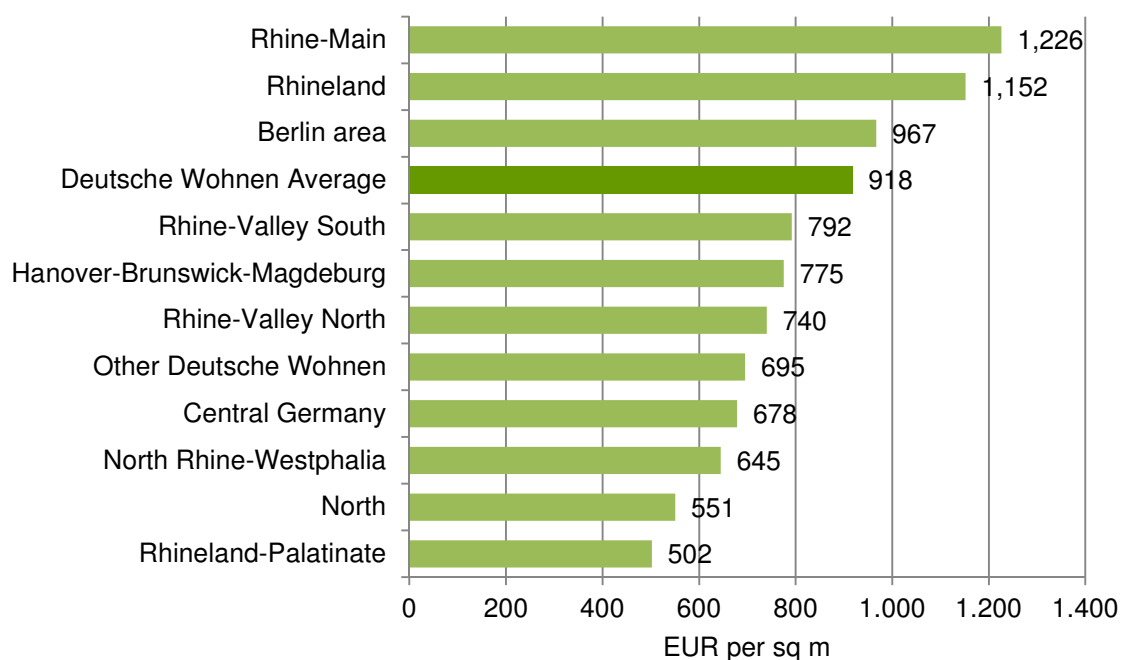
2.9 Fair Value by Regional Portfolios

(Total Fair Value⁶: 5,140,409,800 EUR)

⁶ excluding owner-occupied assets



2.10 Fair Value (EUR per sq m) by Regional Portfolios



2.11 Fair Value of Residential Portfolio

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoing of which we have no knowledge and based on the specific comments and assumptions set out in this Short Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground leasehold interests in the assets in the Residential Portfolio, as at June 30, 2013, rounded at asset level, is:

5,140,409,800 EUR**(Five billion, one hundred and forty million four hundred and nine thousand eight hundred Euro)**

The assessment of Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discount or premium on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

Three assets in the Residential Portfolio have negative values (please refer to table below):

Asset	Cluster	Postcode	City	Address	Fair Value EUR
1150.67	106	14193	Berlin	Nikischstr. 4, 4a, 6; Pegerstr. 11, 11a-c, 13	-665,700
1300.208b	BBC_159b	06502	Thale	Obersteigerweg 27 - 29	-63,200
1300.210	BBC_157b	06502	Thale	Walter-Pathenau-Str. 9, 10	-25,800

The total Fair Value of these properties is minus 754,700 EUR. This amount is reflected in the total valuation result.

