

**GAGFAH S.A.
2-4, rue Beck
L-1222 Luxembourg**

R.C.S. Luxembourg B 109.526

**Annual accounts as at December 31, 2015 and
Independent auditor's report**



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To the Shareholders of
GAGFAH S.A.
2-4, rue Beck
L-1222 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying annual accounts of GAGFAH S.A., which comprise the balance sheet as at 31 December 2015 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

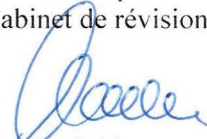
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of GAGFAH S.A. as of 31 December 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, 22 March 2016

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



Frauke Oddone

RCSL Nr. : B109526

Matricule : 2006 2226 146

eCDF entry date : 10/03/2016

BALANCE SHEET**Financial year from** ⁰¹ 01/01/2015 **to** ⁰² 31/12/2015 (in ⁰³ EUR)

Gagfah S.A.
 2-4, Rue Beck
 L-1222 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 1.880.052.654,00	110 1.880.052.654,00
I. Intangible fixed assets	1111 _____	111 _____	112 _____
1. Research and development costs	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible fixed assets under development	1123 _____	123 _____	124 _____
II. Tangible fixed assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 _____	132 _____
4. Payments on account and tangible fixed assets under development	1133 _____	133 _____	134 _____
III. Financial fixed assets	1135 _____	135 1.880.052.654,00	136 1.880.052.654,00
1. Shares in affiliated undertakings	1137 _____ 3	137 1.738.416.760,00	138 1.738.416.760,00
2. Amounts owed by affiliated undertakings	1139 _____ 4	139 141.635.894,00	140 141.635.894,00
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	1141 _____	141 _____	142 _____
4. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Securities and other financial instruments held as fixed assets	1145 _____	145 _____	146 _____
6. Loans and claims held as fixed assets	1147 _____	147 _____	148 _____
7. Own shares or own corporate units	1149 _____	149 _____	150 _____
D. Current assets	1151 _____	151 132.283.537,00	152 132.676.263,00
I. Inventories	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work and contracts in progress	1157 _____	157 _____	158 _____
3. Finished goods and merchandise	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
II. Debtors	1163 _____	163 131.926.380,00	164 129.020.586,00
1. Trade receivables	1165 _____	165 _____	166 _____
a) becoming due and payable within one year	1167 _____	167 _____	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____	171 131.866.678,00	172 128.918.640,00
a) becoming due and payable within one year	1173 _____ 5	173 131.866.678,00	174 128.918.640,00
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____

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	Reference(s)	Current year	Previous year
4. Other receivables	1183	59.702,00	101.946,00
a) becoming due and payable within one year	1185	59.702,00	101.946,00
b) becoming due and payable after more than one year	1187		
III. Transferable securities and other financial instruments	1189	0,00	3.086.377,00
1. Shares in affiliated undertakings and in undertakings with which the undertaking is linked by of participating interests	1191		
2. Own shares or own corporate units	1193	0,00	3.086.377,00
3. Other transferable securities and other financial instruments	1195		
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	1197	357.157,00	569.300,00
E. Prepayments	1199	33.873,00	0,00
TOTAL (ASSETS)		2.012.370.064,00	2.012.728.917,00

