Management Board report on the partial utilisation of the Authorised Capital 2014 against cash contributions subject to the exclusion of shareholders' subscription rights in October/November 2014

On the basis of Management Board resolutions dated October 29, 2014, November 5, 2014, and November 6, 2014, and Supervisory Board resolutions dated October 29, 2014, and November 6, 2014, the Authorised Capital 2014 of €19,600,000.00 was partially used in November 2014. Shareholders' subscription rights were excluded in the course of the share capital increase included in the commercial register on November 10, 2014. This capital increase involved the company's share capital being increased by €19,600,000.00 from €252,022,425.00 to €271,622,425.00. The volume of the capital increase from authorised capital subject to the exclusion of subscription rights therefore equates to approximately 8.16% of the company's share capital – based on the company's share capital available at the time at which the Authorised Capital 2014 became effective on October 1, 2014 (or 7.78% of the share capital based on the share capital available at the time at which the Authorised Capital 2014 was used). The volume limit for shares issued against cash contributions subject to the exclusion of subscription rights as stipulated in the Authorised Capital 2014 was therefore complied with.

The new shares were subscribed to by J.P. Morgan AG. Barclays Bank PLC and J.P. Morgan Securities plc were obliged to issue and transfer these shares to institutional investors as part of a private placement by means of an (*accelerated bookbuild*). In accordance with the Management Board resolution dated November 6, 2014, the new shares were issued at a placement price of €23.00. The Supervisory Board approved this Management Board resolution regarding determining the placement price by resolution on November 6, 2014.

The new shares were admitted for trading without a prospectus on November 10, 2014, and were included in the existing listing in the sub-segment of the regulated market with follow-up obligations arising from admission (*Prime Standard*) on the Frankfurt Stock Exchange on November 12, 2014. The gross issue proceeds from the capital increase came to around €450.8 million. The company used the net proceeds from the capital increase in particular to finance the acquisition of more than 5,000 apartments, as publicised at the beginning of September, and for the repayment of existing financial liabilities.

The requirements pursuant to Section 203 para. 1 and Section 186 para. 3 sent. 4 AktG were observed when determining the price, as stipulated by the Authorised Capital 2014 for the exclusion of subscription rights relating to a capital increase against cash contributions equal to up to 10% of the share capital. These stipulate that the price for new shares may not significantly undercut the stock market price of the company's shares.

The stipulated placement price per share of €23.00 equates to a reduction of approximately 2.37% compared with the volume-weighted average Xetra price of the company's shares over the last four trading days prior to the price being fixed. The reduction was therefore within the range generally recognised as being acceptable.

With its exclusion of shareholders' subscription rights, the company availed itself of the option of excluding subscription rights in the event of cash capital increases within companies listed on the stock exchange as legally stipulated in Section 203 para. 1 and Section 186 para. 3 sent. 4 AktG. Such an exclusion of subscription rights was necessary here in order to exploit at short notice what the Management Board and Supervisory Board considered to be a favourable market situation at the time of the partial utilisation of the Authorised Capital 2014 and to achieve the maximum possible issue proceeds on the basis of market-oriented pricing. The minimum two-week subscription period required if subscription rights are granted (Section 186 para. 1 and 2 AktG) would have prohibited reactions at short notice to the current market situation.

Furthermore, if subscription rights are granted, the definitive subscription price must be made public at the latest three days prior to the end of the subscription period (Section 186 para. 2 sent. 2 AktG). There is therefore a greater market risk and, in particular, a price fluctuation risk involved here than if subscription rights are excluded, due to the longer period between price determination and implementation of the capital increase and also the volatility of the stock markets. A successful placement in relation to a capital increase with subscription rights would therefore have made a corresponding margin of safety for the current stock market price necessary and would consequently potentially have led to non-market-based conditions. Based on the above reasons, the exclusion of subscription rights was in the interests of the company. Additionally, with the price being determined close to the current stock market price and with the volume of shares issued subject to the exclusion of subscription rights being limited to approximately 8.16% of the share capital in existence at the time at which the Authorised Capital 2014 came into effect, the interests of the shareholders were likewise appropriately protected. Because in view of stock exchange trading being liquid, this gives the shareholders the opportunity to maintain their relative investments in the company by effecting additional stock market purchases on the basis of comparable conditions. In addition, issuing the new shares close to the current stock market price ensured that the capital increase did not result in any notable economic dilution of the shareholders' shareholdings.

In accordance with the authorisation granted in Article 4.5 of the company's Articles of Association, the new shares with dividend rights were already issued as of January 1, 2014. The new shares thus came with the same dividend rights when issued as carried by the existing shares. As such, there was no need to assign a separate securities identification code to the new shares for the period up to this year’s Annual General Meeting. This made it possible to avoid the low trading liquidity of the new shares that would have been expected in the case of their trading under a separate securities identification code, which would otherwise have made marketing the new shares difficult and would possibly have led to price reductions. In view of this, granting dividend rights from the beginning of the 2014 financial year was in the interests of the company.

Based on the above considerations, the exclusion of subscription rights effected pursuant to the provisions of the Authorised Capital 2014 when utilised was, overall, objectively justified.