2.12 Key Valuation Data

The following table shows the aggregated key valuation data for the Residential Portfolio:

Total lettable area ⁷ :	5,598,853 sq m
Average Fair Value per sq m lettable area:	918 EUR
Current annual rental income (gross) ⁸ :	361,769,991 EUR
Potential annual rental income (gross) ⁸ :	376,925,494 EUR
Estimated annual rental value (gross) ⁸ :	399,694,505 EUR
Multiplier (based on current rent):	14.2 times
Multiplier (based on potential rent):	13.6 times
Multiplier (based on rental value):	12.9 times
Net initial yield (based on current rent):	5.1%
Net initial yield (based on potential rent):	5.5%
Net initial yield (based on rental value):	5.9%

⁷ excluding owner-occupied assets

⁸ month 1 annualised

NURSING HOME AND SHELTERED HOUSING PORTFOLIO

2.13 Portfolio Structure

11 nursing home and sheltered housing properties, owned by Katharinenhof Seniorenwohn- und Pflegeanlage Betriebs-GmbH, a subsidiary of Deutsche Wohnen AG, in the following referred to as the "Nursing Home and Sheltered Housing Portfolio", were valued.

2.14 Regional Allocation

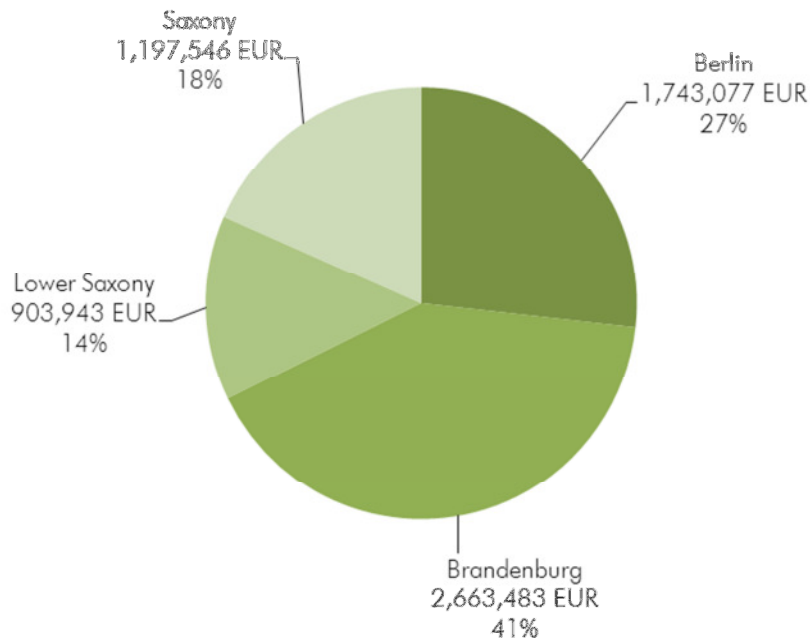
As shown on the following map, the 11 nursing home and sheltered housing properties are located in 10 German towns and cities.



Microsoft MapPoint Europa 2009; CBRE GmbH

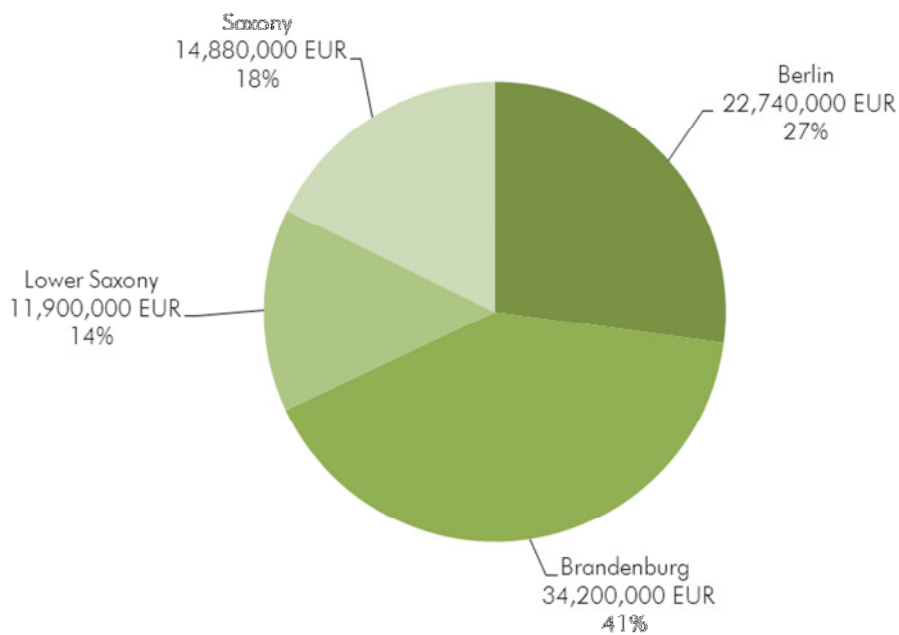
2.15 Current Rental Income (annualised) by Federal State

