# Interim Financial Report

# Deutsche Annington Immobilien SE

First Quarter of 2015

in € million

| **Key figures** | **3M 2015** | 3M 2014 | Change in % |
|---|---|---|---|
| Rental income | 263.6 | 180.5 | 46.0 |
| Adjusted EBITDA Rental | 182.5 | 109.5 | 66.7 |
| Income from sale of properties | 123.0 | 60.2 | 104.3 |
| Adjusted EBITDA Sales | 9.5 | 9.2 | 2.9 |
| Adjusted EBITDA | 192.0 | 118.7 | 61.8 |
| Total cost of modernisation and maintenance work | 97.5 | 57.3 | 70.2 |
| thereof maintenance | 43.8 | 34.0 | 28.8 |
| thereof capitalised maintenance | 18.5 | 5.6 | 230.4 |
| thereof modernisation | 35.2 | 17.7 | 98.9 |
| FFO interest expense | -63.2 | -44.7 | 41.4 |
| FFO 1 | 115.7 | 61.9 | 86.9 |
| thereof attributable to shareholders | 112.9 | – | – |
| thereof attributable to hybrid equity | 2.8 | – | – |
| FFO 2 | 125.2 | 71.1 | 76.1 |
| AFFO | 97.4 | 56.6 | 72.1 |
| FFO 1 per share in €* | 0.33 | 0.26 | 26.8 |

* Based on the shares qualifying for a dividend on the reporting date: Mar. 31, 2015: 354,106,228; Mar. 31, 2014: 240,242,425

| **Key balance sheet figures** | **Mar. 31, 2015** | Dec. 31, 2014 | Change in % |
|---|---|---|---|
| Fair value of the real estate portfolio | 20,748.6 | 12,759.1 | 62.6 |
| EPRA NAV | 10,040.3 | 6,578.0 | 52.6 |
| LTV in %* | 56.3 | 49.7 | 6.6 pp |
| EPRA NAV per share in €** | 28.35 | 24.22 | 17.1 |

* Adjusted to reflect effects in connection with the acquisitions of Franconia and GAGFAH

** Based on the shares qualifying for a dividend on the reporting date: Mar. 31, 2015: 354,106,228; Dec. 31, 2014: 271,622,425

| **Non-financial figures** | **3M 2015** | 3M 2014 | Change in % |
|---|---|---|---|
| Number of units managed | 387,712 | 201,136 | 94.8 |
| thereof own apartments | 345,629 | 174,327 | 98.3 |
| thereof apartments owned by others | 42,083 | 26,809 | 72.1 |
| Number of units purchased | 144,602 | – | – |
| Number of units sold | 2,489 | 926 | 168.8 |
| thereof Privatise | 553 | 548 | 0.9 |
| thereof Non-Core | 1,936 | 378 | 412.2 |
| Vacancy rate in % | 3.4 | 3.7 | -0.3 pp |
| EPRA vacancy rate in % | 3.2 | 3.4 | -0.2 pp |
| Monthly in-place rent in €/m² | 5.53 | 5.44 | 1.7 |
| Monthly in-place rent in €/m² (like-for-like excl. GAGFAH/DeWAG/Vitus) | 5.60 | 5.46 | 2.6 |
| Number of employees (as at March 31) | 5,737 | 3,073 | 86.7 |

in € million

| **Other financial figures** | **3M 2015** | 3M 2014 | Change in % |
|---|---|---|---|
| Net income from fair value adjustments of investment properties | - | 19.8 | – |
| EBITDA IFRS | 153.2 | 97.4 | 57.3 |
| EBT | 53.1 | 57.2 | -7.1 |
| Profit for the period | 30.3 | 38.3 | -20.8 |
| Cash flow from operating activities | 155.2 | 76.4 | 103.1 |
| Cash flow from investing activities | -2,002.2 | 79.9 | -2,605.9 |
| Cash flow from financing activities | 1,003.3 | 143.4 | 599.7 |

# Contents

# Dear Shareholders,
# Ladies and Gentlemen,

There is no doubt that the highlight of the first quarter was our successful merger with GAGFAH. After only a few months of intensive and extremely cooperative collaboration with all stakeholders, this move is now physically complete as well: on March 6, we became Europe's second largest real estate group and now provide almost one million people with a home.

This step comes hand-in-hand with considerable responsibility, which is why we are already in the midst of our integration work – also to ensure that we can deliver, as soon as possible, on the promise we have made to you, our shareholders: "the best of both worlds".

We want the merger to be a success for our customers and for you, our owners. In order to achieve this, we have launched numerous projects under the auspices of a central project management team and are now working quickly on these projects in a disciplined manner. The projects focus on the company structure and all of them feature detailed action plans and ambitious milestones in terms of scheduling.

I can already report that the integration process looks set to be more successful than expected from a financial perspective: After a careful bottom-up analysis, we will significantly exceed the target we were aiming for when we announced the merger, namely the generation of synergy effects worth € 84 million. Based on the information available at the moment, the synergies generated by the end of 2017 will rise to € 130 million. These synergy effects will be generated in financial and operational areas – for example in rental, procurement and portfolio management, as well as in the area of housing-related services. Tenants of both companies will benefit from the cost advantages and better customer support. I believe that this serves as an early indication that the merger will be very positive for our development.

Let me take this opportunity to extend my thanks to you again. After all, you were the ones who initially backed our plans with a large majority, paving the way towards the merger – both on Deutsche Annington's side and on GAGFAH's side. While around 98.8 % of the previous GAGFAH shareholders tendered their shares, we continuously received explicit approval in the numerous direct meetings we held with our shareholders. The fact that 52.54 % of our subscribed capital was represented at our Ordinary Annual General Meeting held on 30 April 2015 in Düsseldorf is testimony to the interest among our shareholders in the company's development.

Alongside the structural changes, the first quarter also saw the continuation of very encouraging operating business development: the business of both Deutsche Annington and GAGFAH showed positive development. On a consolidated basis, i.e. taking into account the GAGFAH results for March, the FFO 1 (funds from operations) rose by 86.9 % as against the first quarter of 2014 to € 115.7 million or € 0.33 per share. The vacancy rate – which was already at a low level of 3.7 % last year – fell further to 3.4 %. The NAV (net asset value) increased by 52.6 % to € 10,040.3 million, or € 28.35 per share.

Within the Management Board team, we expect the positive development to continue over the coming quarters: our forecast for 2015 as a whole includes ten months of GAGFAH for the first time. We expect to see rent growth (on a like-for-like basis) of between 2.6 % and 2.8 % by the end of 2015. Rental income is likely to rise to between € 1,350 million and € 1,370 million. At the same time, we want to push the vacancy rate down further to around 3 % at the end of the year. We predict that the FFO 1 will increase to somewhere in the range of € 530 million to € 550 million. The EPRA NAV will also climb considerably to around € 29 per share.

from left to right: Dr A. Stefan Kirsten, Thomas Zinnöcker, Rolf Buch, Gerald Klinck, Klaus Freiberg

As you know, our aim is to continuously improve the quality of our real estate portfolios, which is why we make extensive investments in our apartments. This year alone, we are expected to invest more than € 600 million. This corresponds to around € 31 per square metre, up again on the prior-year value of € 29.12, putting us well ahead of the sector average. Our investments are split virtually 50/50 between maintenance and modernisation. In order to ensure the service we provide to our customers and offer it in as many parts of Germany as possible, we will be further expanding our successful craftsmen's organisation.

Please let me emphasise at this point that we are not aiming to be the market leader in terms of size alone. Rather, it is about exploiting our economies of scale in a manner that makes sense. For better quality apartments and better quality service. We interpret our role as Germany's largest housing agency first and foremost from the customer's perspective: we want our customers to feel at home in our properties and to offer them affordable housing and reliable support, both today and in the future.

Let's now take a look at how things developed on the capital market: with a closing price of € 31.40 on March 31, 2015, our share price gained a considerable 11.7 % in the first quarter of 2015. Our market capitalisation increased during the same period from € 7.7 billion to € 11.1 billion. This marked increase is due not only to the positive share price performance, but also, and in particular, to the successful capital increase that we implemented as part of the merger with GAGFAH. The free float also rose considerably again and now comes in at 94 %. This positive development overall makes us one of the stock exchange heavyweights. This, coupled with the increased tradability of our shares, is making us increasingly attractive to institutional investors, whose generalist approach is to invest in companies with high market capitalisation as a matter of preference. This should provide a further boost to the demand for our shares.

The demand for our debt instruments remained high as well: at the end of March, we were able to place two bonds worth a total of € 1.0 billion in a period characterised by historically low interest rates. We are using these funds, together with the hybrid bond issued in December 2014, to settle the cash component of the voluntary offer to GAGFAH's shareholders. This means that the GAGFAH purchase price has been financed in full and in the long term.

With a debt-equity ratio of 56.3 % as of March 31, 2015, we are well on track to reducing the LTV to the medium-term target of below 50 %. The refinancing costs fell further from an average of 3.2 % in 2014 to 2.9 % in the first three months of 2015. Thanks to our flexible financing options and the fact that our credit rating awarded by the rating agency Standard & Poor's has been upgraded from BBB to BBB+, we are in an ideal position to further optimise our capital structure in the future, too.

Before we move on to the actual report, I would like to address one more fundamental issue. Since the resolution we passed together at the Annual General Meeting, one thing has been clear: the new identity of the merger company will now also be reflected in a new name – Vonovia. Vonovia is a created name without any original meaning. For us, it represents our shared vision of playing an active role in shaping the manifold facets of "new living" – and striking a balance between profitability, sustainability and social responsibility in the process.

With this in mind, we are looking forward to a successful 2015. Together with my colleagues on the Management Board, our management team and our employees, I am looking forward to turning the integration process, which will create Germany's biggest housing agency, into a reality over the coming weeks and months. I would like to thank you, our shareholders, for the trust you have placed in us and for your open dialogue. We are looking forward to continuing the shape our company's future successfully with your support.

Bochum, June 2015

Yours,

Rolf Buch
CEO

# Interim Group Management Report

# Fundamental Information about the Group

## Company and business model

### The company

The entry of a mixed cash and non-cash capital increase in the commercial register (Handelsregister) of Düsseldorf on March 6, 2015, signalled the completion of the voluntary public takeover offer made by Deutsche Annington Immobilien SE for all shares in GAGFAH S.A. on December 1, 2014, creating the second-largest listed property Group in continental Europe, with a residential portfolio of around 346,000 residential units spread across Germany worth a total of approximately € 21 billion and a workforce of around 5,700.

The resulting new Deutsche Annington Immobilien SE Group (hereinafter: DAIG) is to be renamed the Vonovia SE Group in the course of 2015. This move to rename the newly merged company will be underpinned by a jointly developed corporate mission statement.

The newly formed, larger company will offer people across Germany a dependable home that they can afford and will provide tenants with customer-focused service in all residential matters, service provided by a company that also takes responsibility for social and environmental issues. The newly formed company will continue to be a residential real estate manager with a long-term focus that also takes responsibility for urban development and social matters via its investment programmes. At the same time, the property portfolio is developed further in a targeted manner by way of acquisitions and disposals. This means that the company will continue to pursue a holistic approach for the housing industry with an integrated and scalable business model that aims to establish the company as the quality leader in the future, too.

A structured action plan will combine the strengths of the former Deutsche Annington Immobilien SE and the former GAGFAH S.A. to make them a major player on the residential real estate market. This integration of two strong and complementary market leaders will create potential in terms of both scale and strategy for the benefit of the tenants and owners of the newly formed Vonovia within the context of society as a whole. The aims of the merger include strengthening the regional presence of the two companies in Germany, realising operational and financial economies of scale, pursuing strategic potential by exploiting innovative products and services and optimising structures.

The flexibility and variability in financing achieved by the implementation of DAIG's financial strategy will allow the business to achieve organic growth and to be further developed in an innovative manner using acquisitions in the future as well.

Deutsche Annington Immobilien SE is incorporated and domiciled in Germany; its registered office is located in Düsseldorf. The head office (principal place of business) is located at Philippstrasse 3, Bochum.

The parent company, Deutsche Annington Immobilien SE, performs the function of the management holding company for the Group. In this function, it is responsible for determining and pursuing the overall strategy and implementing the company's goals and performs property management, financing, service and coordination tasks for the Group. Furthermore, it is responsible for the management, control and monitoring system as well as risk management. To carry out these management functions, DAIG has established service companies to pool certain functions, such as the central and local customer service units. By pooling the corporate functions, DAIG achieves harmonisation, standardisation and economies of scale objectives and therefore the other Group companies do not need to perform such functions themselves.

## Portfolio structure

We used the takeover of GAGFAH S.A. by Deutsche Annington SE as an opportunity to review the portfolio management strategy of the entire company.

At the time of the merger, the following housing stocks were transferred to the new overall portfolio as a result:

### GAGFAH housing stocks

| | Residential units | Residential space (in thou. m²) | Vacancy (in %) | In-place rent (p. a. € million) | In-place rent (€/m²/ month) |
|---|---|---|---|---|---|
| **GAGFAH** | **144,570** | **8,761** | **4.1** | **543.2** | **5.40** |

The outcome of this analysis will form the basis for a long-term portfolio optimisation strategy that will see us split our properties into three portfolio sections as a basic principle:

### Strategic

This portfolio will include locations with development potential that is well above-average in general, promoting us to pursue a **value-enhancing property management** strategy for these locations. The strategic portfolio includes the “Operate”, “Upgrade Buildings” and “Optimise Apartments” portfolio clusters:

#### Operate
We achieve **operational value generation** in this part of the portfolio through rental growth, vacancy reduction, effective and sustainable maintenance spend as well as cost efficiencies through scale. At the moment, all of the locations and properties in the acquired GAGFAH sub-portfolio that are of strategic importance to the new merged company have been assigned to the “Operate” cluster. Analyses of the modernisation potential within this cluster will be conducted and published as part of the internal company integration processes at a later date.

#### Upgrade Buildings
We use **value-enhancing investments** to achieve a significant improvement in value with an extensive investment programme. We also address one of today’s social megatrends, climate protection, and invest in energy-efficient modernisations.