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LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 _____	301 <u>1.452.787.781,00</u>	302 <u>929.064.775,00</u>
I. Subscribed capital	1303 _____ 7	303 <u>307.720.222,00</u>	304 <u>269.940.694,00</u>
II. Share premium and similar premiums	1305 _____ 8	305 <u>1.579.933.822,00</u>	306 <u>1.058.621.928,00</u>
III. Revaluation reserves	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>28.200.181,00</u>	310 <u>31.286.558,00</u>
1. Legal reserve	1311 _____ 9	311 <u>28.200.181,00</u>	312 <u>28.200.181,00</u>
2. Reserve for own shares or own corporate units	1313 _____ 6	313 <u>0,00</u>	314 <u>3.086.377,00</u>
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves	1317 _____	317 _____	318 _____
V. Profit or loss brought forward	1319 _____	319 <u>-430.784.404,00</u>	320 <u>-205.607.467,00</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>-32.282.040,00</u>	322 <u>-225.176.938,00</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
IX. Temporarily not taxable capital gains	1327 _____	327 _____	328 _____
B. Subordinated debts	1329 _____	329 _____	330 _____
1. Convertible loans	1413 _____	413 _____	414 _____
a) becoming due and payable within one year	1415 _____	415 _____	416 _____
b) becoming due and payable after more than one year	1417 _____	417 _____	418 _____
2. Non convertible loans	1419 _____	419 _____	420 _____
a) becoming due and payable within one year	1421 _____	421 _____	422 _____
b) becoming due and payable after more than one year	1423 _____	423 _____	424 _____
C. Provisions	1331 _____	331 <u>0,00</u>	332 <u>416.250,00</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 _____	336 _____
3. Other provisions	1337 _____ 10	337 <u>0,00</u>	338 <u>416.250,00</u>
D. Non subordinated debts	1339 _____	339 <u>559.582.283,00</u>	340 <u>1.083.247.892,00</u>
1. Debenture loans	1341 _____	341 <u>0,00</u>	342 <u>359.580.028,00</u>
a) Convertible loans	1343 _____	343 <u>0,00</u>	344 <u>359.580.028,00</u>
i) becoming due and payable within one year	1345 _____ 12	345 <u>0,00</u>	346 <u>359.580.028,00</u>
ii) becoming due and payable after more than one year	1347 _____	347 _____	348 _____

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
b) Non convertible loans	1349 _____	349 _____	350 _____
i) becoming due and payable within one year	1351 _____	351 _____	352 _____
ii) becoming due and payable after more than one year	1353 _____	353 _____	354 _____
2. Amounts owed to credit institutions	1355 _____	355 _____	356 _____
a) becoming due and payable within one year	1357 _____	357 _____	358 _____
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____
3. Payments received on account of orders as far as they are not deducted distinctly from inventories	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 _____	368 _____
a) becoming due and payable within one year	1369 _____	369 _____	370 _____
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____	379 <u>558.674.390,00</u>	380 <u>508.242.218,00</u>
a) becoming due and payable within one year	1381 _____ 11	381 <u>558.674.390,00</u>	382 <u>508.242.218,00</u>
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Tax and social security debts	1391 _____	391 <u>6.438,00</u>	392 <u>8.157,00</u>
a) Tax debts	1393 _____	393 <u>6.438,00</u>	394 <u>6.438,00</u>
b) Social security debts	1395 _____	395 _____	396 <u>1.719,00</u>

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	Reference(s)	Current year	Previous year
9. Other creditors	1397 _____	397 <u>901.455,00</u>	398 <u>215.417.489,00</u>
a) becoming due and payable within one year	1399 _____ 13	399 <u>901.455,00</u>	400 <u>215.417.489,00</u>
b) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
E. Deferred income	1403 _____	403 _____	404 _____
	TOTAL (LIABILITIES)	405 <u>2.012.370.064,00</u>	406 <u>2.012.728.917,00</u>

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eCDF entry date : 10/03/2016

PROFIT AND LOSS ACCOUNT**Financial year from** ⁰¹ 01/01/2015 **to** ⁰² 31/12/2015 (in ⁰³ EUR)