(Total rental income: 6,508,049 EUR)



2.16 Fair Value by Federal State

(Total Fair Value: 83,720,000 EUR)



2.17 Fair Value of Nursing Home and Sheltered Housing Portfolio

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Short Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold interests in the assets in the Nursing Home and Sheltered Housing Portfolio, as at December 31, 2012, rounded at asset level, is:

83,720,000 EUR

(Eighty-three million seven hundred and twenty thousand Euro)

The assessment of Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discount or premium on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

2.18 Key Valuation Data

The following table shows the aggregated key valuation data for the Nursing Home and Sheltered Housing Portfolio:

Current annual rental income (gross) ⁹ :	6,508,049 EUR
Potential annual rental income (gross) ⁹ :	6,523,861 EUR
Estimated annual rental value (gross) ⁹ :	6,553,914 EUR
Multiplier (based on current rent):	12.9 times
Multiplier (based on potential rent):	12.8 times
Multiplier (based on rental value):	12.8 times

Federal State	Potential annual rental income (gross) ⁸ EUR	Gross Multiplier (based on potential rent)
Berlin	1,743,077	13.0
Brandenburg	2,679,295	12.8
Lower Saxony	903,943	13.2
Saxony	1,197,546	12.4
Total	6,523,861	12.8

⁹ month 1 annualised

(Please refer to the Valuation Key Definitions.)

3 VALUATION

3.1 Inspections

3.1.1 Basis of Inspections

In accordance with the instruction, the valuation of the Residential Portfolio has been carried out separately at individual asset level. For the purpose of the inspections we amalgamated the assets into homogeneous clusters. The criteria for these clusters were location and situation, type of assets and date of construction, as follows:

- LOCATION/SITUATION: all assets in a single inspection cluster must be in the same housing estate or – if they are separate buildings – must be situated in the same neighbourhood,
- TYPE OF ASSETS: These were mainly differentiated into:
 - A) Detached/Semi-detached houses
 - B) Apartment buildings
 - C) Commercial assets, such as office buildings, office and retail buildings, mixed-use assets where the proportion of commercial accommodation is greater than 20%
- DATE OF CONSTRUCTION: The categories of construction date were defined as follows:
 - before 1945
 - 1946 to 1959
 - 1960 to 1969
 - 1970 to 1979
 - 1980 to 1989
 - 1990 to 2001
 - 2002 onwards

During our inspections we verified that each of the buildings in the valuation clusters were internally consistent and checked whether adjoining buildings had corresponding characteristics that enabled them to be amalgamated in inspection clusters.

Garages, parking spaces and other income-producing units such as antennae were valued as part of a building, provided that they could not be regarded as economically independent units.

At cluster level, we made an assessment of the situation, the quality according to the local official table of rents, the condition of the buildings and the typical features of the apartments. This assessment was used as a basis for our allowances for regular maintenance and tenant improvement costs.

For the assets that form the basis of valuation calculations, we took individual account of asset-specific parameters such as management costs, structural vacancy, current rent, market rental value, public subsidies (if any), ground rent (where appropriate) and relevant entries in section II of the land register.

3.1.2 Date and Extent of Inspection

As agreed, for the purposes of this valuation we did not re-inspect the assets in the Residential Portfolio that were last inspected for the update valuation as at December 31, 2012. In respect of those

properties that were not re-inspected, the Principal confirmed that it is not aware of any material changes to the physical attributes of the properties, or the nature of their location, that might have occurred since the last inspection.