#### Optimise Apartments
As part of the **value-creating investments,** we pick up on a further societal megatrend – demographic change. With our comprehensive investment programme, we create significant value improvement by modernising apartments for senior living as well as completing high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

### Non-strategic

The current portfolio review has also identified locations and sub-portfolios that Deutsche Annington does not necessarily require for its further strategic development, meaning that they have been summarised in the “Non-Strategic” portfolio. The “Non-Strategic” portfolio tends to contain locations and properties of average quality; the income contribution from property management is stable or even slightly increasing in some sub-markets to the extent possible.

The portfolio includes, on the one hand, locations with below-average development potential overall in terms of rent growth in the medium term and, on the other, locations in areas that can be described as peripheral compared with DAIG's overall portfolio, meaning that they do not represent strategic regions for purchases.

### Privatise and non-core

#### Privatise

Both DAIG and GAGFAH privatise apartments by offering them to tenants, owner-occupiers and investors. We generate further value through the sale (privatisation) of owner-occupier units and single-family houses at a significant premium compared with their fair value.

#### Non-Core

In order to optimise our portfolio, we pursue a strategy of selling buildings that only offer **limited development potential** in the medium to long term to private and institutional investors. Limited potential is defined, in particular, by below-average property condition combined with a location that is of similarly below-average quality. This means that these properties are not suitable for successful management using our standardised processes in the long run. At GAGFAH and DAIG, properties have been selected for the Non-Core portfolio based on similar criteria overall.

All in all, we will be sticking to our tried-and-tested approach of making all sale and purchase decisions based on an extensive proprietary analysis of the German market based on the returns that can be achieved and the future potential to increase value. In order to calculate the growth potential, we have developed a **proprietary scorecard** based on correlation analyses, as well as on external and internal company data, that we can use to arrive at a better forecast regarding the future development of the local markets than publicly accessible studies would allow. One main difference is that our analysis includes the knowledge of our local regional managers throughout Germany in addition to the expected regional demographic developments.

The overall portfolio was as follows as at March 31, 2015:

#### Deutsche Annington housing stocks

| Mar. 31, 2015 | Residential units | Residential space (in thou. m²) | Vacancy rate (in %) | In-place rent (p. a. € million) | In-place rent (€/m²/month) |
|---|---|---|---|---|---|
| **Strategic** | **274,638** | **17,004** | **2.5** | **1,127.2** | **5.67** |
| Operate* | 191,916 | 11,750 | 2.5 | 767.2 | 5.59 |
| Upgrade Buildings | 49,388 | 3,090 | 2.5 | 204.2 | 5.65 |
| Optimise Apartments | 33,334 | 2,164 | 2.3 | 155.8 | 6.15 |
| **Non-strategic** | **31,651** | **1,957** | **6.6** | **104.8** | **4.79** |
| **Privatise** | **21,749** | **1,486** | **4.5** | **95.0** | **5.57** |
| **Non-Core** | **17,591** | **1,086** | **11.4** | **50.7** | **4.45** |
| **Total** | **345,629** | **21,533** | **3.4** | **1,377.7** | **5.53** |

* incl. 123,110 apartments in the GAGFAH sub-portfolio which will be described in detail for Q4

## Regional distribution of the housing stocks by German state

| Mar. 31, 2015 | Residential units | Residential space (in thou. m²) | Vacancy (in %) | In-place rent (p. a. € million) | In-place rent (€/m²/month) |
|---|---|---|---|---|---|
| North Rhine-Westphalia | 124,947 | 7,888 | 3.8 | 480.0 | 5.28 |
| Saxony | 44,071 | 2,512 | 4.1 | 145.4 | 5.04 |
| Berlin | 28,641 | 1,792 | 1.4 | 118.9 | 5.61 |
| Lower Saxony | 27,034 | 1,721 | 5.1 | 104.6 | 5.34 |
| Hesse | 25,249 | 1,595 | 2.0 | 130.3 | 6.93 |
| Schleswig-Holstein | 24,335 | 1,453 | 3.4 | 88.6 | 5.29 |
| Bavaria | 20,188 | 1,317 | 1.8 | 95.4 | 6.15 |
| Baden-Württemberg | 14,891 | 949 | 3.1 | 67.9 | 6.17 |
| Bremen | 12,314 | 744 | 4.4 | 42.1 | 4.99 |
| Hamburg | 11,005 | 693 | 0.9 | 51.8 | 6.28 |
| Rhineland-Palatinate | 5,594 | 383 | 3.6 | 24.2 | 5.48 |
| Thuringia | 2,052 | 129 | 4.3 | 8.1 | 5.44 |
| Brandenburg | 2,043 | 137 | 6.2 | 9.0 | 5.79 |
| Mecklenburg-Western Pomerania | 1,673 | 112 | 8.9 | 6.3 | 5.20 |
| Saxony-Anhalt | 1,562 | 106 | 11.8 | 5.1 | 4.60 |
| Saarland | 30 | 2 | 10.0 | 0.1 | 4.76 |
| **Total** | **345,629** | **21,533** | **3.4** | **1,377.7** | **5.53** |

## Housing stocks 25 largest locations

| Mar. 31, 2015 | Residential units | Residential space (in thou. m²) | Vacancy (in %) | In-place rent (p. a. € million) | In-place rent (€/m²/month) |
|---|---|---|---|---|---|
| Dresden | 37,366 | 2,117 | 2.9 | 125.9 | 5.12 |
| Berlin | 28,641 | 1,792 | 1.4 | 118.9 | 5.61 |
| Dortmund | 20,256 | 1,249 | 2.7 | 72.1 | 4.95 |
| Essen | 12,300 | 762 | 5.0 | 46.0 | 5.31 |
| Frankfurt am Main | 11,801 | 724 | 1.1 | 64.2 | 7.46 |
| Kiel | 11,429 | 664 | 1.4 | 41.0 | 5.22 |
| Bremen | 11,105 | 677 | 4.3 | 38.8 | 5.05 |
| Hamburg | 11,005 | 693 | 0.9 | 51.8 | 6.28 |
| Gelsenkirchen | 8,516 | 522 | 6.9 | 27.4 | 4.71 |
| Bochum | 7,571 | 435 | 2.6 | 27.0 | 5.31 |
| Hanover | 7,250 | 464 | 2.6 | 32.0 | 5.90 |
| Cologne | 6,390 | 448 | 1.7 | 36.2 | 6.86 |

| Mar. 31, 2015 | Residential units | Residential space (in thou. m²) | Vacancy (in %) | In-place rent (p. a. € million) | In-place rent (€/m²/month) |
|---|---|---|---|---|---|
| Duisburg | 5,574 | 338 | 5.3 | 19.4 | 5.09 |
| Munich | 5,240 | 348 | 0.9 | 27.7 | 6.70 |
| Bonn | 5,221 | 367 | 2.1 | 27.0 | 6.28 |
| Herne | 5,033 | 305 | 4.3 | 17.1 | 4.87 |
| Bielefeld | 4,649 | 307 | 2.6 | 17.7 | 4.93 |
| Heidenheim an der Brenz | 3,958 | 241 | 5.8 | 16.0 | 5.88 |
| Osnabrück | 3,915 | 248 | 3.9 | 15.2 | 5.31 |
| Düsseldorf | 3,510 | 227 | 2.3 | 18.9 | 7.14 |
| Braunschweig | 3,325 | 205 | 0.5 | 13.2 | 5.39 |
| Gladbeck | 3,225 | 198 | 3.0 | 11.6 | 5.02 |
| Zwickau | 3,103 | 174 | 12.0 | 7.9 | 4.31 |
| Wiesbaden | 2,628 | 176 | 2.8 | 15.7 | 7.67 |
| Herten | 2,627 | 168 | 5.0 | 8.9 | 4.66 |
| **Subtotal of the 25 largest locations** | **225,638** | **13,849** | **2.9** | **897.6** | **5.57** |
| Other locations | 119,991 | 7,684 | 4.5 | 480.1 | 5.46 |
| **Total** | **345,629** | **21,533** | **3.4** | **1,377.7** | **5.53** |

## Management system

### Performance indicators

Our company policy focuses on sustainably increasing the value of the company. As it is customary in the industry, this is expressed in the net asset value (NAV); in determining NAV, we are guided by the best practice statements of EPRA (European Public Real Estate Association).

We strive to steadily grow our earnings through the value-enhancing management of our properties, through value-creating investments in these portfolios as well as through active portfolio management.

This focus on value is also reflected in our internal management system. For this purpose, we distinguish between the two segments, Rental and Sales. In the Rental segment, we pool all business activities for active management as well as investments in our residential real estate. The Sales segment covers all business activities relating to the sale of single units (Privatise) as well as the sale of entire buildings or plots of land (Non-Core sales). A Group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored.

### Financial and non-financial indicators

For a description of the financial and non-financial indicators of the management system, please refer to the statements in the combined management report for the financial year 2014, which remain valid. The management report is available on the Deutsche Annington website, www.deutsche-annington.com.

## Share and capital market

### Positive share price performance continued at the start of 2015

Shares in DAIG got off to a good start to the new year, boosted by the momentum of positive share price performance in 2014.

The closing price on March 31, 2015 was € 31.40, up by 11.7 % since the beginning of the year. This positive development is largely due to two factors: in addition to the encouraging results for 2014, some of which outstripped the company's own forecasts and which were announced on March 5, 2015, the monetary policy pursued by the European Central Bank helped the stock markets to get off to a good start to the year. The MDAX gained 22.1 % and the EPRA Europe 19.6 % in the first three months of 2015.

On the cut-off date of March 31, 2015, DAIG's market capitalisation came in at around € 11.1 billion, with a free float – based on Deutsche Börse's definition – of 84.5 %.

### Share information

On March 6, 2015, the new shares were created for the takeover of GAGFAH S.A. as part of a combined cash and exchange offer made as part of the consideration towards to the GAGFAH shareholders, who had decided, during either the offer phase or the extended offer phase, to accept Deutsche Annington's offer and tender their GAGFAH shares. All in all, 93.8 % of the shares in GAGFAH S.A. were tendered. 88.8 % of these were purchased by DAIG and 5 % by the co-investor J.P. Morgan Securities plc, London, creating a non-controlling interest of 11.2 % in respect of GAGFAH S.A. in the consolidated financial statements of DAIG.

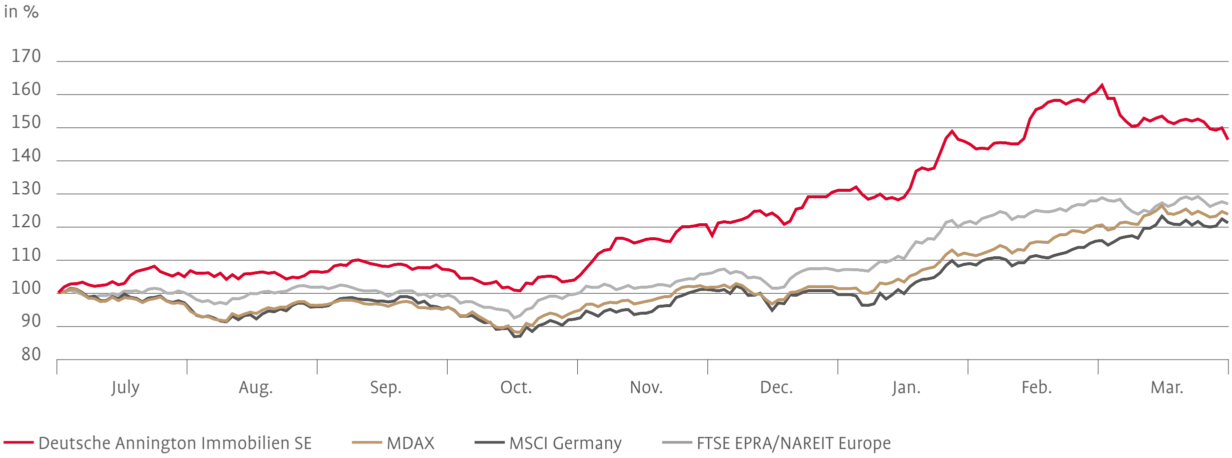
As part of the GAGFAH transaction, the share capital of DAIG rose by € 82,483,803 to total € 354,106,228, split into 354,106,228 registered shares.

### Share information

| | |
|---|---|
| First day of trading | July 11, 2013 |
| Subscription price | € 16.50 |
| Total number of shares | 354.1 million |
| Share capital in € | € 354,106,228 |
| ISIN | DE000A1ML7J1 |
| WKN | A1ML7J |
| Symbol | ANN |
| Common code | 94567408 |
| Class | Registered shares with no-par value |
| Stock exchange | Frankfurt Stock Exchange |
| Market segment | Regulated market |

The new shares are fully entitled to a dividend with effect from January 1, 2014. Following the consent of the Annual General Meeting and based on the proposal for the appropriation of profit in the amount of € 0.78 per share for 2014, a further dividend volume of € 64.3 million will be attributable to the newly created shares, resulting in a distribution ratio well in excess of 90 % of the FFO 1, which is higher than the guidance of distributing around 70 % of the FFO 1 as a dividend.

### Development of the share price from July 1, 2014 to March 31, 2015*



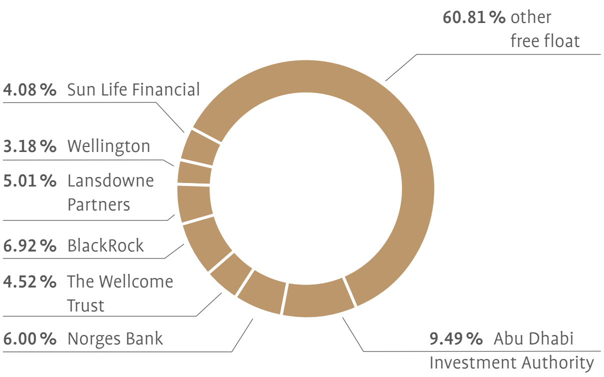

* DAIG vs MSCI Germany, EPRA Europe and MDax July 1, 2014 – Mar. 31, 2015

### Free float increased further

Since the two shareholders Abu Dhabi Investment Authority and Norges Bank, which are not recognised by Deutsche Börse as counting towards the free float, did not hold any interests in GAGFAH, or held interests in a scope that does not give rise to any new notification regarding voting rights in respect of the combined company, their share was diluted by the capital increase as part of the GAGFAH takeover. As a result, the free float rose from 80.3 % at the end of December 2014 to 84.5 % on the cut-off date.

