

**conwert – value
accretion
considerations**

May 2015

- CWI is at a crucial junction towards un-locking substantial valuation potential not yet reflected in the share price
- Flawed corporate governance combined with poor quality of management has in our view been the primary reason for conwert's under-performance, both operationally and in terms of relative valuation – despite one of the best quality portfolios of real estate in Germany and Austria
- The recent change in shareholder structure combined with the dismissal of the CEO and resignation of Chairwoman and Deputy offer an exceptional opportunity to change conwert's course, bring in a top CEO and Administrative Board and create value for shareholders
- We believe the intrinsic value potential of conwert is substantially higher than the current book value (€12.6 / share) in the short term and even higher mid- term
 - **Short-term / Now:** Need for operational improvements (vacancy, rent), refinancing actions (lower interest cost, share buybacks) and gaining investors' trust (turn discount to NAV into a premium)
 - **Mid-term:** Company to consider growth

Key Levers to Immediate Value Creation

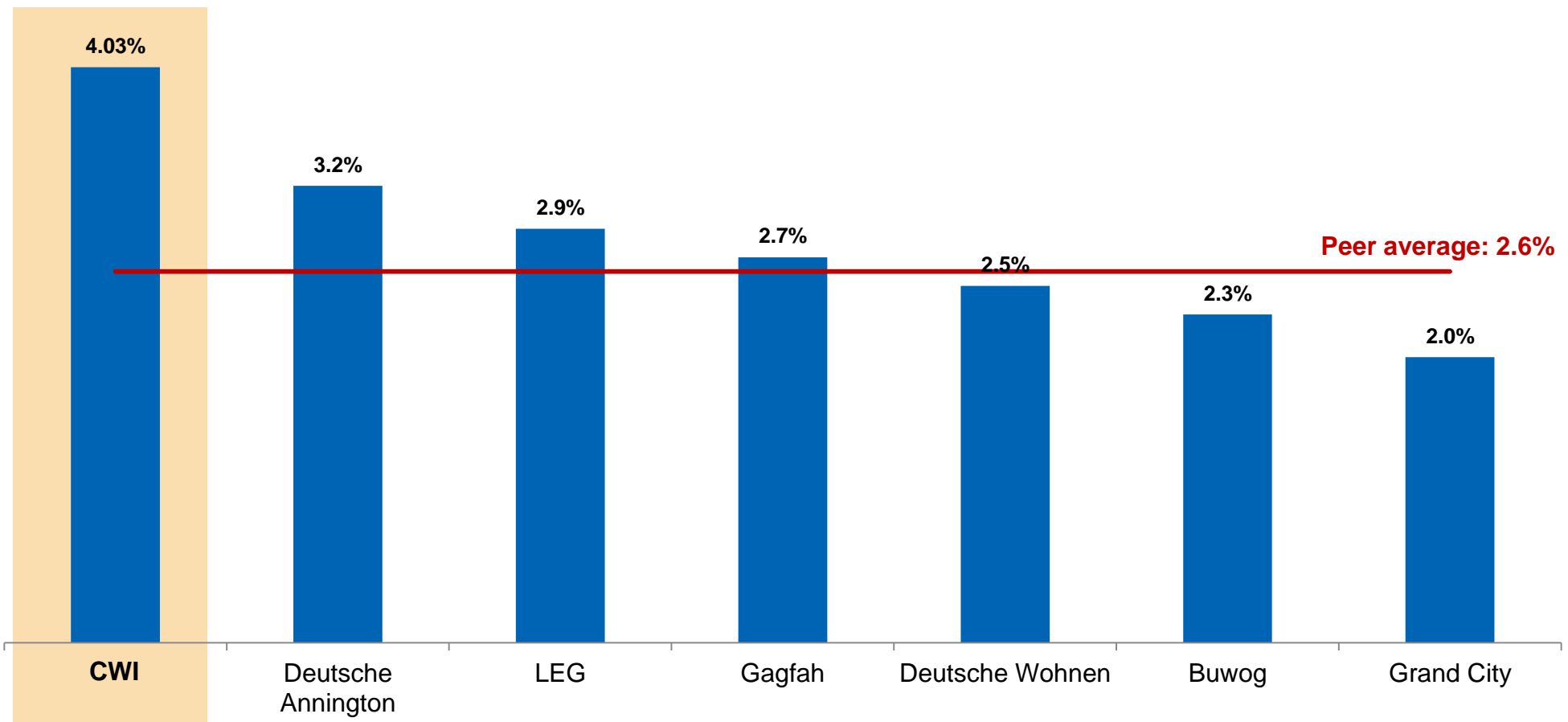
Lever	Description	View