The inspection of the newly-acquired assets (sub-portfolios Hamlet, Centuria, Larry and Samson) took place in the period from 10 to 27 June 2013. A reference property for each inspection cluster was selected, by means of data analyses and the available information. After checking for homogeneity and comparing with similar assets nearby, we were able to classify the 196 assets into 154 inspection clusters.

As agreed, the 10 nursing home and sheltered housing properties covered by the Update Valuation were last inspected for the valuation as at June 30, 2009. The newly-acquired nursing home in Leipzig was inspected, externally and internally, on August 1, 2013.

3.2 Method of Valuation

The determination of the Fair Value of the individual assets was carried out using the internationally-recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be input explicitly and therefore provides a transparent mathematical determination of the Fair Value. Using the DCF method, the future cash flows of income and outgoings associated with the subject asset are forecasted over a 10-year period of detailed consideration. The scenario is based on the assumption of letting, not taking into account potential privatisation of individual apartments. Various parameters, for example changes in rent due to contractual agreements and rental value growth, outgoings for on-going maintenance, repairs and miscellaneous renovations, vacant periods etc., are taken into account for the entire period of detailed consideration.

The resulting cash flows in the period of detailed consideration are discounted to the date of valuation, using an estimated discount rate (monthly in advance) derived from the capital market, in order to determine their gross capital value. The chosen discount rate takes into account not only the market situation, the location, condition and letting situation of the assets and a potential investor's income expectations, but also the probability of occurrence of the forecasted future cash flows.

The Fair Value of the property is derived by deducting purchaser's costs (property transfer tax, notary's costs and agents' fees) from this gross capital value.

The assumptions adopted in the valuation model reflect the average estimates that would be made, at the date of valuation concerned, by investors active in the market. The result of the DCF method therefore equates to the price that a relevant investor in the market would be prepared to pay for the asset at the corresponding date of valuation, in order to achieve a return from the proposed investment that is in line with current real estate market expectations.

3.3 General Valuation Assumptions

3.3.1 Constituents of the Subject Assets

Fixtures in the subject assets, such as passenger and goods lifts, other conveyor installations, central heating installations and other building services installations have been regarded as integral parts of the subject asset and are therefore included in our valuation. Tenants' fixtures and fittings, specific tenants' production installations or business assets that would normally be in the ownership of the

tenant are not included in our valuation.

In carrying out the valuation of the properties 1257.1000 (Am Steingarten, Mannheim) and 1257.13 (Hanauer Landstr., Frankfurt) we assumed that the existing furniture in the apartments would be sold together with the property in a single transaction.

3.3.2 Structural Surveys

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the assets. We are unable, therefore, to give any assurance that the assets are free from defect.

In the absence of any information to the contrary, we have assumed that:

- there are no abnormal ground conditions or archaeological remains that might adversely affect the current or future occupation, development or value of the assets;
- the assets are free from rot, infestation, structural or latent defects;
- no currently known deleterious or hazardous materials or suspect techniques, including but not limited to composite panelling, have been used in the construction of, or subsequent alterations or additions to, the assets; and
- the building services, and all associated controls and software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the assets. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

3.3.3 Accommodation

For the purposes of this determination of Fair Value we have not measured the buildings or the sites. The calculations are based on the floor areas in the tenancy schedule and the additional information provided by the Principal.

We have carried out random sampling to check the areas in the tenancy schedule.

Unless advised specifically to the contrary, we have assumed that the floor areas supplied to us have, in principle, been calculated in accordance with the *II. Berechnungsverordnung*. All areas quoted in this Short Report are approximate.

3.3.4 Environmental Aspects

In accordance with instructions, for the purposes of our valuation we have assumed that the subject properties are free from contamination and that the present and previous uses do not indicate a substantial potential for contamination. In particular we have assumed that

- the subject properties are not contaminated and are not adversely affected by any existing or proposed environmental law,
- any processes carried out on the subject properties that are regulated by environmental legislation have been properly licensed by the appropriate authority.