In detail, the shareholder structure of Deutsche Annington Immobilien SE as at March 31, 2015 is as follows:

## Shareholder structure




### Investor relations activities

At the beginning of the year, the Management Board participated in the scheduled conferences in Frankfurt, London and New York.

After the results for the 2014 financial year were announced, the Management Board attended a roadshow in London, as well as various specialist conferences across Europe.

As was to be expected, the interest shown by investors and analysts was considerable. The announcement made during the presentation that we were as yet unable to make any statements on the Group, however, prompted us to step up our investor relations activities in respect of the publication of the Q1 result, including the outlook for 2015 for the combined Group and focus them on June 1, 2015.

Within this context, we are not only planning a large-scale roadshow in the first half of June, which will encompass Europe and the US, but are also planning to schedule our annual Capital Market Day directly thereafter. This will give us an opportunity to address operational matters relating to Deutsche Annington, as well as the ratio for the takeover of GAGFAH and the joint outlook, and to discuss these issues with the analysts and investors present.

We remain committed to providing the capital market with comprehensive information on a regular basis. In addition to a number of property and operations tours, for example, a large number of teleconferences were held to give investors and analysts key details on the figures for 2014. The presentation on the annual figures made by the Management Board can be listened to and viewed in a webcast on the IR website of DAIG at any time after the publication date.

Not least thanks to the positive development in the company's shares and the successful takeover of GAGFAH, we are witnessing a further increase in the interest shown in DAIG by international investors and German-speaking private investors in particular.

### Further capital market activities

In order to fund the bridge facility to settle the cash component for the combined cash and exchange offer made to the GAGFAH shareholders, two further bonds with a volume of € 500 million each were issued as part of our EMTN programme on March 30, 2015. The first bond has a term of five years and an annual yield of 0.875 %, while the second has a maturity of ten years and will provide an annual yield of 1.50 %. As usual, the bond was placed via the Dutch subsidiary DA Finance B.V. with a guarantee provided by Deutsche Annington Immobilien SE.

## Corporate Governance

Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for DAIG embracing all areas of the business. Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law. Our corporate culture is also governed by a fixed system of values and a deep understanding of the company's mission. Further details on the Corporate Governance Code can be found in the Investor Relations section of the website at www.investoren.deutsche-annington.com.

# Report on Economic Position

## Development of the economy and the industry

### German economy overcomes weak phase

According to information supplied by the Kiel Institute for the World Economy (IfW), the German economy started 2015 with a great deal of momentum. According to the IfW, GDP is expected to increase by 1.8 % in 2015. For 2016, experts forecast growth of 2.0 %. Purchasing power is on the rise thanks to lower crude oil prices, higher state transfer benefits and due to a robust job market and is also providing considerable stimulus to private consumption at the moment. In the industrial sector, normal capacity utilisation levels have already been slightly exceeded, with the incoming orders trend on the up. Business expectations are improving. Geopolitical risks are putting less pressure on the foreign trade environment than they were six months ago and the eurozone – with the exception of Greece – is showing clear signs of recovery. The monetary policy pursued by the European Central Bank (ECB) is extremely expansive, also as a result of the government bond purchase programme that was launched in March.

The situation on the employment market continued to improve: Based on data from the German Federal Statistics Office, the number of people in work rose by 43,000 in January 2015 in seasonally adjusted terms, increasing by 28,000 in February after an increase of 25,000 in December 2014. According to the German Federal Employment Agency, unemployment stood at 6.8 % in March 2015, 0.3 percentage points lower than in the previous year.

Consumer price development has slowed considerably in recent months. In January, the rate of inflation based on the consumer price index came in at -0.4 %. The inflation rate in February 2015 was 0.1 %. The considerable drop in the price of oil products in a year-on-year comparison continued to have a dampening effect in February.

### Housing market

#### Further increase in residential real estate prices and rents

During the first two months of the new year, quoted rents continued to increase at a moderate rate of 0.3 percentage points nationwide in both January and February. This is based on a report by the property portal ImmobilienScout24 after evaluation of the IMX property index. Although the regional impact of the rent ceilings remains to be seen, this trend is likely to continue at nationwide level.

According to ImmobilienScout24, the prices quoted for owner-occupier apartments also continued to increase nationwide at the beginning of the year. The prices for new-build apartments showed a more pronounced increase in January than in the previous months, when they rose by 1.3 percentage points, and continued to rise by 0.5 percentage points in February. January also saw a marked month-on-month increase in the prices for existing owner-occupier apartments of 1.6 percentage points, with these prices rising by 1 percentage point in February. ImmobilienScout24 believes that this reflects a seasonal effect relating to the start of the year that will weaken in the longer term.

#### Investment market for German residential portfolios gets off to a brisk start to the year

According to CBRE experts, residential packages and residential estates accounting for a total volume of around € 10.6 billion were traded in the first quarter of 2015. This strong start to the year points towards the prospect of a new record result in German residential real estate trading this year, which could even outstrip the result witnessed during the last boom in 2005. Transactions were dominated by the large-scale merger of Deutsche Annington and GAGFAH. Even excluding this transaction, however, the volume in the first quarter of 2015 was higher than the average quarterly result for the last four years. The demand for residential portfolios remains high and is not satisfied by the current supply on the market.

### Tenancy Amendment Act passed in the Bundestag and Bundesrat

At the start of March 2015, the Bundestag passed the draft bill for the Tenancy Amendment Act (Mietrechtsnovellierungsgesetz) presented by Federal Minister of Justice Heiko Maas (SPD). Among other things, the Act envisages capping rents at a level that must not exceed 10 % of the standard local comparative rent in housing markets that are evidently tense when apartments are relet. The Act includes a time limit and has excluded new buildings and first-time lets after extensive modernisation from the provisions. The Act was also approved by the Bundesrat (German upper house) at the end of March 2015. The provisions are expected to come into force in June 2015. The real estate industry has criticised a number of aspects of the legislation, including the use of the "standard local comparative rent" as a point of reference for rent increases as part of the rent ceilings. The real estate industry associations agree that the Act does not make any contribution towards creating the required number of new and affordable residential properties.

## Economic development of the group

### Business development in the first quarter of 2015

The business development of the DAIG in the first quarter of 2015 was extremely successful on the whole. With effect from March 6, 2015, we also acquired the majority of the shares, namely 88.8 %, in the GAGFAH Group by way of a corresponding entry in the Düsseldorf Commercial Register, which marks a major step in the expansion of our property portfolio.

As of this point in time, GAGFAH S.A. and its subsidiaries were included in the consolidated financial statements of Deutsche Annington Immobilien SE. This acquisition resulted in a significant change in assets, equity and liabilities. It also pushed the number of employees up to around 5,700. The amount of investment properties rose by € 7.9 billion as a result of the acquisition. The inclusion of GAGFAH S.A. increased the non-derivative financial liabilities by € 4.8 billion.

The portfolios of DeWAG and Vitus, which were acquired in the 2014 financial year, have been fully incorporated into DAIG's portfolio and processes and have also made a positive contribution to the first quarter.

### Overall development of business

All in all, the operating KPIs of the DAIG developed very positively in the first quarter of 2015. Thanks to the acquisitions made in the 2014 financial year and the purchase of a majority of the shares in the GAGFAH Group, we were able to expand our portfolio considerably to around 345,600 apartments at the end of the first quarter of 2015. The key performance indicators for the first quarter of 2015 include the quarterly values for the first quarter of 2015 for DeWAG and Vitus, and the monthly values for March 2015 for the GAGFAH Group. These are compared with DAIG's business figures for the first quarter of 2014, excluding these acquisitions.

A stock of 144,570 residential units, 1,724 commercial properties and 31,368 garages and parking spaces was added to the DAIG portfolio in the first quarter of 2015.

In the first quarter of 2015, income from property management was in line with our expectations and came in at a total of € 386.8 million (1st quarter 2014: € 265.2 million). Income from the sale of properties stood at € 123.0 million (1st quarter 2014: € 60.2 million). The GAGFAH portfolio contributed € 69.1 million towards income from property management and € 45.4 million towards income from the sale of properties in the first quarter of 2015. The DeWAG portfolio contributed € 20.9 million towards income from property management and € 3.3 million towards income from the sale of properties in the first quarter of 2015. The Vitus portfolio contributed € 28.8 million towards income from property management and € 16.1 million towards income from the sale of properties in the first quarter of 2015.

Our key performance indicators also improved in line with expectations. All in all, FFO 1 came in at € 115.7 million in the first quarter of 2015, up by 86.9 % in the first quarter of 2014. EBITDA IFRS amounted to € 153.2 million in the first quarter of 2015 and was therefore 57.3 % above the figure from the first quarter of 2014. Adjusted EBITDA increased by 61.8 % from € 118.7 million in the first quarter of 2014 to € 192.0 million in the first quarter of 2015. Our EPRA NAV rose by 52.6 % from € 6,578.0 million at the end of 2014 to € 10,040.3 million at the end of the first quarter of 2015.

## Results of operations

The following primary KPIs show the development of the results of operations at the DAIG. These KPIs have been influenced by the first-time inclusion of the GAGFAH Group with the earnings contribution for the month of March 2015, as well as by the earnings contribution made by the DeWAG/Vitus portfolios in the first quarter of 2015. These figures for 2015 are compared with DAIG's business figures for the first quarter of 2014, excluding these acquisitions.

### Key performance indicators of Deutsche Annington

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Income from property management | 386.8 | 265.2 |
| thereof rental income | 263.6 | 180.5 |
| Adjusted EBITDA Rental | 182.5 | 109.5 |
| Income from sale of properties | 123.0 | 60.2 |
| Adjusted EBITDA Sales | 9.5 | 9.2 |
| EBITDA IFRS | 153.2 | 97.4 |
| Adjusted EBITDA | 192.0 | 118.7 |
| FFO 1 | 115.7 | 61.9 |
| FFO 2 (incl. profit from property sales) | 125.2 | 71.1 |
| AFFO | 97.4 | 56.6 |
| Number of employees (as at March 31) | 5,737 | 3,073 |
| Number of units purchased | 144,602 | – |
| Number of units sold | 2,489 | 926 |
| thereof Privatise | 553 | 548 |
| thereof Non-Core | 1,936 | 378 |
| Vacancy rate in % | 3.4 | 3.7 |
| Monthly in-place rent (€/m²) | 5.53 | 5.44 |
| Number of residential units in portfolio | 345,629 | 174,327 |

### Property Management

In the first quarter of 2015, we further improved our earnings power in our core Property Management business. Particularly as a result of our successful portfolio expansion, we were able to boost our **adjusted EBITDA Rental** considerably, namely by 66.7 % from € 109.5 million in the first quarter of 2014 to € 182.5 million in the first quarter of 2015. The business figures for 2015 include the acquisitions of GAGFAH, DeWAG and Vitus. These are compared with the business figures of DAIG in 2014, excluding these acquisitions.

### Adjusted EBITDA Rental

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Rental income | 263.6 | 180.5 |
| Maintenance expenses | -43.8 | -34.0 |
| Property management costs | -37.3 | -37.0 |
| **Adjusted EBITDA Rental** | **182.5** | **109.5** |

**Rental income** rose by 46.0 % from € 180.5 million in the first quarter of 2014 to € 263.6 million in the first quarter of 2015. The GAGFAH portfolio contributed € 47.7 million, the DeWAG portfolio € 15.3 million and the Vitus portfolio € 18.7 million to this amount. The monthly in-place rent per square metre rose from € 5.44 at the end of the first quarter of 2014 to € 5.53 at the end of the first quarter of 2015. This allowed a total increase of 1.7 % to be achieved, although this value is influenced by the rents associated with the sales and acquisitions. The monthly in-place rent per square metre came in at € 5.60 at the end of the first quarter of 2015 on a like-for-like basis, up by 2.6 % compared with the end of the first quarter of 2014. At the end of the first quarter of 2015, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.40/m², the DeWAG portfolio at a monthly in-place rent of € 6.86/m² and the Vitus portfolio at a monthly in-place rent of € 5.06/m². The development in vacancy also had a positive impact on rental income. The vacancy rate dropped from 3.7 % at the end of the first quarter of 2014 to 3.4 % at the end of the first quarter of 2015. The EPRA vacancy rate came in at 3.2 % at the end of the first quarter of 2015 compared with 3.4 % at the end of the first quarter of 2014.

Leaving the addition of the GAGFAH, DeWAG and Vitus portfolios out of the equation, rental income rose slightly from € 180.5 million in the first quarter of 2014 to € 181.9 million in the first quarter of 2015.

The **maintenance expenses** came in at € 43.8 million in the first quarter of 2015, with € 6.2 million attributable to the GAGFAH portfolio, € 2.2 million to the DeWAG portfolio and € 3.1 million to the Vitus portfolio. The spend on the real-estate portfolio excluding the acquired portfolios came in at € 32.3 million, down slightly on the previous year in a manner that was proportionate to the smaller size of the portfolio due to disposals. We increased our value-enhancing modernisation programme considerably in the first quarter of 2015 by more than 98.9 % from a volume of € 17.7 million in the first quarter of 2014 to € 35.2 million. This means that, including capitalised maintenance of € 18.5 million, we invested a total volume of € 97.5 million (1st quarter 2014: € 57.3 million) in modernisation and maintenance work on our properties in the first quarter of 2015.

### Maintenance and modernisation

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Maintenance expenses | 43.8 | 34.0 |
| Capitalised maintenance | 18.5 | 5.6 |
| Modernisation measures | 35.2 | 17.7 |
| **Total cost of modernisation and maintenance work*** | **97.5** | **57.3** |
| thereof sales of own craftsmen's organisation | 67.7 | 37.4 |
| thereof bought-in services | 29.8 | 19.9 |

* incl. intra-Group profits for Q1 2015: € 3.8 million (thereof € 0.2 million in capitalised maintenance); Q1 2014: € 4.4 million (thereof € 0.3 million in capitalised maintenance)

Related to square metres of living area, this is an increase in the modernisation and maintenance expenses of 10 % from € 5.14 in the first quarter of 2014 to € 5.67 in the first quarter of 2015. This is largely due to the increase in the modernisation volume.