1 Financing Cost	<ul style="list-style-type: none"> ● Current financing cost c. 4.03% vs. 2.6% for peers ● Cash cost to take out hedges c. €125-150m ● Possible FFO I improvement by c. €17m¹ p.a. 	<ul style="list-style-type: none"> ● Current FFO I multiple of 25-30x makes refinancing appear accretive
2 NRI Improvement	<ul style="list-style-type: none"> ● NRI potential communicated by management is €23.5m ● Only €4-5m included in guidance and no real rent increases considered 	<ul style="list-style-type: none"> ● Management to commit to higher improvement goals by 2016 (25-30x FFO I multiple)
3 Book Value Properties	<ul style="list-style-type: none"> ● Current book values appear below market value by c. €150m in Austria and c. €145m in Germany ● We have asked for replacement of valuation firms 	<ul style="list-style-type: none"> ● Potentially significant book values and thus NAV increase
4 Share Buybacks	<ul style="list-style-type: none"> ● Up to 20% new shares from conversion of convertible bonds at weighted average strike price of €11.0 	<ul style="list-style-type: none"> ● Share buy-backs at below book value help avoid dilution
5 NAV Premium / Discount	<ul style="list-style-type: none"> ● Peers trading at premium to NAV of 30-50%² ● Conwert at 11% discount² despite high-quality real estate portfolio 	<ul style="list-style-type: none"> ● Goal must be to achieve similar premium to NAV than peers