Gagfah S.A.
 2-4, Rue Beck
 L-1222 Luxembourg

A. CHARGES

	Reference(s)	Current year	Previous year
1. Use of merchandise, raw materials and consumable materials	1601 _____	601 _____	602 _____
2. Other external charges	1603 _____ 16	603 _____ 1.681.589,00	604 _____ 31.897.604,00
3. Staff costs	1605 _____	605 _____ 333.301,00	606 _____ 463.932,00
a) Salaries and wages	1607 _____ 14	607 _____ 307.133,00	608 _____ 431.501,00
b) Social security on salaries and wages	1609 _____	609 _____ 26.168,00	610 _____ 32.431,00
c) Supplementary pension costs	1611 _____	611 _____	612 _____
d) Other social costs	1613 _____	613 _____	614 _____
4. Value adjustments	1615 _____	615 _____	616 _____
a) on formation expenses and on tangible and intangible fixed assets	1617 _____	617 _____	618 _____
b) on current assets	1619 _____	619 _____	620 _____
5. Other operating charges	1621 _____ 17	621 _____ 320.400,00	622 _____ 634.878,00
6. Value adjustments and fair value adjustments on financial fixed assets	1623 _____	623 _____	624 _____
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	1625 _____	625 _____	626 _____
8. Interest and other financial charges	1627 _____ 11	627 _____ 36.726.854,00	628 _____ 192.543.434,00
a) concerning affiliated undertakings	1629 _____	629 _____ 18.112.606,00	630 _____ 14.590.318,00
b) other interest and similar financial charges	1631 _____	631 _____ 18.614.248,00	632 _____ 177.953.116,00

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
9. Share of losses of undertakings accounted for under the equity method	1649 _____	649 _____	650 _____
10. Extraordinary charges	1633 _____	633 _____	634 _____
11. Income tax	1635 _____	635 <u>1.954,00</u>	636 <u>3.240,00</u>
12. Other taxes not included in the previous caption	1637 _____	637 _____	638 _____
13. Profit for the financial year	1639 _____	639 <u>0,00</u>	640 <u>0,00</u>
TOTAL CHARGES		641 <u>39.064.098,00</u>	642 <u>225.543.088,00</u>

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B. INCOME

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Change in inventories of finished goods and of work and contracts in progress	1703 _____	703 _____	704 _____
3. Fixed assets under development	1705 _____	705 _____	706 _____
4. Reversal of value adjustments	1707 _____	707 _____	708 _____
a) on formation expenses and on tangible and intangible fixed assets	1709 _____	709 _____	710 _____
b) on current assets	1711 _____	711 _____	712 _____
5. Other operating income	1713 _____ 18	713 _____ 2.240.792,00	714 _____ 154.994,00
6. Income from financial fixed assets	1715 _____	715 _____ 4.541.266,00	716 _____ 211.156,00
a) derived from affiliated undertakings	1717 _____ 19	717 _____ 4.541.266,00	718 _____ 211.156,00
b) other income from participating interests	1719 _____	719 _____	720 _____
7. Income from financial current assets	1721 _____	721 _____	722 _____
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income from financial current assets	1725 _____	725 _____	726 _____
8. Other interest and other financial income	1727 _____	727 _____	728 _____
a) derived from affiliated undertakings	1729 _____	729 _____	730 _____
b) other interest and similar financial income	1731 _____	731 _____	732 _____
9. Share of profits of undertakings accounted for under the equity method	1745 _____	745 _____	746 _____
10. Extraordinary income	1733 _____	733 _____	734 _____
13. Loss for the financial year	1735 _____	735 _____ 32.282.040,00	736 _____ 225.176.938,00
TOTAL INCOME		737 _____ 39.064.098,00	738 _____ 225.543.088,00

GAGFAH S.A.
Société anonyme

Notes to the annual accounts
For the year ended December 31, 2015

Note 1 – General information

GAGFAH S.A. (“the Company”) is a joint stock corporation incorporated in Luxembourg, with its registered office at 2-4, rue Beck, L-1222 Luxembourg, Grand Duchy of Luxembourg, under the trade register number B 109.526.

The Company was formed on July 12, 2005, as NLG Acquisition Holdings S.C.A. and entered in the trade register (Registre de Commerce et des Sociétés) of Luxembourg on July 27, 2005. On August 30, 2005, the Company changed its name to NLG Acquisition Investments S.C.A. and by shareholder resolution dated September 29, 2006, it was transformed into a Société Anonyme and renamed GAGFAH S.A.