**Property management costs** cover all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, we also include other income from property management which is offset by costs such as income from condominium administration for other owners or public-sector rent subsidies. In the first quarter of 2015, property management costs were only up slightly, namely by € 0.3 million, on the value for the first quarter of 2014 to € 37.3 million despite the larger portfolio due to the acquisition.

## Sales

The Sales segment covers all business activities relating to the sale of single residential units (Privatise) and the sale of entire buildings or land.

Sales in the Privatise portfolio segment in the first quarter of 2015 were as follows:

### Sales in the privatise portfolio

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Number of units sold | 553 | 548 |
| Income from sale of properties | 51.4 | 49.5 |
| Fair value of properties sold* | -37.6 | -37.8 |
| **Adjusted profit/loss from sale of properties** | **13.8** | **11.7** |
| Fair value step-up in % | 36.7 | 31.0 |

* The fair values of properties sold including fair value effects from assets held for sale

As expected, the number of units sold (553) in the first quarter of 2015 was slightly above the figure from the previous year. Sales proceeds increased from € 49.5 million in the first quarter of 2014 to € 51.4 million in the first quarter of 2015. The fair value step-up also rose once again and increased substantially from 31.0 % in the first quarter of 2014 to 36.7 % in the first quarter of 2015. In 2015, 77 units from the GAGFAH portfolio and 14 from the DeWAG portfolio were privatised. No units from the Vitus portfolio were privatised in the first quarter of 2015.

### Sales in the Non-Core portfolio

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Number of units sold | 1,936 | 378 |
| Income from sale of properties | 71.6 | 10.7 |
| Fair value of properties sold* | -71.0 | -9.8 |
| **Adjusted profit/loss from sale of properties** | **0.6** | **0.9** |
| Fair value step-up in % | 0.8 | 9.2 |

* The fair values of properties sold including fair value effects from assets held for sale

We continued with our strategy of selling properties where opportunities present themselves, meaning that we disposed of properties that do not fit with our strategy in the medium to long-term (Non-Core). At 1,936 residential units, these sales were well above the value for the first quarter of 2014 in the first quarter of 2015, as was to be expected. In the first quarter of 2015, 1,067 non-core units were sold from the GAGFAH portfolio, none were sold from the DeWAG portfolio and 427 were sold from the Vitus portfolio.

All in all, the Sales segment developed as follows in the first quarter:

### Adjusted EBITDA sales

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Income from sale of properties | 123.0 | 60.2 |
| Carrying amount of properties sold | -115.8 | -54.2 |
| Revaluation from disposal of assets held for sale | 7.3 | 6.1 |
| **Profit/loss from sale of properties (IFRS)** | **14.5** | **12.1** |
| Revaluation (realised) of assets held for sale | -7.3 | -6.1 |
| Revaluation from disposal of assets held for sale | 7.2 | 6.6 |
| **Adjusted profit/loss from sale of properties** | **14.4** | **12.6** |
| Selling costs | -4.9 | -3.4 |
| **Adjusted EBITDA sales** | **9.5** | **9.2** |

The adjusted profit on the disposal of properties rose by 14.3 % from € 12.6 million in the first quarter of 2014 to € 14.4 million in the first quarter of 2015. Higher sales margins in the Privatise portfolio were a particular contributing factor to this trend. In the Sales segment, we make adjustments for effects not relating to the period from assets held for sale. This adjustment is made to show the effect of property sales on the result only in the period in which the sale takes place. The total adjustment in the first quarter of 2015 was € -0.1 million, compared with € 0.5 million in the first quarter of 2014.

In the first quarter of 2015, selling costs came in at € 4.9 million 45.0 %, up slightly on the value for the first quarter of 2014 (€ 3.4 million). This is largely due to an increase in the number of sales on the whole. The adjusted EBITDA Sales rose by 2.9 % from € 9.2 million in the first quarter of 2014 to € 9.5 million in the first quarter of 2015.

## Non-recurring items

To show the development of operating performance and to ensure comparability with previous periods, we calculate adjusted EBITDA for both the Rental and the Sales segments, as mentioned above. The sum of these two KPIs is the adjusted EBITDA of the Group. The adjustments made include specific factors which do not relate to the period, are non-recurring or do not relate to the objective of the company. The non-recurring items include the development of new business areas and business processes, acquisition projects, expenses for refinancing and equity increases (where not treated as capital procurement costs) as well as expenses for pre-retirement part-time work arrangements and severance payments.

The following table gives a detailed list of the non-recurring items for the first quarter:

### Non-recurring items

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Business model optimisation/ Development of new fields of business | 1.7 | 0.5 |
| Acquisition costs | 35.2 | 18.6 |
| Refinancing and equity measures | 0.2 | 0.2 |
| Severance payments/ Pre-retirement, part-time work arrangements | 1.8 | 1.5 |
| **Total non-recurring items** | **38.9** | **20.8** |

In the first quarter of 2015, the non-recurring items were largely determined by € 35.2 million in acquisition costs in connection with the takeover of GAGFAH.

In the first quarter of 2015, the adjusted EBITDA rose all in all to € 192.0 million, up by 61.8 % on the figure for the first quarter of 2014 (€ 118.7 million). Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, **EBITDA IFRS** came in at € 153.2 million in the first quarter of 2015, 57.3 % above the comparable figure for the previous year.

## FFO

In the first quarter of 2015, we were able to increase our primary key performance indicator for the sustained operating performance of our core business by € 53.8 million or 86.9 % as against the first quarter of 2014 to € 115.7 million, largely due to our acquisitions of GAGFAH, DeWAG and Vitus.

The table shows the reconciliation of key financial performance indicators. In general, it is important to bear in mind that the business figures for the first quarter of 2014 do not include the acquisitions referred to above:

### Funds From Operations (FFO)

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| **Net income or loss for the period** | **30.3** | **38.3** |
| Financial result | 98.1 | 58.4 |
| Income taxes | 22.8 | 18.9 |
| Depreciation and amortisation | 2.0 | 1.6 |
| Net income from fair value adjustments of investment properties | – | -19.8 |
| **= EBITDA IFRS** | **153.2** | **97.4** |
| Non-recurring items | 38.9 | 20.8 |
| Effects from assets held for sale | -0.1 | 0.5 |
| **= Adjusted EBITDA** | **192.0** | **118.7** |
| Adjusted EBITDA Sales | 9.5 | 9.2 |
| **= Adjusted EBITDA Rental** | **182.5** | **109.5** |
| FFO interest expense | -63.2 | -44.7 |
| Current income tax | -3.6 | -2.9 |
| **= FFO 1** | **115.7** | **61.9** |
| Capitalised maintenance | -18.3 | -5.3 |
| **= AFFO** | **97.4** | **56.6** |
| **FFO 2 (FFO 1 incl. profit from property sales)** | **125.2** | **71.1** |
| FFO 1 per share in €* | 0.33 | 0.26 |
| AFFO per share in €* | 0.28 | 0.24 |

* Based on the shares qualifying for a dividend on the reporting date of Mar. 31, 2015: 354,106,228; Mar. 31, 2014: 240,242,425

At € -98.1 million, the financial result in the first quarter of 2015 was down considerably on the value for the first quarter of 2014 (€ -58.4 million). This was largely due to the financing costs for our acquisitions. At € -63.2 million, the operating FFO-related interest result in the first quarter of 2015 was down by 41.4 % on the value for the first quarter of 2014 due to the acquisitions.

### Reconciliation of net interest result to net cash interest

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Income from other long-term loans | 0.5 | 0.5 |
| Interest income | 0.2 | 0.9 |
| Interest expenses | -98.8 | -59.8 |
| **Financial result*** | **-98.1** | **-58.4** |
| Adjustments: | | |
| Transaction costs | 47.3 | 0.7 |
| Prepayment penalty and commitment interest | 0.3 | 5.4 |
| Effects from the valuation of non-derivative financial instruments | -4.2 | 7.7 |
| Derivatives | -13.9 | -5.5 |
| Interest accretion to provisions | 2.6 | 2.7 |
| Accrued interest | 40.1 | 9.8 |
| Other effects | 2.8 | 2.7 |
| **Interest payment balance** | **-23.1** | **-34.9** |
| Accrued interest adjustment | -40.1 | -9.8 |
| **FFO interest expense** | **-63.2** | **-44.7** |

* Excluding income from other investments

## Profit for the period

In the first quarter of 2015, the profit for the period came in at € 30.3 million, down considerably on the figure for the first quarter of 2014 (€ 38.3 million). The profit for the first quarter of 2014 was largely influenced by net income from fair value adjustments to investment properties in the amount of € 19.8 million (1st quarter 2015: € 0.0 million).

# Assets position

## Asset and capital structure

### Group balance sheet structure

| | Mar. 31, 2015 | | Dec. 31, 2014 | |
|---|---|---|---|---|
| | in € million | in % | in € million | in % |
| Non-current assets | 23,554.3 | 95.6 | 12,980.0 | 87.9 |
| Current assets | 1,080.4 | 4.4 | 1,779.2 | 12.1 |
| **Assets** | **24,634.7** | **100.0** | **14,759.2** | **100.0** |
| Equity | 8,878.5 | 36.0 | 5,962.2 | 40.4 |
| Non-current liabilities | 14,771.1 | 60.0 | 8,292.9 | 56.2 |
| Current liabilities | 985.1 | 4.0 | 504.1 | 3.4 |
| **Equity and liabilities** | **24,634.7** | **100.0** | **14,759.2** | **100.0** |

The **equity** of DAIG increased by € 2,916.3 million in the course of the first quarter from € 5,962.2 million to € 8,878.5 million. The main driver behind this increase was the mixed cash and non-cash capital increase in the amount of € 2,567.7 million within the framework of the takeover of the GAGFAH Group. Within this context, the non-controlling interests also increased by a total of € 259.5 million. The profit for the first quarter of 2015 contributed € 30.3 million to the increase, whereas on the other hand the changes from hedge accounting in the amount of € 10.4 million and from the reporting of actuarial losses on pension provisions amounting to € 19.9 million influenced the equity. For further information relating to developments in equity, we refer to the information provided in note [29] “Equity” in the notes to the consolidated financial statements.

The **equity ratio** on the balance sheet date of March 31, 2015 came in at 36.0 % compared to 40.4 % on December 31, 2014. The reduction in the equity ratio is associated with the first-time inclusion of the GAGFAH Group.

The Group’s **non-current assets** total € 20,635.9 million (December 31, 2014: € 12,687.2 million) and mainly include investment properties. The total value of the real estate assets including properties used by the Group and assets held for sale came in at € 20,764.4 million (Dec. 31, 2014: € 12,757.1 million) (GAV or Gross Asset Value). Due to the inclusion of the GAGFAH portfolio, the investment properties increased by € 7,945.2 million compared with December 31, 2014. Due to the splitting of the purchase price for the acquisitions, non-current assets contain provisional goodwill totalling € 2,309 million, with € 106.0 million attributable to the acquisitions of DeWAG and Vitus and € 2,203.4 million to the provisional purchase price allocation for the GAGFAH Group.

The values of our real estate portfolio are a main factor influencing the assessment of our asset position and therefore the development of our important performance indicator, net asset value (NAV).

As at March 31, 2015, **non-current liabilities** largely include non-derivative financial liabilities totalling € 12,310.4 million and deferred tax liabilities of € 1,499.5 million. The increase in non-derivative liabilities is due to the first-time inclusion of the GAGFAH Group; on the one hand due to the financing of the purchase price obligation and on the other due to the inclusion of GAGFAH financial liabilities in the DAIG Group. The non-current provisions include pension obligations of € 551.6 million, residual pollution provisions of € 23.5 million and non-current provisions for personnel expenses under pre-retirement part-time work arrangements totalling € 17.0 million.

In addition to other provisions, **current liabilities** largely include current payment obligations for debt repayments and interest on loans of € 287.3 million.

## Fair values

Calculating and showing the fair values for our housing stocks provides a control parameter inside the company and also helps to make the development of the value of our assets transparent to people outside the company. The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value.

The fair values of DAIG are reviewed every quarter and updated to reflect the current market situation where this is necessary based on the extent of the change in value. The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses. Otherwise, there are no major changes in the first quarter of 2015 compared with December 31, 2014.

The fair values of the portfolio of the GAGFAH Group, which has been included for the first time, were stated in the interim consolidated financial statements for the first quarter of 2015 at the quantitatively amortised values as at December 31, 2014 as part of the provisional purchase price allocation and definitively as at March 31, 2015, as it was not yet possible to arrive at a portfolio segmentation and valuation of the overall portfolio based on DAIG's methods. We will mend this in the course of the financial year and adjust the amounts stated in the balance sheet.

The fair value of the real estate portfolio of the DAIG of residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was approx. € 20,748.6 million as at March 31, 2015. Of this, the GAGFAH portfolio accounted for a fair value of € 7,986.8 million.

Further details on the recognition and valuation of investment properties are given in the Notes to the consolidated financial statements. Please also refer to the combined management report for the 2014 financial year. The management report is available on DAIG's website at www.deutsche-annington.com.

## EPRA key financial indicators

The European Public Real Estate Association (EPRA) has developed a number of key financial indicators (EPRA Performance Measures) designed to make the financial information published by real estate companies more transparent, relevant and easier to compare. As part of its "Best Practice Recommendations", EPRA recommends that European listed real estate companies include these performance measures in their financial reporting. Based on this recommendation, Deutsche Annington made the decision that EPRA NAV and the EPRA vacancy rate are suitable parameters for reflecting the development of its business activities and publishes these key figures accordingly. Further information on the presentation of NAV can be found in the section on net assets.

### Vacancy rate

The **EPRA vacancy rate** shows the rental income on vacant properties that would be expected based on market rent values in relation to the rental income on the residential property portfolio, based on market rent values. The key performance indicators for the first quarter of 2015 are as follows:

| in € million | Mar. 31, 2015 | Mar. 31, 2014 |
|---|---|---|
| Market rent for vacant apartments | 49.2 | 26.5 |
| Market rent for the residential real estate portfolio | 1,522.0 | 790.5 |
| EPRA vacancy rate in % | 3.2 | 3.4 |

### Net asset value

In this presentation of NAV in 2014, DAIG has moved closer into line with the approach taken by major market players and has focused more on the EPRA Best Practice Guidelines when it comes to the treatment of deferred taxes. During the period under review, the net asset value (NAV), in accordance with EPRA standards, increased in line with equity as a result of capital measures, namely by € 3,462.3 million from € 6,578.0 million to € 10,040.3 million or by 52.6 %.