We have not carried out any investigation into the past or present uses of the assets, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that no such risks exist.

The age and the apparent general structural condition of the subject properties has been taken into account by our assumptions. However, our statements refer only to those parts of the property that were actually inspected and do not include parts of the property that were not inspected.

3.3.5 Title, Encumbrances and Tenancies

Details of title/tenure under which the assets are held and of tenancies to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where reference to deeds, leases or other documents is made in this Short Report, this represents our understanding of the relevant documents, but is not based on specific legal advice.

Unless stated otherwise in this report and in the absence of any information to the contrary, we have assumed that:

- the subject properties possess good and marketable title free from any onerous or hampering restrictions or conditions;
- the subject properties are not adversely affected by any town planning or transport infrastructure proposals.
- The building complies with statutory provisions and local authority requirements as regards fire protection, health and safety regulations.
- there are no restrictions on use or other restrictive clauses in leases that negatively affect the value of the property.
- all vacant accommodation could be re-let at any time and is free of any encumbrances in landlord and tenant law.

For the purposes of this valuation we have not carried out any creditworthiness investigations with reference to the financial status of the tenant. However, for the commercial rents we have incorporated our market appraisal from an investor's point of view and have taken into account a potential sector-

and volume-specific risk of default ensuing from the amount of the rental value we have assessed.

We were not provided with a Legal Due Diligence Report by the Principal.

In accordance with our valuation instructions, our determination of Fair Value is based on the information provided to us (in particular concerning areas, tenancies, current rental income, remaining lease terms, land register information and other lease conditions).

Thus:

- 4.9% of the assets in the Residential Portfolio (corresponding to 3.9% of the Fair Value) are on sites held on the equivalent of ground leases (*Erbbaurechte*).
- All other assets in the Residential Portfolio, including sites, as well as the Nursing Home and Sheltered Housing Portfolio as at the dates of valuation June 30, 2013 and December 31, 2012, are owned (freehold or as condominiums) by the Principal and/or its subsidiaries.
- there are no circumstances having an effect on value resulting from encumbrances and restrictions in Section II of the land register;
- we assume that the tenancies listed in the rent roll were still in existence at the date of valuation;
- there are no entries affecting value in the *Baulastenverzeichnis* (register of public land charges).

Mortgages or other liabilities that currently exist or that in the future might encumber one or more of the subject assets have not been taken into account.

3.3.6 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulations etc.)

Based on the documentation provided by the Principal we have assumed, without verification, that the assets are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings that might adversely affect value.

3.3.7 Listed Monuments

Based on the documentation provided by the Principal, we assume that 14,618 of the total of 88,672 residential units (approx. 16.5%) are in listed buildings. This represents about 18.3% of the Fair Value. None of the properties in the Nursing Home and Sheltered Housing Portfolio is listed.

3.3.8 Tenants

CBRE has not checked the status of contractually agreed rent payments as at the date of valuation. Provided that we had no information to the contrary, we have assumed that there are no arrears of rent and that there are no reservations concerning the creditworthiness of the individual tenants.

3.3.9 Taxes, Contributions, Charges

We have assumed that all public taxes, contributions, charges etc. that could have an effect on value will have been levied and, as far as they are due, paid as at the date of valuation.

3.3.10 Insurance

For the purposes of this valuation we have assumed that the subject properties are covered by valid insurance policies that are appropriate both in terms of the sum assured and the types of potential loss covered, or that these will be taken out as soon as possible.

3.3.11 Legal Requirements / Permission for the Existence and Use of the Subject Assets

We have not carried out any investigations of the compliance of the individual subject assets with legal requirements, such as planning regulations, planning consent, acceptance, restrictions, building-, fire-, health- and safety regulations etc., or with any existing private-law agreements relating to the existence and use of the subject properties including the buildings.

In carrying out our valuations, we have assumed that all necessary consents and authorisations for the use of the subject assets and the processes carried out at the assets are in existence, will continue to subsist and that they are not subject to any onerous conditions.