The Company is a securitization company governed by the law of March 22, 2004, on securitization, as subsequently amended.

The corporate object of the Company is the acquisition and/or the assumption of risks resulting from the obligations assumed by third parties or relating to all or part of the activities of third parties, either directly or through intermediary entities, by issuing securities the value or return of which is dependent upon such risks.

The Company may provide any financial assistance to the undertakings forming part of the group of the Company such as, among others, the providing of loans and the granting of guarantees or securities in any kind or form.

The Company may borrow in any kind or form and issue bonds or notes. In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purpose, always remaining within the scope of activities authorized for securitization companies under the law of March 22, 2004, on securitization, as subsequently amended.

On April 15, 2015 the GAGFAH S.A. has resolved to file for a delisting of the shares of GAGFAH S.A. from the regulated market at the Frankfurt Stock Exchange. The Board of Directors has further filed for a revocation of the inclusion in the over-the-counter markets at the other stock exchanges where shares of GAGFAH S.A. are currently traded. Following the delisting from the regulated market and the revocation of the inclusion in the over-the-counter markets GAGFAH S.A. shares will no longer be traded at a stock exchange.

The delisting from the regulated market became effective pursuant to sec. 46 para. 2 sentence 3 Stock Exchange Regulation of the Frankfurt Stock Exchange after the expiration of November 20, 2015.

According to article 314 and article 315 of the amended Law of 10th August 1915 on commercial companies GAGFAH S.A. make use of the exemption to prepare a consolidated financial statement for the year ended December 31, 2015

The Company's ultimate parent entity is Vonovia SE, registered in Germany, Düsseldorf, forming the smallest and largest body of undertakings in which the Company forms part as a subsidiary. The consolidated financial statements of Vonovia SE are published on the Vonovia SE's website (www.vonovia.de).

Notes to the annual accounts
For the year ended December 31, 2015

Note 2 – Valuation principles and methods

General principles

The Company maintains its books and records in Euro (“€”) and the annual accounts have been established in conformity with applicable legal and regulatory requirements in Luxembourg including the following significant accounting policies:

Currency translation

Fixed assets stated in currencies other than € are translated at the exchange rate effective at the time of the transaction. At the balance sheet date these assets remain translated at historical exchange rates.

Current assets and liabilities stated in currencies other than € are translated at the exchange rates prevailing at the date of the balance sheet. Transactions denominated in currencies other than € are translated at the exchange rate prevailing at the date of transaction. Realized exchange gains and losses and unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Financial fixed assets

Financial fixed assets are stated at acquisition cost. Value adjustments are recorded if, in the opinion of the Directors, there is a permanent impairment in value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors and Debts

Receivables and debts are recorded at their nominal value. Receivables are written down to their recoverable amount. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Own shares

Own shares were valued at the lower of purchase cost, including expenses incidental thereto, or market value. A value adjustment was recorded when the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which these value adjustments were made have ceased to apply. The market value corresponds to the last available quote on the valuation day on the Frankfurt Stock Exchange, where the own shares were listed.

Provisions

Provisions were recorded for the share-based remuneration of independent directors. These provisions were calculated by multiplying the number of shares with the XETRA share price as of the end of the respective reporting period.

Notes to the annual accounts
For the year ended December 31, 2015

Convertible Bonds

According to Article (64bis) Paragraph (5bis) of the amended law of December 19, 2002, the valuation of financial instruments and compliance with the associated disclosure requirements provided for in international accounting standards adopted are permitted.

GAGFAH S.A. determined to exercise this choice of accounting policy and to state the convertible bonds corresponding to the "Notes to the Consolidated Statement of Financial Position" of GAGFAH Groups annual report 2014

Convertible bonds were divided into two separate components: the bond component on the one hand and the debt component on the other hand.