### Net asset value (NAV) based on application of IAS 40

| in € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| **Equity attributable to DAIG shareholders** | **7,581.8** | **4,932.6** |
| Deferred taxes on investment properties/properties held for sale | 2,322.0 | 1,581.0 |
| Fair value of derivative financial instruments* | 185.8 | 88.1 |
| Deferred taxes on derivative financial instruments | -49.3 | -23.7 |
| **EPRA NAV** | **10,040.3** | **6,578.0** |
| Goodwill | -2,309.4 | -106.0 |
| **Adjusted NAV** | **7,730.9** | **6,472.0** |
| **EPRA NAV per share in €**** | **28.35** | **24.22** |

* Adjusted for effects from cross currency swaps
** Based on the number of shares on the reporting date Mar. 31, 2015: 354,106,228; Dec. 31, 2014: 271,622,425

## Financing position

### Cash flow

The following table shows the Group cash flow:

#### Statement of cash flow

| in € million | 3M 2015 | 3M 2014 |
|---|---|---|
| Cash flow from operating activities | 155.2 | 76.4 |
| Cash flow from investing activities | -2,002.2 | 79.9 |
| Cash flow from financing activities | 1,003.3 | 143.4 |
| **Net increase in cash and cash equivalents** | **-843.7** | **299.7** |
| Cash and cash equivalents at beginning of the period | 1,564.8 | 547.8 |
| **Cash and cash equivalents at the end of the period** | **721.1** | **847.5** |

The increase in cash flow from **operating activities** compared with the previous year is the result of a higher cash surplus from the operating business. The acquired DeWAG, Vitus and GAGFAH portfolios have made a marked positive contribution to this increase since the time of their integration.

The cash flow from **investing activities** is characterised by the acquisition of the GAGFAH Group and the payouts for the acquisition of the Franconia Portfolio. The cash flow from investing activities was also influenced by payouts for modernisation measures and proceeds from sales.

The cash flow from **financing activities** in the first quarter of 2015 is characterised by the equity and debt capital financing measures in connection with the takeover of the GAGFAH Group. The equity financing amounted to € 114.5 million. The debt capital financing measures amounted to € 1,000 million resulting from the draw-down from the EMTN tap issue. Transaction costs associated with the equity and debt capital financing measures resulted in payouts in the amount of € 64.1 million. The interest payments made in the first quarter were down by € 12.5 million on the prior-year value.

### Financing

Responsibility for financing the Group as a whole and the Group companies individually lies with DAIG. The latter raises the funds required, in line with the financing strategy, in a flexible manner on the international equity and debt capital markets. Within this context, DAIG mainly makes use of its Dutch subsidiary DA Finance B.V.

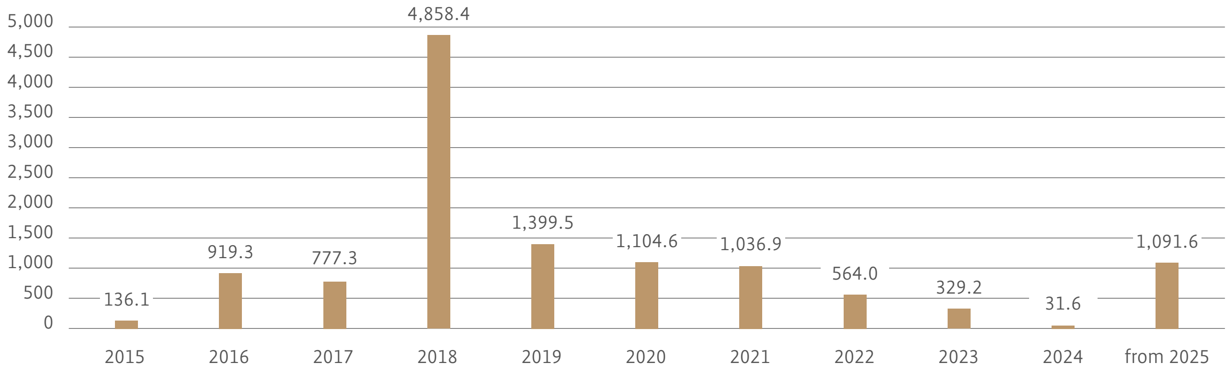
The IPO in 2013, together with the investment grade rating granted by Standard & Poor's Rating Service, DAIG now enjoys access to the equity and debt capital markets at all times, allowing it to ensure balanced and flexible financing with a balanced maturity profile in line with its financing strategy.

The rating agency Standard & Poor's upgraded the rating of the DAIG with the publication dated March 10, 2015. This means that the long-term corporate credit rating has increased from BBB to BBB+ with a stable outlook. The short-term credit rating of A-2 was confirmed. At the same time, the rating for the issued and unsecured bonds was lifted from BBB to BBB+. The rating for the subordinated hybrid bonds was also lifted from BB+ to BBB-, confirming the provisional BBB- rating from December 1, 2014.

The maturity profile of DAIG's financing was as follows as at March 31, 2015:

## Maturity profile

on Mar. 31, 2015 in € million




For more detailed information on financing, please refer to the relevant explanations in the Notes under "Non-Derivative Financial Liabilities". The amount of financing due in 2018 is largely due to the financing arrangements of the GAGFAH Group, which has been included for the first time. These financing arrangements are dominated by three CMBS loans. These provide for detailed arrangements for extending or shortening maturities.

In connection with the issue of unsecured bonds by DA Finance B.V., DAIG has undertaken to comply with the following standard market covenants:

> limitations on incurrence of financial indebtedness,
> maintenance of consolidated coverage ratio,
> maintenance of total unencumbered assets.

The existing structured and secured financing arrangements also require adherence to certain standard market covenants. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

As at the reporting date, our standard industry LTV (loan to value) was as follows:

| in € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Non-derivative financial liabilities | 12,597.7 | 6,664.8 |
| Foreign currency effects [1] | -191.9 | -84.0 |
| Cash and cash equivalents | -721.1 | -1,564.8 |
| Funds held for Franconia purchase [2] | – | 322.5 |
| Funds held for GAGFAH purchase [2] | – | 1,000.0 |
| **Adjusted Net Debt** | **11,684.7** | **6,338.5** |
| **Fair value of the real estate portfolio** | **20,748.6** | **12,759.1** |
| **LTV** | **56.3 %** | **49.7 %** |

[1] See item [22] in the Notes
[2] Adjustment of equity instruments

| in € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Non-derivative financial liabilities | 12,597.7 | 6,664.8 |
| Total assets | 24,634.7 | 14,759.2 |
| **LTV Bond Covenants** | **51.1 %** | **45.2 %** |

These financial covenants have been fulfilled as expected.

### Capital increases from authorised capital to the exclusion of subscription rights

As a result of the entry in the Commercial Register made on March 6, 2015, the equity of Deutsche Annington Immobilien SE was increased by € 2,657,751,786 as a result of the mixed cash and non-cash capital increase as part of the completion of the voluntary public takeover offer made by Deutsche Annington Immobilien SE for all shares in GAGFAH S.A. The mixed cash and non-cash capital increase was approved by the German Federal Financial Supervisory Authority (BaFin) on the basis of the prospectus dated March 5, 2015. The capital increase was made using the authorised capital.

### Increase in the borrowing volume

In order to secure the public takeover offer, Deutsche Annington had arranged an acquisition credit line of € 6.5 billion. Only tranche A, amounting to around € 1 billion, was drawn on. The credit line had already been repaid in full by March 31, 2015.

On March 12, 2015, the financial supervisory authority of the Grand Duchy of Luxembourg (CSSF: Commission de Surveillance du Secteur Financier) approved the update of the base prospectus for the EMTN tap issue. In connection with the updating of the base prospectus, the volume of the EMTN programme was increased from € 5,000 million to € 8,000 million. On March 30, 2015, a bond with two tranches of € 500 million each was then placed under the EMTN programme.

Cash and cash equivalents as at March 31, 2015, totalled € 721.1 million. The change compared with December 31, 2014 results from the settlement of the cash purchase price obligations for the GAGFAH Group and from the purchase price payment for the Franconia portfolio. € 123.2 million of the cash and cash equivalents are subject to restrictions on their disposal.

# Subsequent Events

## Events after the balance sheet date

### Thomas Zinnöcker and Gerald Klinck appointed members of the Management Board of Deutsche Annington Immobilien SE

With effect from April 1, 2015, Thomas Zinnöcker and Gerald Klinck were appointed members of the Management Board of Deutsche Annington Immobilien SE. Thomas Zinnöcker will be Deputy CEO and Chief Restructuring Officer (CRO), while Gerald Klinck will assume the role of Chief Controlling Officer (CCO).

### Completion of the acquisition of the Franconia real estate portfolio

With effect from April 1, 2015, DAIG purchased the shares in the individual property-holding companies, and the benefits and encumbrances relating to the corresponding properties, in the "Franconia portfolio" for around € 316.8 million as part of a combined share and property purchase agreement. This real estate portfolio will have been incorporated into DAIG's property management processes by June 30, 2015.

### Resolutions regarding equity

The Annual General Meeting of Deutsche Annington Immobilien SE passed a resolution on new authorised capital on April 30, 2015. On the basis of this resolution resulting in an amendment to the Articles of Association, the Management Board is authorised, with the consent of the Supervisory Board, to increase the company's share capital by up to € 170,796,534.00 once or several times on or before April 29, 2020 by issuing up to 170,796,534 new registered no-par value shares in return for cash contributions and/or contributions in kind (Authorised Capital 2015).

The Annual General Meeting also passed a resolution on the creation of new conditional capital. Based on this resolution, the Management Board is authorised, with the consent of the Supervisory Board, to issue bonds carrying conversion rights, bonds carrying option rights, profit-sharing rights and/or profit participation bonds (or combinations of these instruments) in bearer or registered form, once or several times on or before April 29, 2020, with a nominal amount of up to € 5,311,000,000.00 with or without definite maturity, and to grant the holders of the bonds conversion or option rights for the shares of the company in a proportionate amount of the share capital of up to € 177,053,114.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the profit-sharing rights.

A precise description of the capital measures that have been resolved is set out in the notes to the condensed interim consolidated financial statements.

### Put option under the Luxembourg Takeover Law

Due to the voluntary public takeover offer for all shares in GAGFAH S.A. and the fact that the 90 % shareholding threshold was exceeded, Deutsche Annington Immobilien SE granted the remaining outside shareholders of GAGFAH S.A. another put option based on the Luxembourg Takeover Law for the period leading up until May 10, 2015.

12,355,521 GAGFAH shares had been tendered on May 10, 2015, 12,196,224 of which are attributable to the combined and 159,297 to the cash consideration.

# Opportunities and Risks

For the purposes of the quarterly financial statements as at March 31, 2015, there are no opportunities and risks extending beyond, or material changes in the opportunities and risks set out in the combined management report for the 2014 financial year. Explicit reference is once again made at this point to the opportunities and risks associated with the GAGFAH takeover set out in the combined management report for the 2014 financial year. These include market, portfolio and environmental risks, as well as integration, financial, tax and legal risks. There is also the risk that the advantages expected to come from the merger, in particular the expected synergies, fail to materialise to the expected extent, or within the period originally planned. This can also result in the goodwill stated no longer being justified as a result of an impairment test, meaning that goodwill amortisation may put significant pressure on the consolidated result and, as a result, the Company's equity.

There are currently no risks that might jeopardise the company's continued existence and at present none can be identified for the future.

As a result of the takeover of GAGFAH, the following risks have been included in the list of top 10 risks:

The existing risk management organisation and risk management process will remain in place unchanged.

The previous risk of wrong investment decisions and payment of an excessively high purchase price, particularly through the incorrect assessment of the property portfolios acquired and the property management processes including the inherent risks, remains. These risks are countered by adequate due diligence work as part of the acquisition process and within a structured integration process.

| Risk | Risk category | Potential impact net | Probability of occurrence |
|---|---|---|---|
| Failure to meet obligations (bonds and secured loans) | Financial risks | High | Unlikely |
| Failure to achieve integration targets – one-off costs | Risks related to business | High | Unlikely |

# Forecast Report

## Further course of the group

### Expected development of the overall economic environment

German economic growth gaining ground

Germany has overcome the period of economic weakness. After the economy stagnated in the summer of 2014 in general, the Federal Ministry of Economic Affairs and Energy (BMWi) reported a surprisingly marked acceleration in economic activity in the fourth quarter of 2014. In 2014 as a whole, German gross domestic product (GDP) increased by 1.6 %. According to the Kiel Institute for the World Economy (IfW), GDP is expected to increase by 1.8 % in 2015. For 2016, experts forecast growth of 2.0 %.

According to IfW, the main expansion drivers in 2015 will be consumer spending and residential construction investments made by private households, with corporate investment providing support from 2016 onwards as a further economic pillar. Foreign trade will not provide any expansion impetus in purely arithmetical terms. The upswing, which will be driven primarily by the domestic economy in 2015 and 2016, is likely to see imports increase at a much faster rate than exports. The job market remains robust, with rising employment and a downward trend in the unemployment rate. Consumer prices will remain stable in 2015 on average thanks to oil prices. The low inflation rates, in turn, will provide a boost for private consumer spending. In 2016, the inflation rate will start to pick up considerably again. According to IfW, public-sector budgets will continue to report slight surpluses. Financing costs for the state and the corporate sector alike are expected to fall further as a result of the government bond purchase programme that was launched in March.

IfW has identified risks to its growth forecast in connection with geopolitical tension associated with the conflict in Ukraine, a sharp rise in crude oil prices, the uncertain development in the external value of the euro and the increasing vulnerability of the German economy to signs of overheating and the associated adverse developments.