3.3.12 Town Planning and Road Proposals, Roads and Services

but have relied upon the information provided where appropriate. For the purposes of our valuation we assume that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuations.

We have assumed that all the subject assets benefit from all roads and mains services as defined by § 123 Baugesetzbuch, i.e. that they are connected to [public] roads, electricity, gas and/or district heat, mains water and sewers.

3.3.13 Assumptions Regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use or a comparable use, in terms of both type and extent, during the remaining useful lives assessed for the buildings.

3.4 Valuation Assumptions

The assessment of Fair Value is based on future cash flows that reflect normal market expectations, taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

3.4.1 Non-Recoverable Management Costs

Under German law, management costs are not transferable to residential tenants. With the benefit of our valuation experience in the last few years and on the basis of various published cost allowances, inter alia in the *II. Berechnungsverordnung* we have allowed lump sums for management costs, which take into account the number of residential units (the fewer the residential units per building / valuation unit, the higher the costs per residential unit). Based on our experience of typical management cost allowances for residential buildings applied in the market, we have allowed between 180 and 400 EUR (in exceptional instances, e.g. sheltered housing/privatisation properties) per residential unit p.a.

The weighted average non-recoverable management costs equate to 211 EUR per residential unit p.a.

The non-recoverable management costs for the nursing home and sheltered housing properties have been assessed at 3% of the gross potential annual rental income.

3.4.2 Non-Recoverable Repair and Maintenance Costs

The annual costs per square metre of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by external firms. They take into account the necessary cost inputs for long-term operation of the assets. The maintenance and repair costs for residential units allowed for in the valuation range between 1.50 and 12.50 EUR per sq m p.a., with a weighted average of 9.33 EUR per sq m p.a. The individual allowances reflect both the state of repair of the building concerned (after rectification of outstanding repairs) as well as the existence of lifts, special listed building conditions etc.

The non-recoverable repair and maintenance costs for the nursing home and sheltered housing properties have been allowed between 4.00 and 9.50 EUR per sq m p.a.

3.4.3 Capital Expenditure and other Factors affecting Value

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken a technical survey nor have we been provided with a technical report by any other firm.

In accordance with IAS 40.51 we have not taken into account future capital expenditure that would improve or enhance the asset, or the resulting future benefits from such expenditure.

3.4.4 Tenant Improvements

German commercial and residential leases generally make provision for decorative repairs to be carried out by the tenant, either during the lease or at the end of the term. Decorative repairs include superficial works, such as painting the walls or removing stains from fitted carpets, but not substantial works of modernisation or refurbishment. On a change of tenant and/or on re-letting vacant accommodation however, at regular intervals depending on the state of repair of the individual rental units, the landlord incurs costs for tenant improvement.

In the case of residential units, inter alia sanitary appliances, kitchen units and floor coverings are re-

placed. In our valuation we have assumed that amounts ranging from 0 to 150 EUR per sq m of residential accommodation will be invested on change of tenant, depending on the state of refurbishment, the average size of apartments and the achievable rent. The average allowance for tenant improvement is 49.52 EUR per sq m of residential accommodation.

For the nursing home and sheltered housing properties we have allowed costs ranging between 20 and 60 EUR per sq m.

3.4.5 Non-Recoverable Operating Costs (Vacancy)

Non-recoverable operating costs in the event of vacancy, e.g. pro rata Grundsteuer (land tax) or heating costs have been allowed for at a spot figure of 16.80 EUR per sq m p.a. for the western federal states (12 EUR per sq m p.a. for eastern Germany including Berlin). These allowances are based on surveys by the Deutsche Mieterbund (DMB – the German tenants' association).

3.4.6 Inflation

The DCF method used includes an explicit reflection of cost inflation. We have assumed an inflation rate of 1.75% in year 1, 1.95% in year 2 and 2% in subsequent years. Allowance for inflation has been made in particular for maintenance and repair costs, management and operating costs and ground rents (*Erbbauzinsen*). The forecast inflation rates are based on figures from Consensus Forecast and the ECB, collated by CBRE Research in May 2013.