The market value of convertible bonds was derived from bond prices stated by the Bloomberg Mid Market Index. The debt component was initially measured at fair value and is subsequently remeasured at amortized cost using the effective interest method. The difference between the market value of the whole convertible bond and the fair value of the debt component was disclosed separately as a derivative financial instrument (category "Derivative financial liabilities measured at fair value", (FVtPL)).

Borrowing costs

Borrowing costs are expensed in the period in which they have incurred.

Note 3 – Shares in affiliated undertakings

The investment structure of GAGFAH S.A. in 2015 is listed below:

In the opinion of the Board of Directors there is no permanent impairment in the value of the shares in affiliated undertakings as of December 31, 2015.

The shares in GAG ACQ Ireland Ltd. have already been written off completely in 2011.

Company	share	Acquisition costs in € December 31, 2015	Accum. value adjustments in € December 31, 2015	Net Book Value in € December 31, 2014	Net Book Value in € December 31, 2015
	in %				
WOBA HOLDING GMBH, Germany	5.20	18,987,108	--	18,987,108	18,987,108
NILEG Immobilien Holding GmbH, Germany	5.20	26,286,505	(921,000)	25,365,505	25,365,505
GBH Acquisition GmbH, Germany	5.20	7,027,702	(1,957,000)	5,070,702	5,070,702
GAGFAH Acquisition 1 GmbH, Germany	5.20	4,150,224	--	4,150,224	4,150,224
GAGFAH Acquisition 2 GmbH, Germany	5.20	739,493	--	739,493	739,493
GAGFAH Holding GmbH, Germany	100.00	1,684,103,728	--	1,684,103,728	1,684,103,728
GAG ACQ Ireland Limited, Ireland	100.00	45,750	(45,750)	--	--
Total shares in affiliated undertakings		1,741,340,510	(2,923,750)	1,738,416,760	1,738,416,760

Notes to the annual accounts
For the year ended December 31, 2015

Note 4 – Amounts owed by affiliated undertakings

Amounts owed by affiliated undertakings include transferable notes issued in € by UC ACQ Ireland Ltd. and GAG ACQ Ireland Ltd. (“Eurobonds”).

The Eurobonds issued by UC ACQ Ireland Ltd. on September 30, 2004 amount to € 138,942,000 as of December 31, 2015 (€ 138,942,000 as of December 31, 2014). The terms of the Eurobonds set out that the income generated by UC ACQ Ireland Ltd. less administrative expenses must be transferred in full to GAGFAH S.A. except for a residual amount of € 4,000. The maturity date of these Eurobonds is September 29, 2024.

In 2015, UC ACQ Ireland Ltd. realized a profit of € 79,778, due to this and losses carried forward of prior years an interest in the amount of € 37,129 could be drawn from this Eurobond

The Eurobond issued by GAG ACQ Ireland Ltd. amounts to € 2,693,894 as of December 31, 2015 (€ 2,693,894 as of December 31, 2014). The terms of the Eurobond facility set out that the income generated by GAG ACQ Ireland Ltd. less administrative expenses must be transferred in full to GAGFAH S.A. except for a residual amount of € 5,000. The maturity date of this Eurobond is December 31, 2020.

In 2015, GAG ACQ Ireland Ltd. realized a profit of € 148,106 as there were no losses carried forward of prior years an interest in the amount of € 147,356 could be drawn from this Eurobond.

Note 5 – Amounts owed by affiliated undertakings

The Amounts owed by affiliated undertakings relate mainly to a Loan to GAGFAH Griffin GmbH in the amount of €131,624,139 (€ 128,835,536 as of December 31, 2014).