Housing market: Less momentum in price development

According to information provided by Bundesbank experts, the prices for residential real estate in Germany continued to head north in 2014, although they stress that the momentum weakened considerably compared with previous years. Data supplied by the German Association of Real Estate Consultants, Agents, Managers and Experts (IVD) shows that the development in rents in new contracts lost momentum, too. Experts from Deutsche Bank Research expect to see the price of apartments increase by 4.0 % (existing properties) and 5.0 % (new properties), and rents to rise by 1.8 % (existing properties) and 3.0 % (new properties) across Germany in 2015. Initial evaluations by the real estate service provider ImmobilienScout24 confirm an increase in quoted rents and prices in January and February 2015. These evaluations reveal no sign of the rise in prices for newly built flats abating for the time being. The prices for existing apartments will continue to rise, albeit to a lesser extent in the longer term than at the start of 2015, which is marked by seasonal effects. The nationwide moderate increase in quoted rents is likely to continue.

A recent study conducted by the German Economics Institute in Cologne (IW) found developments on Germany's residential property market to be fundamentally justified. The increase in prices is largely due to catch-up effects. The study also stressed that even a further increase in prices would not necessarily point towards a speculative bubble. Experts from the research institute empirica did not believe that there was any bubble at the end of the first quarter of 2015. Nevertheless, rents and purchase prices in 168 out of 402 administrative districts and self-governing towns/cities are no longer developing in tandem, with the bubble index indicating a high risk for 84 districts. There is still no risk of excess supply in 375 of 402 districts. Bundesbank experts believe that the sustained high demand for residential space is being fuelled by considerable immigration, the continued good prospects for incomes and employment and the exceptionally favourable financing conditions for residential property. In a long-term and international comparison, residential property in Germany remains relatively affordable on the whole, according to experts from Deutsche Bank Research. Higher house prices counteract growing disposable incomes and lower interest rates.

According to experts from ImmobilienScout24, the regional impact of the rent ceilings passed by the Bundestag and Bundesrat in March 2015 on the rental market remains to be seen. The corresponding provisions of the Tenancy Amendment Act are likely to come into force in June 2015. Deutsche Bank Research believes that the lack of supply, which is likely to continue for years, will remain the main feature driving the current real estate cycle. The rent ceilings may well serve to cement this lack of supply.

### New residential construction in Germany still to make up for deficits in previous years

Residential construction will remain the driving force behind the construction industry in 2015. According to information supplied by the National Association of the German Construction Industry (ZDB), the sector expects revenue to increase by 3 %. Despite the marked upward trend, however, the completed projects will serve to cover the demand (250,000 residential units) but will still not be enough to make up for the deficits from previous years. According to the Minister of Building and Construction, Barbara Hendricks (SPD), there is a lack of affordable residential space in Germany's metropolitan areas, in particular. The European research and consultancy network EUROCONSTRUCT forecasts a rise in new-build completions from around 235,000 residential units in 2015 to 260,000 residential units in 2017.

## Expected development of business

**Forecast for the 2015 financial year**

Deutsche Annington got off to a very successful start to the 2015 financial year. We were able to considerably expand our portfolio thanks to the merger with GAGFAH. We adjusted the forecast expectations for the 2015 financial year set out in our Group management report for 2014 accordingly.

The forecast for the new overall portfolio in the 2015 financial year is as follows:

| | Actual 2014 (DAIG excl. GAGFAH) | Forecast for 2015 in the 2014 Annual Report (DAIG excl. GAGFAH) | Current forecast for 2015 quarterly report Q1 2015 (DAIG incl. GAGFAH) |
|---|---|---|---|
| EPRA NAV/share | € 24.22 | € 24 – 25 | approx. € 29 |
| FFO 1 | € 286.6 million | € 340–360 million | € 530 – 550 million |
| FFO 1/share | € 1.06 | € 1.25 – 1.33 | € 1.47 – 1.53 |
| CSI | Increase of 5.7 % (=+3 index points) | Increase of up to 5 % | Increase of up to 5 % |
| Monthly in-place rent per sqm (like-for-like) | € 5.55 | Increase of 2.6 – 2.8 % | Increase of 2.6 – 2.8 % |
| Vacancy rate | 3.4 % | around 3.3 % | around 3.0 % |
| Maintenance incl. capitalised maintenance | € 173.8 million | around € 200 million | around € 320 million |
| Modernisation | € 171.7 million | > € 200 million | € 280 – 300 million |
| No. of apartment sales Privatise | 2,238 | approx. 1,600 | approx. 2,200 |
| Step-up Privatise | 37.6 % | approx. 30 % | approx. 30 % |
| No. of apartment sales Non-Core | 1,843 | Continue with sales where opportunities present | Continue with sales where opportunities present |
| Step-up Non-Core | 10.9 % | On prior-year level | 0 % |

Our forecast for the 2015 financial year is based on the current forecast for the Group as a whole, which take account of both the original overall projections for DAIG and GAGFAH and current business developments, as well as potential opportunities and risks associated with the merger of the two companies.

Beyond this, the Group's further development remains exposed to general opportunities and risks. These have been described in detail in the chapter on opportunities and risks.

The planning for the 2015 financial year is based on the above-mentioned assumptions on the development of the overall economy and on the development of the real estate market in Germany.

All in all, we plan to further expand on our leading position on the German residential real estate market in the current financial year. We want to offer our customers a "home" with the best possible service and fair rental prices. We want to ensure that our investors continue to receive a return that is commensurate with the risk involved.

We will continue to increase the value of our company in 2015. We expect the EPRA NAV per share to have risen to around € 29 by the end of 2015.

We also plan to continue to improve our long-term operational earnings power significantly in the year ahead, also thanks to the acquisitions we made in 2014. As far as the FFO 1 is concerned, we expect to see an increase in 2015 to € 530 million up to € 550 million, or to € 1.47 up to € 1.53 per share. The values forecast include the acquisitions of the DeWAG and the Vitus Group that were completed in 2014, the merger with GAGFAH as well as the share from the Franconia acquisition in 2015. The forecast does not take account of any larger acquisitions of further real estate portfolios.

We will continue to aim to improve our customer service in 2015. As a result, we expect our customer satisfaction index, CSI, to improve further by 5 % compared with 2014.

In the Rental segment, we aim to continue to systematically pursue our strategy in 2015 and invest in our portfolio of properties. We plan to expand our investment programme to € 280 – 300 million in 2015. The focus will remain on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. In addition, we plan to perform ongoing maintenance work, including capitalised maintenance, with a volume of around € 320 million. All in all, this corresponds to an investment volume of up to € 620 million, or up to € 31 per square metre in 2015. We are expecting an increase from 2.6 % to 2.8 % in the monthly in-place rent per square metre like-for-like in 2015. We expect the vacancy rate to come in at around 3.0 % at the end of 2015. All in all, we expect rental income to rise from € 789 million in 2014 (DAIG excl. GAGFAH) to around € 1.4 billion at the end of 2015.

As far as the net cash interest payments excluding non-recurring results (interest expense FFO) are concerned, we expect to see a level of around € 340 million due to the acquisitions.

In the Sales segment, we will continue to pursue our strategy of selective disposals. In the Privatisation segment, we expect around 2,200 apartments to be sold with a step up on the fair value of these apartments of around 30 %. We will also continue to sell buildings from the "Non-Core" sub-portfolio at prices that are roughly in line with the fair value in 2015, insofar as corresponding opportunities present themselves.

Düsseldorf, May 22, 2015

| | | |
|---|---|---|
| Rolf Buch<br>(CEO) | Thomas Zinnöcker<br>(CRO) | Klaus Freiberg<br>(COO) |
| Dr A. Stefan Kirsten<br>(CFO) | Gerald Klinck<br>(CCO) | |

# Condensed Interim Consolidated Financial Statements

# Consolidated Income Statement

January 1 to March 31

| € million | Notes | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|---|
| Income from property letting | | 380.9 | 260.7 |
| Other income from property management | | 5.9 | 4.5 |
| **Income from property management** | 5 | **386.8** | **265.2** |
| Income from sale of properties | | 123.0 | 60.2 |
| Carrying amount of properties sold | | -115.8 | -54.2 |
| Revaluation of assets held for sale | | 7.3 | 6.1 |
| **Profit on disposal of properties** | 6 | **14.5** | **12.1** |
| **Net income from fair value adjustments of investment properties** | 7 | **0.0** | **19.8** |
| Capitalised internal expenses | | 26.5 | 13.5 |
| Cost of materials | 8 | -171.8 | -119.3 |
| Personnel expenses | 9 | -60.7 | -44.1 |
| Depreciation and amortisation | | -2.0 | -1.6 |
| Other operating income | | 19.8 | 9.8 |
| Other operating expenses | | -61.9 | -39.8 |
| Financial income | | 0.7 | 1.4 |
| Financial expenses | 10 | -98.8 | -59.8 |
| **Profit before tax** | | **53.1** | **57.2** |
| Income tax | 11 | -22.8 | -18.9 |
| **Profit for the period** | | **30.3** | **38.3** |
| Attributable to: DAIG shareholders | | 19.6 | 36.9 |
| DAIG hybrid capital investors | | 7.4 | - |
| Non-controlling interests | | 3.3 | 1.4 |
| **Earnings per share (basic and diluted) in €** | 12 | **0.07** | **0.16** |

# Consolidated Statement of Comprehensive Income

January 1 to March 31

| € million | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| **Profit for the period** | **30.3** | **38.3** |
| Cash flow hedges | | |
| Change in unrealised gains/losses, net | 89.4 | -25.9 |
| Net realised gains/losses | -104.1 | 5.8 |
| Tax effect | 4.3 | 5.7 |
| Items which will in future be recognised in profit or loss | -10.4 | -14.4 |
| Actuarial gains/losses from pensions and similar obligations | | |
| Change in actuarial gains/losses, net | -29.7 | -12.1 |
| Tax effect | 9.8 | 4.0 |
| Items which will not be recognised in profit or loss in the future | -19.9 | -8.1 |
| Other comprehensive income | -30.3 | -22.5 |
| **Total comprehensive income** | **0.0** | **15.8** |
| Attributable to: DAIG shareholders | -7.2 | 14.4 |
| DAIG hybrid capital investors | 7.4 | – |
| Non-controlling interests | -0.2 | 1.4 |

Also see the corresponding explanations in the Notes.

# Consolidated Balance Sheet

| € million | Notes | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 13 | 2,313.2 | 108.5 |
| Property, plant and equipment | | 57.3 | 29.0 |
| Investment properties | 14 | 20,635.9 | 12,687.2 |
| Financial assets | 15 | 223.8 | 93.2 |
| Other assets | | 309.0 | 47.0 |
| Income tax receivables | | 0.1 | 0.1 |
| Deferred tax assets | | 15.0 | 15.0 |
| **Total non-current assets** | | **23,554.3** | **12,980.0** |
| Inventories | 16 | 46.8 | 2.2 |
| Trade receivables | 17 | 91.5 | 65.1 |
| Financial assets | 15 | 5.0 | 2.0 |
| Other assets | | 126.1 | 77.5 |
| Income tax receivables | | 19.3 | 13.8 |
| Cash and cash equivalents | 18 | 721.1 | 1,564.8 |
| Assets held for sale | 19 | 70.6 | 53.8 |
| **Total current assets** | | **1,080.4** | **1,779.2** |
| **Total assets** | | **24.634.7** | **14.759.2** |

| € million | Notes | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Subscribed capital | | 354.1 | 271.6 |
| Capital reserves | | 4,649.3 | 2,076.0 |
| Retained earnings | | 2,644.2 | 2,643.4 |
| Other reserves | | -65.8 | -58.4 |
| **Total equity attributable to DAIG shareholders** | | **7,581.8** | **4,932.6** |
| Equity attributable to hybrid capital investors | | 1,011.5 | 1,001.6 |
| **Total equity attributable to DAIG shareholders and hybrid capital investors** | | **8,593.3** | **5,934.2** |
| Non-controlling interests | | 285.2 | 28.0 |
| **Total equity** | 20 | **8,878.5** | **5,962.2** |
| Provisions | 21 | 627.1 | 422.1 |
| Trade payables | | 0.9 | 1.0 |
| Non derivative financial liabilities | 22 | 12,310.4 | 6,539.5 |
| Derivative financial liabilities | 23 | 166.6 | 54.5 |
| Liabilities from finance leases | 24 | 92.3 | 88.1 |
| Liabilities to non-controlling interests | | 38.7 | 46.3 |
| Other liabilities | 26 | 35.6 | 8.6 |
| Deferred tax liabilities | | 1,499.5 | 1,132.8 |
| **Total non-current liabilities** | | **14,771.1** | **8,292.9** |
| Provisions | 21 | 301.6 | 211.3 |
| Trade payables | | 103.3 | 51.5 |
| Non derivative financial liabilities | 22 | 287.3 | 125.3 |
| Derivative financial liabilities | 23 | 34.5 | 21.9 |
| Liabilities from finance leases | 24 | 4.6 | 4.4 |
| Liabilities to non-controlling interests | | 15.4 | 7.5 |
| Income tax liabilities | 25 | 44.3 | 0.0 |
| Other liabilities | 26 | 194.1 | 82.2 |
| **Total current liabilities** | | **985.1** | **504.1** |
| **Total liabilities** | | **15,756.2** | **8,797.0** |
| **Total equity and liabilities** | | **24,634.7** | **14,759.2** |

Also see the corresponding explanations in the Notes.