1) Costs savings based on the differential to the average peer interest rate of 1.43%, on a debt amount of €1,581.1m as per FY 2014, and an effective tax rate of 25%.

2) Based on Bloomberg median estimates for 2015 book values.

1 Financing Cost

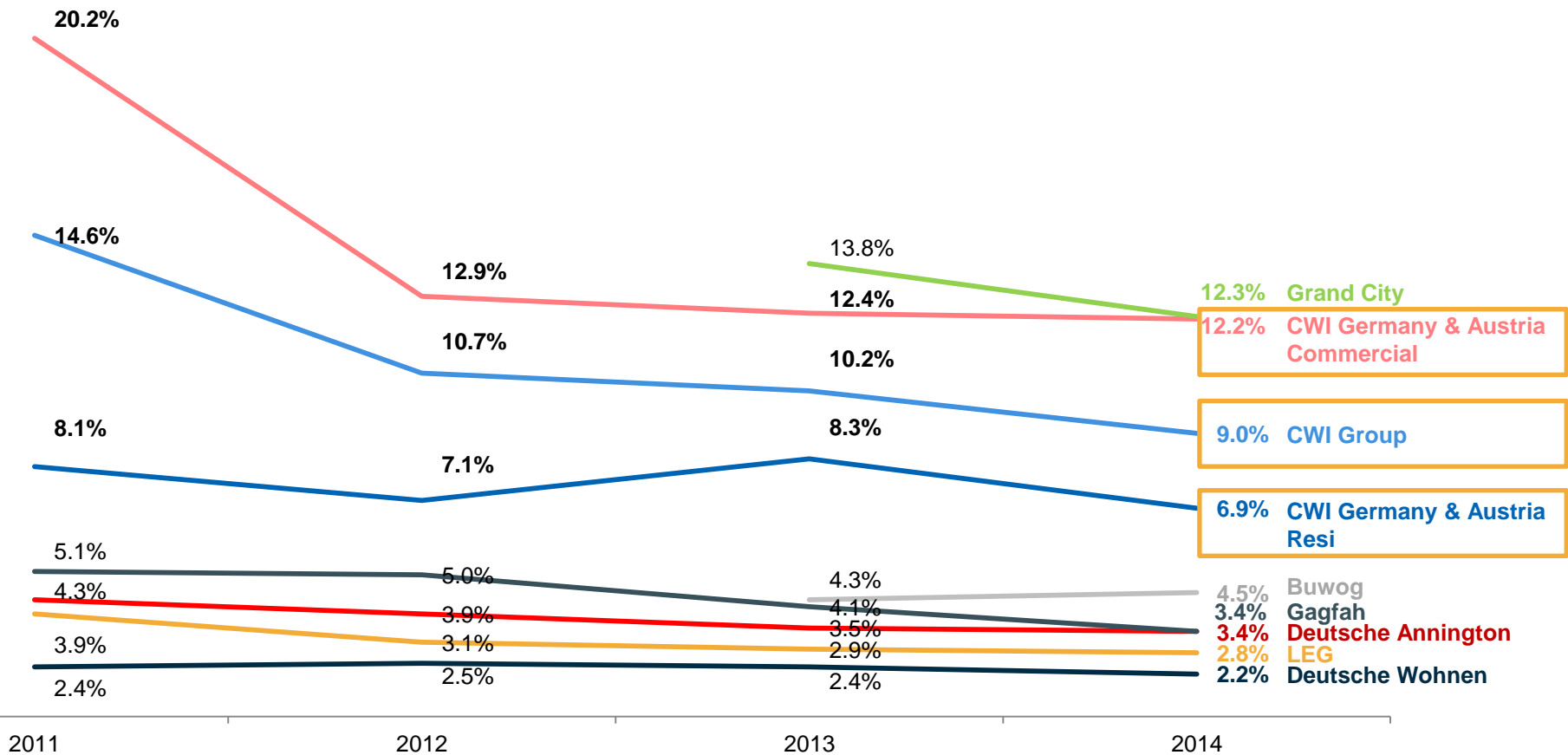
Financing Cost Comparison



Source: conwert's FY2014 results presentation

2 NRI Improvement - Vacancy

Vacancy Evolution

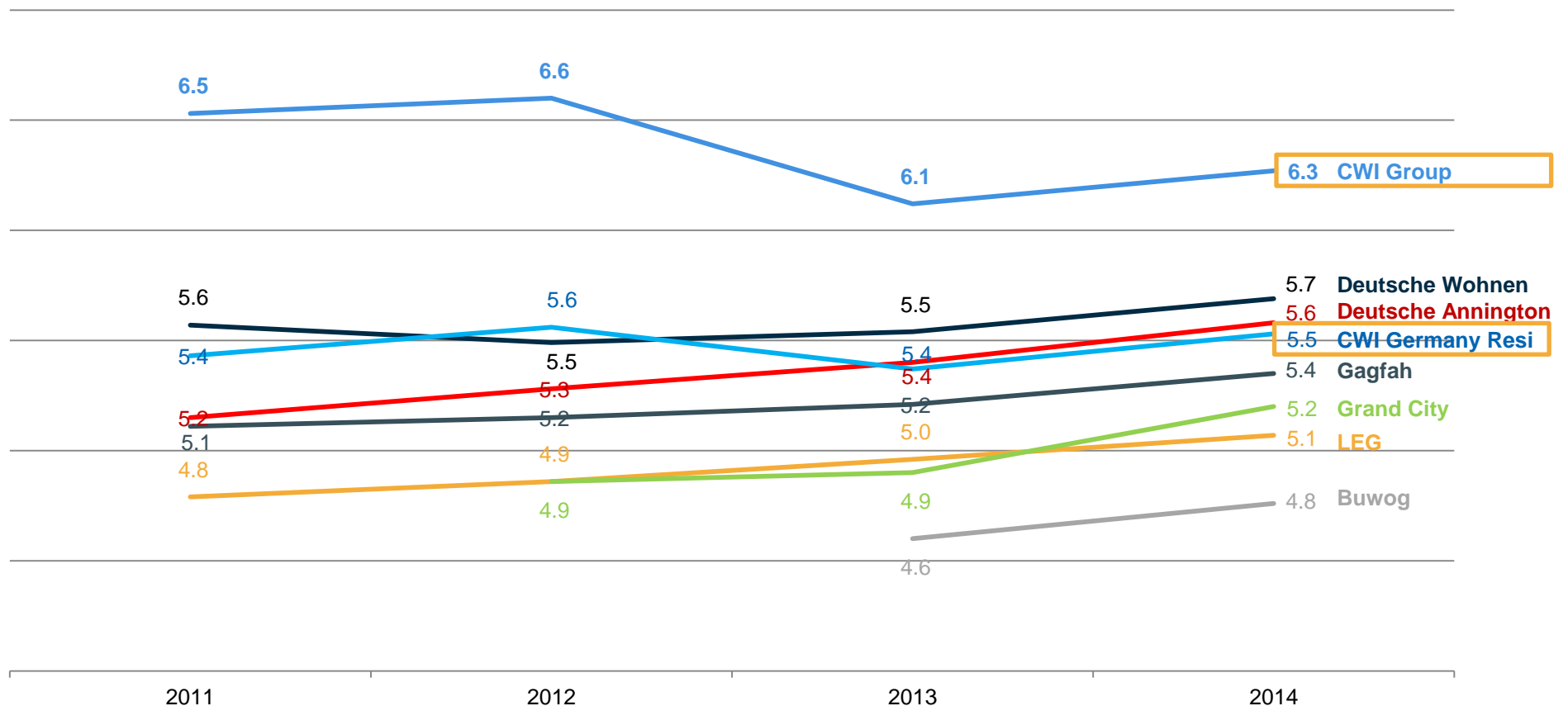


Source: Companies' fillings

2 NRI Improvement

Why one of the best portfolios in the market should have middling Rent/sqm is not explicable

Rent Evolution (€/sqm)



Source: Companies' fillings

4 Convertible Bonds / Share Buybacks

Convertible Bonds Overview

	Maturity	Residual maturity (months)	Amount Out (€m)	Clean price	Accrued interest	Full price	YTM	IR	Latest Strike (€)	Option intrinsic value (€) ¹	Callable at (€/share)	New shares to be issued (#m)	Current shares out (€m)	Dilution
Convertible bond 2010-2016	Feb-16	8.5	100.2	113.5%	1.50%	115.0%	-11.8%	5.25%	10.71	1.09	16.07	9.4	82.8	11.3%
Convertible bond 2012-2018	Sep-18	39.7	80.0	121.9%	0.88%	122.8%	-1.9%	4.50%	11.27	0.53	14.65	7.1	82.8	8.6%

Theoretical Wealth Dilution from Convertible Bonds

Share price (€)	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0
Theoretical diluted share price (€)	11.8	12.6	13.4	14.3	15.1	15.9	16.8	17.6	18.4
Dilution per share (€) ²	0.23	0.40	0.56	0.73	0.89	1.06	1.23	1.39	1.56
NAV dilution per stated book (€12.6/share) ²	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
NAV dilution per illustrative real book (€15.0/share) ²	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73