Notes to the annual accounts
For the year ended December 31, 2015

Note 6 – Own shares

The following table contains an overview of the development of own shares in the financial years 2014 and 2015

Own shares	Number of own shares	Average price in €	Cost of acquisition / disposal in €
January 1, 2014	648,507	6.70	4,359,481
Transfer of bonus shares to members of the senior management	-157,575	6.70	-1,059,542 ¹⁾
Transfer of bonus shares as part of remuneration of independent directors on July 1, 2014	-31,875	6.70	-213,562
December 31, 2014	459,057	6.70	3,086,377
Conversion of the convertible bonds on February 16, 2015	-243,788	6.70	-1,639,769 ²⁾
Conversion of the convertible bonds on February 27, 2015	-16,252	6.70	-109,213 ³⁾
Transfer of bonus shares to members of the senior management on March 31, 2015	-189,726	6.70	-1,274,959 ⁴⁾
Transfer of bonus shares as part of remuneration of independent directors on April 24, 2015	-8,750	6.70	-58,800 ⁵⁾
Sale to Vonovia SE on December 10, 2015	-541	6.70	-3,636 ⁶⁾
December 31, 2015	0		0

1) Includes incidental acquisition costs of € 3,789.00

2) Includes incidental acquisition costs of € 6,389.72

3) Includes incidental acquisition costs of € 325.04

4) Includes incidental acquisition costs of € 3,794.52

5) Includes incidental acquisition costs of € 175.00

6) Includes incidental acquisition costs of € 10.82

Note 7 – Subscribed capital

The following table shows the development of the issued and fully-paid share capital from January 1, 2014 to December 31, 2015:

	Number of shares	Nominal amount in €
January 1, 2014	215,952,555	269,940,694
December 31, 2014	215,952,555	269,940,694
Issue of new shares	28,864,657	
January 28, 2015	244,817,212	306,021,515
Issue of new shares	1,348,966	
February 6, 2015	246,166,178	307,707,722
Issue of new shares	10,000	
April 24, 2015	246,176,178	307,720,222
December 31, 2015	246,176,178	307,720,222

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GAGFAH S.A. had issued convertible bonds with a total volume of € 375.0 million on May 13, 2014. On December 19, 2014, GAGFAH had notified bondholders and the capital markets about the voluntary public takeover offer by Deutsche Annington Immobilien SE to shareholders of GAGFAH S.A. This notice included, inter alia, a reference to the change-of-control clause in the terms and conditions of the convertible bonds. As of the relevant change-of-control date of January 21, 2015, pursuant to the convertible bonds terms and conditions, convertible bonds holders with a total of approximately € 355 million nominal value (ca. 95%) had submitted a valid conditional conversion notice, as of February 20, the majority of the remaining convertible bonds with a nominal value of about € 20 million had submitted a regular conditional conversion notice and were also redeemed in shares and based on the adjusted conversion price. All together this led to the creation of 30,213,623 shares and the corresponding increase of subscribed capital of € 37.8 million and share premium of € 568,8 million. Additionally 10.000 new shares were issued in connection with the remuneration of the board member.

As of December 31, 2015, the authorized un-issued capital of the Company is set at € 9,950,345,371 (€ 9,988,125,000 as of December 31, 2014) to be represented by 7,960,276,377 (7,990,500,000 as of December 31, 2014) shares with a nominal value of € 1.25 each.

Note 8 – Share premium and similar premiums

As of December 31, 2015, the share premium account amounts to € 1,579,933,822 (€ 1,058,621,928 as of December 31, 2014).

The increase in the financial year 2015 results mainly from the redemption of the convertible bonds in amount of € 568,8 million. The general meeting on April 17, 2015 resolved the distribution of a dividend for the year ended December 31, 2014, in the amount of € 0.35 per share (in issue) for the holders of record on April 17, 2015 except for Vonovia SE which already waived its right deriving from their shares before the execution of this resolution, and to carry forward the results of the Company of the financial year ending December 31, 2014. The total amount of € 9,7 million was deducted from the share premium.