# Consolidated Cash Flow Statement

January 1 to March 31

| € million | Notes | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|---|
| Profit for the period | | 30.3 | 38.3 |
| Net income from fair value adjustments of investment properties | 7 | 0.0 | -19.8 |
| Revaluation of assets held for sale | 6 | -7.3 | -6.1 |
| Depreciation and amortisation | | 2.0 | 1.6 |
| Interest expenses/income | | 98.1 | 58.4 |
| Income taxes | 11 | 22.8 | 18.9 |
| Results from disposals of investment properties | | -7.2 | -6.0 |
| Results from disposals of other non-current assets | | 1.3 | – |
| Transactions costs(cash paid) for the acquisition of shares in consolidated companies | 3 | 0.7 | – |
| Changes in inventories | | -22.0 | 0.5 |
| Changes in receivables and other assets | | 19.5 | -1.2 |
| Changes in provisions | | -11.9 | 0.5 |
| Changes in liabilities | | 30.9 | -7.1 |
| Income tax paid | | -2.0 | -1.6 |
| **Cash flow from operating activities** | | **155.2** | **76.4** |
| Proceeds from disposals of investment properties and assets held for sale | | 126.8 | 106.9 |
| Proceeds from disposals of intangible assets and property, plant and equipment | | – | 0.1 |
| Disposal of shares in consolidated companies (net of cash inflow) | | 3.9 | – |
| Proceeds received from disposals of financial assets | | – | 0.8 |
| Acquisition of investment properties | 14 | -343.2 | -27.2 |
| Acquisition of intangible assets and property, plant and equipment | | -2.3 | -3.5 |
| Acquisition of shares in consolidated companies (net of cash outflow) | 3 | -1,760.1 | – |
| Acquisition of financial assets | | -29.4 | – |
| Interest received | | 2.1 | 2.8 |
| **Cash flow from investing activities** | | **-2,002.2** | **79.9** |

| € million | Notes | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|---|
| Capital contributions on the issue of new shares (including premium) | 20 | 114.5 | 304.0 |
| Cash paid to non-controlling shareholders | | -2.1 | – |
| Cash proceeds from issuing financial liabilities | 22 | 1,931.8 | – |
| Cash repayments of financial liabilities | 22 | -948.4 | -113.8 |
| Payment of transaction costs in connection with the issue of shares | | -2.9 | -3.0 |
| Other transaction costs | | -64.1 | -0.7 |
| Prepayment penalty and commitment interest | | -0.3 | -5.4 |
| Interest paid | | -25.2 | -37.7 |
| **Cash flow from financing activities** | | **1,003.3** | **143.4** |
| **Net changes in cash and cash equivalents** | | **-843.7** | **299.7** |
| Cash and cash equivalents at beginning of the period | | 1,564.8 | 547.8 |
| **Cash and cash equivalents at the end of the period*** | 18 | **721.1** | **847.5** |

Also see the corresponding explanations in the Notes.

* Thereof restricted cash € 120.1 million (March 31, 2014: € 36.2 million).

# Consolidated Statement of Changes in Equity

| | | | | Other reserves | |
|---|---|---|---|---|---|
| | | | | Can be reclassified | |
| € million | Subscribed capital | Capital reserves | Retained earnings | Cash flow hedges | Available-for-sale financial assets |
| As at Jan. 1, 2014 | 224.2 | 1,430.1 | 2,178.5 | -27.3 | – |
| Profit for the period | | | 36.9 | | |
| Other comprehensive income | | | | | |
| Changes in the period | | | -8.1 | -18.6 | – |
| Reclassification adjustments recognised in income | | | | 4.2 | |
| Total comprehensive income | | | 28.8 | -14.4 | – |
| Capital increase | 16.0 | – | | | |
| Premium on the issue of new shares | – | 288.0 | | | |
| Transaction costs on the issue of new shares | | -2.0 | | | |
| **As at Mar. 31, 2014** | **240.2** | **1,716.1** | **2,207.3** | **-41.7** | **0.0** |
| As at Jan. 1, 2015 | 271.6 | 2,076.0 | 2,643.4 | -58.4 | 0.0 |
| Profit for the period | | | 19.6 | | |
| Other comprehensive income | | | | | |
| Changes in the period | | | -19.4 | 70.8 | 0.0 |
| Reclassification adjustments recognised in income | | | | -78.2 | |
| Total comprehensive income | | | 0.2 | -7.4 | 0.0 |
| Capital increase | 82.5 | | | | |
| Premium on the issue of new shares | | 2,575.2 | | | |
| Transaction costs on the issue of new shares | | -1.9 | | | |
| Acquisition of GAGFAH | | | | | |
| Changes recognised directly in equity | | | 0.6 | | |
| **As at Mar. 31, 2015** | **354.1** | **4,649.3** | **2,644.2** | **-65.8** | **0.0** |

[1)] The profit for the period of DAIG's hybrid investors was calculated taking deferred taxes into account.

Also see note (20) in the Notes.

| Total | Equity of DAIG shareholders | Equity of DAIG hybrid investors [1] | Equity of DAIG shareholders and hybrid investors | Non-controlling interests | Total equity |
|---|---|---|---|---|---|
| **-27.3** | **3,805.5** | **–** | **3,805.5** | **12.5** | **3,818.0** |
| | 36.9 | – | 36.9 | 1.4 | 38.3 |
| | | | | | |
| -18.6 | -26.7 | | -26.7 | – | -26.7 |
| 4.2 | 4.2 | | 4.2 | | 4.2 |
| -14.4 | 14.4 | – | 14.4 | 1.4 | 15.8 |
| | 16.0 | | 16.0 | | 16.0 |
| | 288.0 | | 288.0 | | 288.0 |
| | -2.0 | | -2.0 | | -2.0 |
| **-41.7** | **4,121.9** | **–** | **4,121.9** | **13.9** | **4,135.8** |
| **-58.4** | **4,932.6** | **1,001.6** | **5,934.2** | **28.0** | **5,962.2** |
| | 19.6 | 7.4 | 27.0 | 3.3 | 30.3 |
| | | | | | |
| 70.8 | 51.4 | | 51.4 | -3.5 | 47.9 |
| -78.2 | -78.2 | | -78.2 | | -78.2 |
| -7.4 | -7.2 | 7.4 | 0.2 | -0.2 | 0.0 |
| | 82.5 | | 82.5 | | 82.5 |
| | 2,575.2 | | 2,575.2 | | 2,575.2 |
| | -1.9 | | -1.9 | | -1.9 |
| | | | | 259.5 | 259.5 |
| | 0.6 | 2.5 | 3.1 | -2.1 | 1.0 |
| **-65.8** | **7,581.8** | **1,011.5** | **8,593.3** | **285.2** | **8,878.5** |

# Selected explanatory notes in accordance with IFRS

## Accounting policies

### 1 Basis of presentation

On March 6, 2015, the completion of the voluntary public takeover offer for the shares of GAGFAH S.A. (hereinafter referred to as: GAGFAH) and the latter's inclusion in the consolidated financial statements of Deutsche Annington Immobilien SE created the second-largest listed property Group in continental Europe.

The Deutsche Annington Immobilien Group (hereinafter: DAIG) gives people across Germany a dependable home that they can afford and provides tenants with customer-focused service in all residential matters, service provided by a company that also takes responsibility for social and ecological issues. DAIG is a residential real estate manager with a long-term focus that also takes responsibility for urban development and social matters via its investment programmes. At the same time, the property portfolio is developed further in a targeted manner by way of acquisitions and disposals. This means that the company will continue to pursue a holistic approach for the housing industry with an integrated and scalable business model that aims to establish the company as the quality leader in the future, too.

Deutsche Annington Immobilien SE is incorporated and domiciled in Germany; its registered office is located in Düsseldorf. The head office (principal place of business) is located at Philippstrasse 3, Bochum.

The interim consolidated financial statements as at March 31, 2015, comprising both the company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the EU for interim financial statements in accordance with IAS 34. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been considered.

Accounting and measurement as well as the explanations and disclosures are based on the same accounting and measurement policies as those applied to the consolidated financial statements for the 2014 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of DAIG as at March 31, 2015, in condensed form compared with the consolidated financial statements for the year ended December 31, 2014 has been chosen.

In the reporting period, there were no seasonal or business cycle influences which affected the business activities of DAIG.

### 2 Consolidation principles

In accordance with the full consolidation method, all subsidiaries that are controlled by the Group are included. The Group is deemed to control an associated company if it is exposed to risks or has rights to fluctuating returns due to its involvement in the associated company and the Group is in a position to use its power of control over the associated company to influence the level of these returns.

Joint arrangements, which are classified as joint ventures, are accounted for using the equity method. A joint venture is a joint arrangement, whereby the parties, that have joint control of the arrangement, have rights to the net assets of the arrangement, instead of having rights to the assets and obligations for the liabilities.

All other consolidation principles have been applied as for the consolidated financial statements for 2014.

For a detailed description, please refer to the consolidated financial statements for the year ended December 31, 2014.

## 3 Scope of consolidation and business combinations

Including Deutsche Annington Immobilien SE, 179 companies (Dec. 31, 2014: 114), thereof 155 (Dec. 31, 2014: 95) domestic companies and 24 foreign companies (Dec. 31, 2014: 19) have been comprised in the consolidated financial statements of DAIG as at March 31, 2015.

The changes as at March 31, 2015 largely result from the acquisition of the GAGFAH Group, as well as from one merger and one sale.

### Acquisition of GAGFAH S.A.

As part of the voluntary public takeover offer made by Deutsche Annington Immobilien SE to the shareholders of GAGFAH S.A., Luxembourg, on December 1, 2014, a total of 230,954,655 shares in GAGFAH S.A. were tendered after the end of the additional acceptance period on February 9, 2015, 24:00 hours CET. This corresponds to around 93.82 % of the current GAGFAH subscribed capital and voting rights. 88.8 % of the shares tendered were taken over by Deutsche Annington Immobilien SE and 5.02 % by the co-investor J.P. Morgan Securities plc, London.

The acquisition date, i.e. the time at which Deutsche Annington Immobilien SE obtained control of GAGFAH S.A., is March 6, 2015. The last closing condition for the takeover offer, namely the entry of the mixed cash and non-cash capital increase in the Düsseldorf commercial register, was fulfilled on this date. As of March 6, 2015, this transaction shall be treated as a business combination in accordance with IFRS 3.

With around 140,000 residential units, GAGFAH S.A., like Deutsche Annington Immobilien SE, is a property manager that operates nationwide. The real estate portfolios of both companies also complement each other extremely well in terms of regional coverage. Integrating the two organisations is designed to allow the strengths of the two companies to be combined, developing the new joint organisation in terms of efficiency, effectiveness and corporate culture. The aim is to exploit considerable synergy potential, particularly in respect of property management processes and financing. At the same time, it will be possible to utilise potential in the area of housing-related services, such as the services performed by the company's own craftsmen's organisation, using economies of scale.

The companies of the GAGFAH S.A. Group shall be included in the consolidated financial statements of Deutsche Annington Immobilien SE for the first time within the context of the interim financial statements as at March 31, 2015.

The provisional consideration transferred for the acquisition of 88.8 % of the shares in the subscribed capital of GAGFAH S.A. comprises the following:

| € million | |
|---|---|
| Net cash purchase price component | 1,912.8 |
| Equity instruments | 2,543.2 |
| Contingent purchase price obligation | 12.1 |
| **Total consideration** | **4,468.1** |

The combined consideration for 14 GAGFAH S.A shares comprised, in each case, a cash payment of € 122.52 and an additional consideration of five new registered shares in Deutsche Annington Immobilien SE.

The share component relates to 78,060,390 no-par value shares from the non-cash capital increase implemented by Deutsche Annington Immobilien SE, which were exchanged by Deutsche Annington Immobilien SE for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 32.58 per share on March 6, 2015.

The contingent consideration component is an option held by the co-investor J.P. Morgan Securities plc. It was stated at fair value using the Black Scholes model. The maximum consideration under this option is achieved from 12,385,559 shares based on a guaranteed price per share of € 18.00.

The provisional allocation of the total purchase price to the acquired assets and liabilities of GAGFAH S.A. as at the date of first-time consolidation is based on an external purchase price allocation that was commissioned for this purpose, regarding the fair values of these assets and liabilities.

The assets and liabilities assumed in the course of the business combination had the following provisional fair values as at the date of first-time consolidation:

| € million | |
|---|---|
| Investment Properties | 7,952.7 |
| Property, plant and equipment | 28.3 |
| Financial assets | 20.8 |
| Cash and cash equivalents | 154.8 |
| Fair value other assets | 163.1 |
| **Total assets** | **8,319.7** |
| Non-controlling interests | -259.5 |
| Non-derivative financial liabilities | -4.825.5 |
| Derivative financial liabilities | -108.8 |
| Provisions for pensions and similar obligations | -163.2 |
| Other provisions | -98.8 |
| Deferred tax liabilities | -392.3 |
| Other liabilities | -206.9 |
| **Total liabilities** | **-6,055.0** |
| **Fair value net assets** | **2,264.7** |
| Consideration | 4,468.1 |
| **Goodwill** | **2,203.4** |

With regard to the valuation of investment properties, we refer to the comments set out in note [14] Investment Properties.

It has not yet been possible to arrive at a definitive assessment of the multi-employer plans because not all of the data is available.

Out of the trade receivables that were acquired, an amount of € 17.5 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 49.1 million. The net carrying amount, which corresponds to the fair value, was € 31.6 million.

The non-controlling interests of € 259.5 million were valued at the share of the identifiable net assets of GAGFAH S.A. that is proportional to the interest held and based on the provisional result of the external expert.

Since March 1, 2015, the GAGFAH Group has recognised income from property management in the amount of € 69.1 million, as well as an earnings contribution in the sense of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortisation (IFRS EBITDA) of € 40.1 million.

If the GAGFAH Group had already been fully included in the consolidated Group as of January 1, 2015, it would have contributed to the income from property management in the amount of € 207.5 million and to IFRS EBITDA in the amount of € 103.8 million.

In the 2015 financial year, transaction costs of € 28.2 million were recognised as other operating expenses. Thereof € 0.5 million are already cash-effective.

All in all, 62 domestic companies and five foreign companies have been newly included in the scope of consolidation as a result of the acquisition of the GAGFAH Group.

Pursuant to Article 16 in conjunction with Article 15 of the Luxembourg law on public takeover bids dated 19 May 2006 ("Luxembourg Takeover Act"), the outside shareholders have the right to demand that the bidder purchase their shares at a fair price (the "put option") if the bidder holds more than 90 % of the voting rights in a target company as part of a takeover offer. As a result of the voluntary public takeover offer made by Deutsche Annington Immobilien SE ("Deutsche Annington"), the remaining outside shareholders of GAGFAH S.A. had the option of tendering their shares in return for a cash payment of € 18.68 per share or in return for a combined consideration consisting of a cash payment of € 122.52 and an additional consideration of five new shares in Deutsche Annington for every 14 GAGFAH shares, up until May 10, 2015.