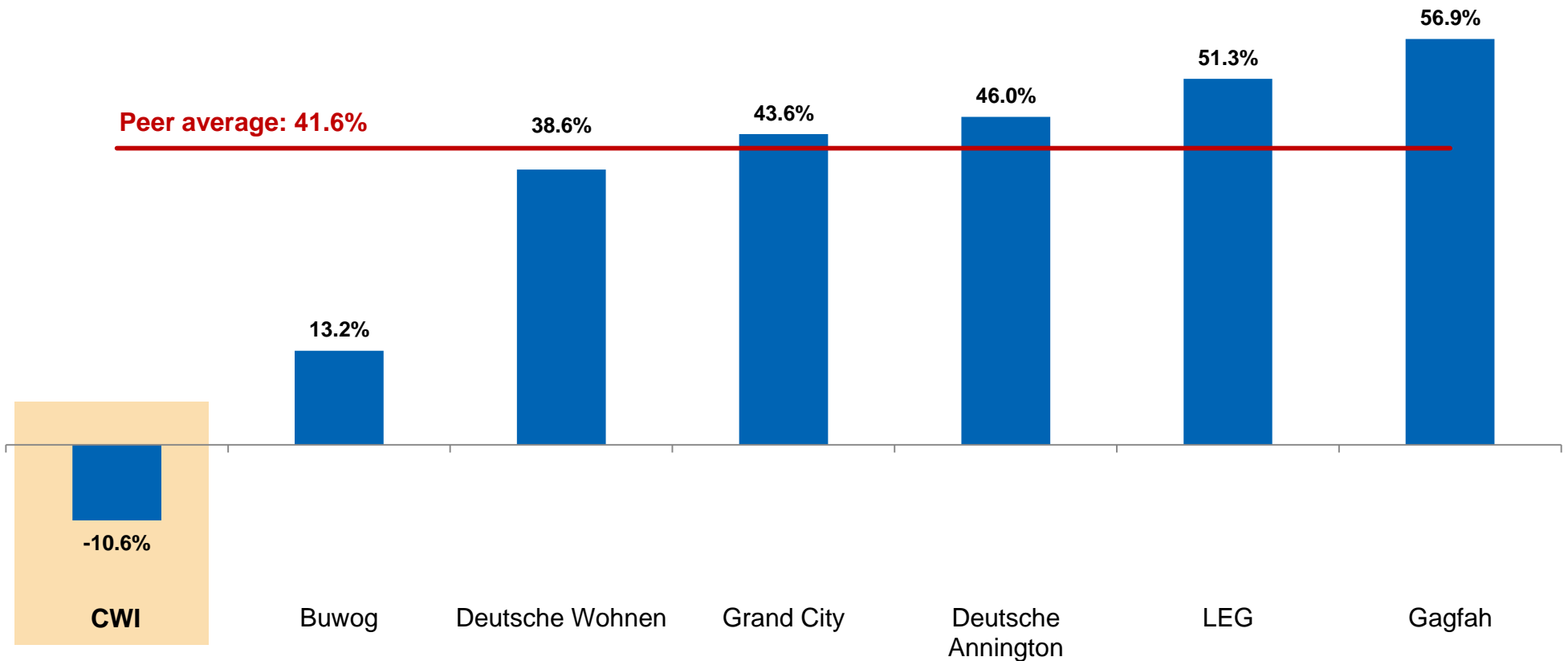
Note: Prices as of 15/05/2015, source Bloomberg

1) At a share price of €11.80 as of 15/05/2015, source Bloomberg.

2) Number shown represents the negative dilution per share in €.

5 NAV Premium / Discount

Premium/ Discount to NAV



Source: Based on Bloomberg price to book median estimates for 2015

Dresden - Hechtstraße 9



Dresden - Bautzner Straße 46



Leipzig - Schützenstraße 4-10



Berlin - Mühsamstraße 73



Berlin - Schenkestraße 7



Potsdam - Robert-Koch-Straße 4



Stubenbastei 10 / Jakobergasse 8**Stubenbastei 12 / An der Hülben 3 /
Liebenberggasse 1****Salzgries 17 / Passauer Platz 8****Hetzgasse 16****Schottenbastei 4 /
Helferstorferstraße 3****Mittersteig 15**