Note 9 – Legal reserve

Under Luxembourg law an amount equal to at least 5 % of the profit of the year must be allocated to a legal reserve until such reserve equals 10 % of the issued share capital. This reserve is not available for dividend distribution.

Note 10 – Other Provisions

In the prior year Other Provisions of € 416,250 comprised the share-based remuneration of the independent directors. There is no claim in 2015 for a share-based remuneration for the independent directors.

Notes to the annual accounts
For the year ended December 31, 2015

Note 11 – Debenture loans (convertible bonds)

In prior year this position comprised the bond component of the convertible bond. On May 13, 2014, the Board of Directors of GAGFAH S.A. resolved to launch an offering of senior unsecured convertible bonds due 2019 (the "Bonds") in an aggregate nominal amount of € 375.0 million, convertible into ordinary registered shares of GAGFAH S.A. under exclusion of shareholders' pre-emptive rights.

In course of the merger with Vonovia SE the convertible bonds have been tendered into the offer in February 2015.

Note 12 – Amounts owed to affiliated undertakings / interest payable and other financial charges

As of December 31, 2015, the Company owes an amount of € 522,078,763 (€ 507,510,221 as of December 31, 2014) to GAGFAH Holding GmbH and an amount of € 579,141 to UC ACQ Ireland Ltd. (€ 731,996 as of December 31, 2013), including accrued interest. An amount of € 36,015,450 (€ 0 as of December 2014) relates to Vonovia Finance B.V. and an amount of € 1,036 (€ 0 as of December 31, 2014) relates to GAGFAH M Immobilien-Management GmbH.

Interest expenses for the loan from GAGFAH Holding GmbH amounted to € 17,513,750 in the year ended December 31, 2015 (€ 14,590,318 in the year ended December 31, 2014). The interest rate is variable and the loan is without fixed maturity date. The interest for the year 2015 will be capitalized in 2016.

Interest expenses for the loan from Vonovia Finance B.V. amounted to € 598,856 in the year ended December 31, 2015 (€ - in the year ended December 31, 2014). The interest rate is variable and the loan is without fixed maturity date. The interest was paid in 2015.

Note 13 – Other creditors

In prior year this position mainly comprised the option component of the convertible bonds amounting to € 190.6 million and liabilities in connection with the capital market monitoring amounting to € 21.3 million. In course of the merger with Vonovia SE the convertible bonds have been tendered. As a result the option component of the convertible bond was reclassified to equity. In the year ended December 31, 2015 this position creditors mainly comprised liabilities in connection with auditing and publication amounting to € 0.4 million

Note 14 – Staff costs

In the year ended December 31, 2015, staff costs amounted to € 333,301 (€ 463,932 in 2014) of which € 182,517 (€ 201,071 in 2014) apply to salaries and wages for an average number of 3 (FTE) employees and € 124,616 (€ 230,430 in 2014) for bonus payments and share options. Included in the staff costs are social security costs which amounted to € 26,168 (€ 32,431 in 2014).

Note 15 – Share option agreement

Equity-settled share-based payment

Management of GAGFAH Group is entitled to different equity-settled remuneration plans based on the individual employment contracts.

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In 2009, stock options were granted to members of Senior Management and other levels of management (Stock Option Plan 2009). 50% of the stock options vested on December 31, 2010; another 50% vested on December 31, 2011. Vesting condition is the beneficiaries' continued service or employment with GAGFAH Group on the respective vesting dates. The exercise period ends on December 31, 2015.

In 2011, a new stock option plan (Stock Option Plan 2011) was established with the following conditions: 33.3% of the stock options vest on December 31, 2011, and December 31, 2012, respectively; another 33.4% vest on December 31, 2013. Vesting condition is the beneficiaries' continued service or employment with GAGFAH Group on the respective vesting dates. The exercise period ends on December 31, 2015.