3.4.7 Discount Rate and Exit Capitalisation Rate

Various elements have been taken into account when deriving the discount rate. Starting from a basis interest rate, additions and deductions are made for the subject properties according to specific criteria. The resulting discount rates that have been applied have a weighted average of approx. 6.1% for the Residential Portfolio and 7.1% for the Nursing Home and Sheltered Housing Portfolio.

The capitalisation rate applied for the disposal scenario depends on the discount rate. The discount rate takes into account the specific opportunities and risks of the property, the location and the letting situation during the 10-year period of detailed consideration. The capitalisation rate for the terminal value is used to capitalise the net rental income for this period. The capitalisation rate implicitly reflects growth assumptions. In order to derive the capitalisation rate from the discount rate, the latter is normally corrected in relation to elements of market rental growth during the period of detailed consideration. The resulting capitalisation rates that have been applied have weighted averages of approx. 5.1% for the Residential Portfolio and 6.7% for the Nursing Home and Sheltered Housing Portfolio.

The resulting Fair Values have been checked using our analyses of comparable transactions and sale price data collated by the relevant local land valuation board and using an analysis of the CBRE Valuation Department internal rent and sale price data base. Where necessary in the absence of adequate transaction data, the sale prices of comparable properties using empirical data (source: empirica-systeme GmbH) have been taken into account. In specific instances where it has been ascertained that the results of our DCF calculations do not reflect the Fair Value of an individual building, the calculations have been adjusted, in that the discount rate and capitalisation rate have been amended on the basis of a professional and experienced assessment.

3.4.8 Estimated Rental Value (ERV)

For the purposes of this valuation, CBRE has estimated rental values for the lettable units at the date of valuation. These are based on an analysis of the local property market, using data available to CBRE and from accessible external sources. These include:

- Recent Leases concluded in the subject properties in 2012 and 2013
- Analysis of the CBRE Valuation Department rental database
- Publications by, and chargeable database queries of, market research institutes and real estate undertakings

3.4.9 Market Rental Trends during the Period of Detailed Considerations

During the 10-year period of detailed consideration of the forecast cash flows, explicit modelling of changes in market rental values has been included, estimated by CBRE at administrative district (Landkreis/Kreisfreie Stadt) level for all assets. The estimates are mainly based on data from the state statistics offices, BulwienGesa AG's RIWIS database and the Prognos AG Zukunftsatlas. Depending on location, the resulting annual increases in market rental value range from 0% to 1.65%, with a weighted average of 1.0%. In each case they have been adjusted for the quality of situation and condition of the building in the Residential Portfolio.

3.4.10 Rent Control and Public Subsidies

According to information provided by the Principal, 13.6% of the residential units in the Residential Portfolio are subject to rent control.

These residential units are subject to an economic rent (*Kostenmiete*). Based on our experience, we have allowed for rental growth of 0.5% p.a.

As at the date of valuation, 8,468,920 EUR of direct public subsidies was payable to the Principal.

3.4.11 Structural and Fluctuation Vacancy

Currently, the Residential Portfolio has an average vacancy rate of 3.7% (weighted by floor area) and the Nursing Home and Sheltered Housing Portfolio has an average vacancy rate of 0.4%. For the purposes of this valuation, we assume that the weighted average vacancy rate of the Residential Portfolio could decrease to a structural vacancy rate of 1.3%, with a range of 0% to 50% (in exceptional cases 100%) at asset level.

In addition to the structural vacancy we have calculated a fluctuation vacancy for the Residential Portfolio of between zero and six months. This corresponds to 0% to 5%, with an average of 1.6%.

3.4.12 Purchaser's Costs

The net capital value is derived by deducting the purchaser's costs as shown from the calculated gross capital value. It is therefore equivalent to the net proceeds that the vendor would receive on a notional sale, not allowing for any personal costs or taxes to which the vendor would become liable as a result of the sale. The amount of the deduction depends on the investment volume of the asset concerned.