5 conwert Peers – Examples

Deutsche Annington - Berlin



Deutsche Annington - Dresden



Deutsche Wohnen - Berlin



Deutsche Wohnen - Potsdam



Deutsche Wohnen - Dresden



Buwog - Wien



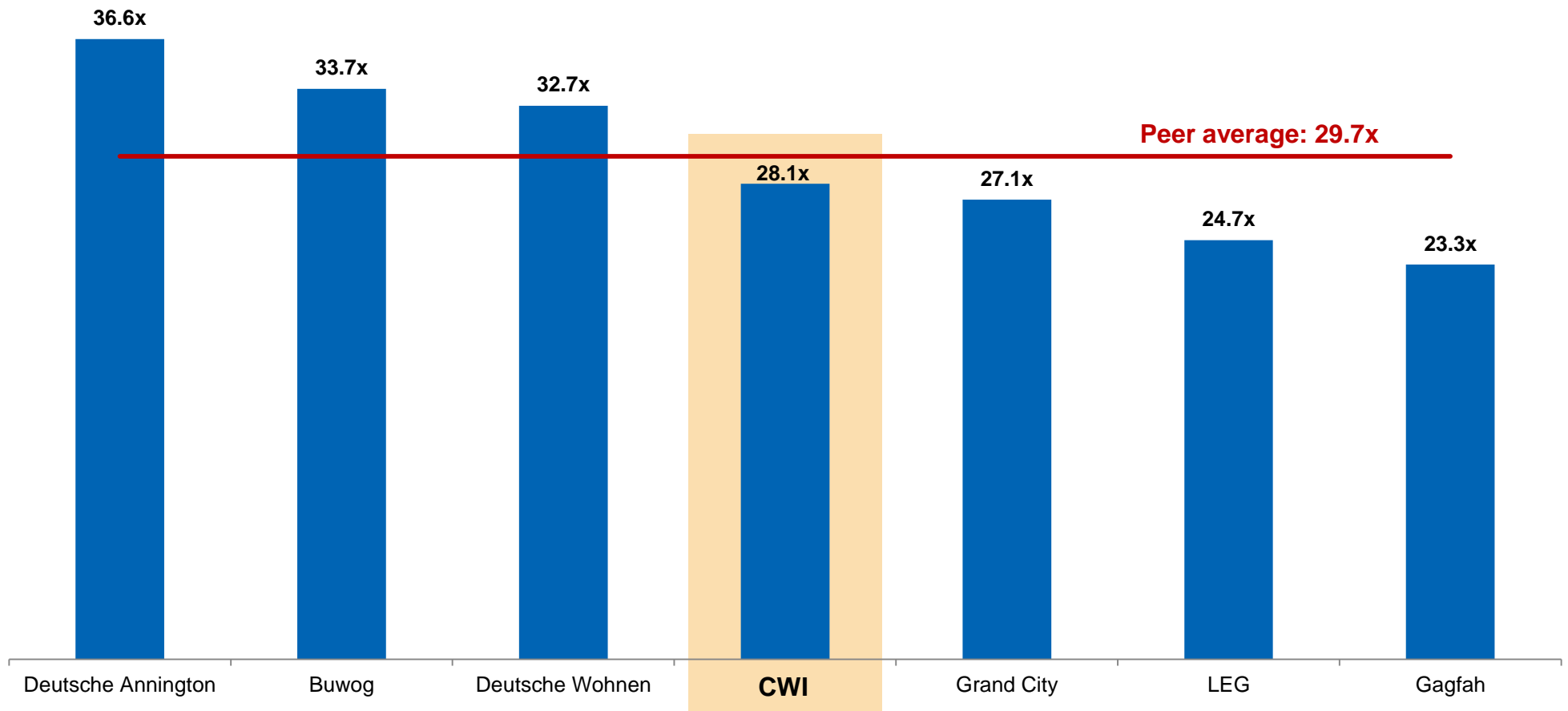
Priorities for convert

Priority	Description
Management & Administrative Board	<ul style="list-style-type: none"> ● Strong and independent Administrative Board to be put in place – includes honouring of 2014 elections ● Crucial to as soon as possible bring in a high calibre CEO with German experience and credibility with capital markets
NAV Improvements	<ul style="list-style-type: none"> ● Immediate valuation of properties to market ● Rent and vacancy improvements, debt refinancing, share buybacks below book ● Improved investor confidence and chance to rerate to full NAV or a premium to NAV (alongside comparables)
Other Issues	<ul style="list-style-type: none"> ● Improve corporate governance standards by introducing restrictions of third-party dealings and external rotation of appraisal and auditor firms
Growth	<ul style="list-style-type: none"> ● Future growth in Germany, Austria or other European countries to make convert a profitable growth story

Appendix

FFO I Multiple Comparison

FFO I Multiple 2014¹



1) Market cap / FFO I. Market cap from Bloomberg as of 15/05/2015 adjusted for treasury shares and FFO I for 2014 as reported by the companies. For Buwog the FFO I number is an annualised figure.