In 2013, a further award option plan (Stock Award Plan 2013) was established with the following conditions: 20.0% of the stock options vest on or around April 1 of each of the years 2014 to 2018. Vesting condition is the beneficiaries' continued service or employment with GAGFAH Group on the respective vesting dates. Some of the grants are subject to an immediate retransfer obligation to GAGFAH S.A. in case of a claw-back event (e.g. resignation from office or termination by GAGFAH).

As there is no corresponding regulation under Luxembourgish laws and regulations, these share option agreements are off-balance-sheet items.

In the course of the merger with Vonovia SE all stock option were forfeited in 2015.

The following table summarizes the Company's stock option grant activity:

Number of Options	2014	2015
Outstanding as of January 1	2,100,000	1,500,000
Granted during the year	--	--
Forfeited during the year	-300,000	-1,500,000
Exercised during the year	-300,000 ¹⁾	
Settled during the year	--	--
Outstanding as of December 31	1,500,000	--

¹⁾ In the course of the exercise of a tranche comprising 300,000 stock options, only 157,575 shares have actually been transferred out of treasury shares. The countervalue of the remaining 142,425 stock options has been used as a monetary advantage for tax payments.

Cash-settled share-based payment

Middle management of GAGFAH Group is entitled to a cash-settled remuneration plan based on a standard additional agreement. The stock options are granted over a period of two consecutive years, one tranche each year. Vesting condition is the continued service with GAGFAH Group until the end of the vesting period. Within the following exercise period of two years, the stock options can be exercised within each quarter.

During the financial year 2015, 4,000 shares (2014: 4,000 shares) relating to the cash-settled stock option plan were granted.

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Note 16 – Other external charges

In the year ended December 31, 2015, other external charges amounted to € 1,681,589 (€ 31,897,604 in 2014), of which € 226,939 (€ 25,432,343 in 2014) relate to fees for expert advice, € 453,985 (€ 453,985 in 2014) to insurance expenses, € 314,555 (€ 439,150 in 2014) to audit expenses, € 287,518 (€ 372,071 in 2014) to publication.

Note 17 – Other operating charges

Expenses for board compensation for the ongoing year amounted to € 320,400 (€ 634,878 in 2014).

Note 18 – Other operating income

The increase of other operating income in the financial year to € 2,240,792 from € 154,994 in the prior year results mainly from the reversal of accrued liabilities for expert advice.

Note 19 – Other interest and financial income

As of December 31, 2015 the interest income related mainly the loan by Griffin NRW GmbH amounting to €4,352,673 (€ 0 in 2014).

Note 20 – Taxes

The Company qualifies as a securitization vehicle falling within the scope of the Securitization Law of March 22, 2004, as subsequently amended. The Company is therefore fully liable to corporate income tax and municipal business tax. However it is not subject to net worth tax. Any commitments to investors (i.e. profit distributions) and commitments to other creditors of the Company will be deductible and will not be subject to Luxembourg withholding tax.

Note 21 – Total remuneration and loans granted to the Board of Directors

The total net compensation to members of the Board for the financial year 2014 was paid in 2015 and amounted to € 160,000 base remuneration, € 40,000 meeting remuneration plus 18,750 shares in the Company. An amount of € 58,625 equaling to 8,750 shares with a (net) average price of € 6.70, was deducted from treasury shares. In addition, we provide all Board members with directors' and officers' insurance.

For the financial year 2015 the total net compensation for the Chairman amount € 160,000 and for members of the Board € 80,000. There is no compensation in shares for 2015. The payout for the Compensation 2015 will take place in 2016. As of December 31, 2015, no advances or loans had been granted to members of the Board.

Notes to the annual accounts
For the year ended December 31, 2015

Note 22 – Commitments

On February 27, 2015, the existing rent contract has been renewed of one year starting on September 1, 2015, and terminating of August 31, 2016. The future payments will be as follows:

in €	2016
Rent contract	90,329

Note 23 – Subsequent events

No event with particular significance for the capital, financial and result situation has occurred after the closing date.

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_____	_____
_____	_____