We have made the following allowances for purchaser's costs:

Notary and lawyers' fees: In the case of acquisition, we have assumed notary and lawyers' fees of 0.3% to 0.75% for individual properties, depending on the lot size of the individual subject property.

Agents' fees: On the German property market it is usual for the purchaser to pay all, or at least a part, of the agents' fees. In our DCF model for each individual property we have therefore allowed between 1% and 3%.

Land transfer tax: According to German tax law, on purchase of real estate a transfer tax is payable by the purchaser. The rate of tax varies between federal states. The rates applicable since January 1, 2013 are as follows:

Federal State	Transfer Tax
Baden-Württemberg	5.00%
Bavaria	3.50%
Berlin	5.00%
Brandenburg	5.00%
Bremen	4.50%
Hamburg	4.50%
Hesse	5.00%
Mecklenburg-Western Pomerania	5.00%
Lower Saxony	4.50%
North Rhine-Westphalia	5.00%
Rhineland-Palatinate	5.00%
Saarland	5.50%
Saxony	3.50%
Saxony-Anhalt	5.00%
Schleswig-Holstein	5.00%
Thuringia	5.00%

4 VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Short Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground leasehold interests in the assets in the Residential Portfolio, as at June 30, 2013, and in the Nursing Home and Sheltered Housing Portfolio, as at December 31, 2012, rounded at asset level, is in total:

5,224,129,800 EUR

(Five billion, two hundred and twenty-four million one hundred and twenty-nine thousand eight hundred Euro)

The assessment of Fair Value was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discount or premium on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

The table below shows the distribution of values between freehold-equivalent and ground leasehold assets:

Ownership	Fair Value EUR
Freehold-equivalent	5,025,674,500
Short Ground-leasehold (50 years or less unexpired)	170,543,000
Long Ground-leasehold (over 50 years unexpired)	27,912,300
Total	5,224,129,800

Three properties in the Residential Portfolio have negative values (see table):

Asset	Cluster	Postcode	City	Address	Fair Value EUR
1150.67	106	14193	Berlin	Nikischstr. 4, 4a, 6; Fegerstr. 11, 11a-c, 13	-665,700
1300.208b	BBC_159b	06502	Thale	Obersteigerweg 27 - 29	-63,200
1300.210	BBC_157b	06502	Thale	Walter-Pathenau-Str. 9, 10	-25,800

The total of the Fair Values of these assets is minus 754,700 EUR. This amount is reflected in the total valuation result.

Our opinion of is based upon the scope of work and valuation assumptions as detailed in Part 4 "Valuation" and Part 5 "Valuation Conclusions" of this Short Report. It has been derived mainly using comparable recent market information, if available, according to common market conditions.

For further information please refer to Part 6 "Valuation Key Definitions".

5 VALUATION KEY DEFINITIONS

Current annual rental income (gross):

The current gross rental income is the total of the monthly contractual rents according to the tenancy schedule, before deducting ancillary costs and VAT, multiplied by 12.

Rent-free periods have been taken into account.

Potential annual rental income (gross):

The potential rent is the sum of the monthly contractual rents of the units occupied at the date of valuation and the rental values of vacant but lettable units at the date of valuation multiplied by 12.

Estimated annual rental income (gross):

The (monthly) market rental value of all units (without taking into account average/structural vacancy) multiplied by 12.

Gross Multiplier (based on current rent):

Net capital value divided by current gross rental income

Gross Multiplier (based on potential rent):

Net capital value divided by potential gross rental income

Multiplier (based on rental value):

Net capital value divided by estimated gross rental value

Net initial yield (based on current rent):

Current net rental income divided by gross capital value

Net initial yield (based on potential rent):

Potential rental income (net) divided by gross capital value

Net initial yield (based on rental value):

Estimated rental income (net) divided by gross capital value

Dr. Henrik Baumunk

Head of Residential Valuation Germany
Managing Director
CBRE GmbH

ppa. Sandro Höselbarth

Team Leader Residential Valuation Germany
Director
CBRE GmbH

* * *

Frankfurt in August 2013

Deutsche Wohnen AG

The Management Board