12,355,521 GAGFAH shares had been tendered on May 10, 2015, thereof 12,196,224 are attributable to the combined and 159,297 to the cash consideration. This constitutes a linked transaction to the actual share purchase and will be reported accordingly in the second quarter of 2015.

## 4 Accounting policies

Since December 31, 2014, the accounting policies have not changed generally.

In connection with the acquisition of GAGFAH embedded derivative financial instruments were recognized in the DAIG consolidated interim financial statements for the first time. Embedded derivative financial instruments that are combined with a non-derivative financial instrument (host contract) to form a hybrid financial instrument are to be separated from the underlying contract pursuant to IAS 39 as a general rule and accounted for separately if (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (iii) the hybrid instrument is not measured at fair value with changes in fair value recognised in the income statement. As soon as the derivative is to be separated from its host contract, the individual components of the hybrid financial instruments are to be accounted for based on the provisions that apply to the individual financial instruments.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2014, which are the basis for these interim consolidated financial statements.

### Estimates, assumptions and management judgement

The preparation of the interim consolidated financial statements requires discretionary decisions and/or estimates for some items, which may have an effect on their recognition and measurement in the balance sheet and the income statement.

The estimates and assumptions which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties and are described separately in the chapter entitled “Investment Properties”.

Options exercised and judgements made by DAIG’s management in the process of applying the entity’s accounting policies that may have a significant effect on the amounts recognised in the consolidated financial statements include the following:

> Discretionary decisions within the context of real estate transactions as to whether the acquisition of a portfolio constitutes a business combination in accordance with IFRS 3 or the acquisition of assets and liabilities.

All other estimates, assumptions and judgements remain unchanged compared with the last consolidated financial statements as at December 31, 2014.

### Changes in accounting policies due to new Standards and Interpretations

The following new or amended Standards and Interpretations became mandatory for the first time in the 2015 financial year and have no significant effects on the DAIG consolidated financial statements:

- Improvements and supplements to IFRS 2010–2012
- Improvements and supplements to IFRS 2011–2013
- Changes to IAS 19 “Employee Benefits”

The first-time application of IFRIC 21 “Levies” mainly resulted in changes to the statement of work in progress and other liabilities.

# Notes to the consolidated income statement

## 5 Income from property management

| € million | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| Rental income | 263.6 | 180.5 |
| Ancillary costs | 117.3 | 80.2 |
| Income from property letting | 380.9 | 260.7 |
| Other income from property management | 5.9 | 4.5 |
| **Income from property management** | **386.8** | **265.2** |

## 6 Profit on disposal of properties

| € million | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| Income from disposal of investment properties | 45.1 | 25.1 |
| Carrying amount of investment properties sold | -37.9 | -19.1 |
| Profit on disposal of investment properties | 7.2 | 6.0 |
| Income from sale of assets held for sale | 77.9 | 35.1 |
| Retirement carrying amount of assets held for sale | -77.9 | -35.1 |
| Revaluation of assets held for sale | 7.3 | 6.1 |
| Profit on disposal of assets held for sale | 7.3 | 6.1 |
| | **14.5** | **12.1** |

The fair value adjustment of investment properties held for sale led to a positive result of € 7.3 million as at March 31, 2015 (1st quarter 2014: € 6.1 million). After value adjustment, these properties were transferred to “Assets held for sale”.

## 7 Net income from fair value adjustments of investment properties

The assessment of the fair values as at March 31, 2015 did not reveal any significant changes compared with December 31, 2014.

## 8 Cost of materials

| € million | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| Expenses for ancillary costs | 118.5 | 79.5 |
| Expenses for maintenance | 37.8 | 26.3 |
| Other cost of purchased goods and services | 15.5 | 13.5 |
| | **171.8** | **119.3** |

## 9 Personnel expenses

| € million | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| Wages and salaries | 50.0 | 36.9 |
| Social security, pensions and other employee benefits | 10.7 | 7.2 |
| | **60.7** | **44.1** |

As at March 31, 2015, 5,737 people (1st quarter 2014: 3,073) were employed at DAIG. This figure includes 1,760 employees who have joined as a result of the GAGFAH takeover.

## 10 Financial expenses

The financial expenses mainly relate to interest expense on financial liabilities measured at amortised cost as well as transaction costs.

In the reporting period, the non-cash interest expense resulting from the application of the effective interest method was reduced by 4.2 € million. In the first quarter of 2014, financial expenses were increased by € 7.7 million through the use of the effective interest method.

Interest expense contains interest accretion to provisions, thereof € 1.9 million (1st quarter 2014: € 2.3 million) relating to provisions for pensions and € 0.3 million (1st quarter 2014: € 0.4 million) for other provisions.

In the first quarter 2015, transaction costs of € 47.3 million were recognised as expenses, mainly in connection with the financing of the takeover of GAGFAH (1st quarter 2014: € 0.7 million).

In addition, interest from prepayment penalties and commitment interest negatively impacted results in the amount of € 0.3 million (1st quarter 2014: € 5.4 million).

In the reporting period reduction of net interest expenses in connection with swaps ammounted to € 10.8 million (1st quarter 2014: net interest expense of € 5.6 million).

## 11 Income taxes

Income taxes at € 3.7 million relate to current tax (1st quarter of 2014: € 2.8 million) and € 19.1 million (1st quarter 2014: € 16.1 million) to deferred taxes. Current tax includes tax expense for previous years in the amount of € 0.1 million (1st quarter 2014: tax income of € 0.1 million).

The income tax expense is based on the average effective Group tax rate to be expected for the financial year as a whole. The anticipated effective Group tax rate for 2015 for current and deferred taxes is 42.94 % (1st quarter 2014: 33.11 %). The Group tax rate contains German corporate income tax and trade tax.

## 12 Earnings per share

The earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation during the reporting period.

| | Jan. 1 – Mar. 31, 2015 | Jan. 1 – Mar. 31, 2014 |
|---|---|---|
| Profit for the period attributable to DAIG shareholders (in € million) | 19.6 | 36.9 |
| Weighted average number of shares | 295,451,079 | 228,686,869 |
| **Earnings per share (basic and diluted) in €** | **0.07** | **0.16** |

In March 2015 a combined cash and real capital increase was performed against the issuance of 82,483,803 new shares.

As a result, the total number of shares as at March 31, 2015, was 354,106,228.

In the current financial year and in the previous year, no diluting financial instruments were in circulation. The basic earnings per share are therefore identical to the diluted earnings per share.

# Notes to the consolidated balance sheet

## 13 Intangible assets

The intangible assets mainly include goodwill of € 2,309.4 million (Dec. 31,2014: € 106.0 million).

This goodwill results from the acquisitions of DeWAG and Vitus and the merger with GAGFAH S.A. and consists of the following:

| € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Goodwill DeWAG | 10.7 | 10.7 |
| Goodwill Vitus | 95.3 | 95.3 |
| Goodwill GAGFAH (preliminarily) | 2,203.4 | – |
| | **2,309.4** | **106.0** |

## 14 Investment Properties

| € million | |
|---|---|
| Balance on Jan. 1, 2015 | 12,687.2 |
| Additions due to changes in scope of consolidation | 7,952.7 |
| Additions | 0.2 |
| Capitalised modernisation costs | 53.2 |
| Transfer from advance payments | 25.7 |
| Transfer to assets held for sale | -52.5 |
| Disposals | -37.9 |
| Revaluation of assets held for sale | 7.3 |
| **Balance on Mar. 31, 2015** | **20,635.9** |
| Balance on Jan. 1, 2014 | 10,266.4 |
| Additions due to changes in scope of consolidation | 2,049.3 |
| Additions | 13.0 |
| Capitalised modernisation costs | 197.9 |
| Grants received | -1.2 |
| Transfer from property, plant and equipment | 1.1 |
| Transfer to property, plant and equipment | -1.2 |
| Transfer from assets held for sale | 1.3 |
| Transfer to assets held for sale | -124.5 |
| Disposals | -111.1 |
| Net income from fair value adjustments of investment properties | 371.1 |
| Revaluation of assets held for sale | 25.1 |
| **Balance on Dec. 31, 2014** | **12,687.2** |

The value of the entire portfolio of residential properties was determined on the basis of the International Valuation Standard Committee's definition of market value.

The fair values of DAIG are reviewed every quarter and updated to reflect the current market situation where this is necessary and significant. The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses. Otherwise, there are no major changes compared with the previous year.

The fair values of the portfolio of the GAGFAH Group, which has been included for the first time, were stated in the interim consolidated financial statements for the first quarter of 2015 at the quantitatively amortised values as at December 31, 2014 as part of the provisional purchase price allocation and definitively as at March 31, 2015, as it was not yet possible to arrive at a definitive segmentation and valuation of the overall portfolio based on DAIG's methods.

The main valuation parameters and valuation results of the entire portfolio including GAGFAH as at March 31, 2015 are as follows:

| Valuation parameters | Average | min.* | max.* |
|---|---|---|---|
| Management costs residential | € 246 per residential unit p.a. | 180 | 350 |
| Repair and maintenance costs residential | € 8.94 per m² p.a. | 5.92 | 13.20 |
| Apartment improvement costs for reletting | € 4.56 per m² p.a. | 0.00 | 15.57 |
| Maintenance cost total | € 13.51 per m² p.a. | 5.92 | 25.68 |
| Cost increase / inflation | 1.6 % p.a. | | |
| Market rent | € 5.89 per m² p.a. | 2.00 | 13.00 |
| Market rent increase | 1.1 % p.a. | 0.2 % | 1.7 % |
| Stabilised vacancy rate | 3.1 % | 0.0 % | 21.7 % |
| Discount rate | 6.0 % | 4.8 % | 8.5 % |
| Capitalised interest rate | 4.9 % | 3.5 % | 7.5 % |

* Adjustment to reflect individual cases; range includes at least 98 % of all valuation units

| Valuation results | |
|---|---|
| Net initial yield | 5.0 % |
| Actual rent multiplier | 14.3-fold |
| Fair value per m² | € 936 per m² of lettable area |

### Contractual obligations

As part of the acquisition of the GAGFAH Group, DAIG assumed various contractual obligations relating to the real estate portfolio. These include provisions governing "grandfathering", sales measures and modernisation obligations.

## 15 Financial assets

| € million | Mar. 31, 2015 non-current | Mar. 31, 2015 current | Dec. 31, 2014 non-current | Dec. 31, 2014 current |
|---|---|---|---|---|
| At equity investments | 4.1 | – | – | – |
| Other investments | 2.7 | – | 1.7 | – |
| Loans to other investments | 33.5 | – | 33.6 | – |
| Securities | 7.2 | – | 2.9 | – |
| Other long-term loans | 4.6 | – | 4.4 | – |
| Derivatives | 171.7 | 1.6 | 50.6 | – |
| Dividends from other investments | – | 3.4 | – | 2.0 |
| | **223.8** | **5.0** | **93.2** | **2.0** |

As part of the takeover of GAGFAH S.A, hybrid financial instruments were identified that meet the requirements set out in IAS 39 for the separation of an embedded derivative financial instrument. These are standard market extension/termination rights whose value is largely determined by the borrowers' credit risk. The financial instruments do not contain any embedded derivatives resulting in obligations for the borrowers ("option writer options").

## 16 Inventories

Inventories contain deferred land taxes that can be passed on in the amount of € 42.2 million resulting from the initial application of IFRIC 21.

## 17 Trade receivables

| € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Receivables from the sale of properties | 66.6 | 49.8 |
| Receivables from property letting | 23.2 | 14.6 |
| Other receivables from trading | 1.7 | 0.7 |
| | **91.5** | **65.1** |

## 18 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and deposits at banking institutions with an original term of up to three months totalling € 721.1 million (Dec. 31, 2014: € 714.8 million), as well as marketable securities in the prior period of € 850.0 million.

Of these bank balances, € 120.1 million (Dec. 31, 2014: € 32.8 million) are restricted with regard to their use. This includes € 78.8 million added as part of the takeover of GAGFAH.

## 19 Assets held for sale

The assets held for sale include properties totalling € 70.6 million (Dec. 31, 2014: € 53.8 million) for which notarised purchase contracts had already been signed at the balance sheet date.

## 20 Equity

### Subscribed capital

As a result of the entry in the Commercial Register made on March 6, 2015, the equity of Deutsche Annington SE was increased by € 2,657,751,786 as a result of the mixed cash and non-cash capital increase as part of the completion of the voluntary public takeover offer made by Deutsche Annington Immobilien SE for all shares in GAGFAH S.A. In line with the number of newly created no-par value shares, € 82,483,803 of this amount is attributable to the subscribed capital and € 2,575,267,983 to the capital reserves.

Out of the 82,483,803 no-par value shares from the capital increase, 4,423,413 shares were subscribed to in cash by J.P. Morgan Securities plc at a price of € 25.895. The remaining 78,060,390 shares were valued at a Xetra closing price of € 32.58 per share on March 6, 2015 as part of the non-cash capital increase.

### Development of the subscribed capital

| in € | |
|---|---|
| **As at January 1, 2015** | **271,622,425.00** |
| Capital increase in return for non-cash contributions | 78,060,390.00 |
| Capital increase in return for cash contributions | 4,423,413.00 |
| **As at March 31, 2015** | **354,106,228.00** |

### Authorised capital

After the equity capital increase described above, the Management Board still has an amount of € 6,256,580.00 available from the 2013 authorised capital to issue up to 6,256,580 new registered no-par value shares in return for cash contributions and/or contributions in kind. Out of the 2014 authorised capital, the Management Board still has an amount of up to € 829.00 to issue up to 829 new registered no-par value shares.

### Development of the authorised capital

| in € | |
|---|---|
| **2013 authorised capital** | |
| As at January 1, 2015 | 83,331,111.00 |
| Offer capital increase | -77,074,531.00 |
| **As at March 31, 2015** | **6,256,580.00** |
| **2014 authorised capital** | |
| As at January 1, 2015 | 5,410,101.00 |
| Offer capital increase | -5,409,272.00 |
| **As at March 31, 2015** | **829.00** |

### Capital reserves

Capital reserves amount to € 4,649.3 million (Dec. 31, 2014: € 2,076.0 million).

The capital reserves increased by € 2,575.2 million in the current quarter as a result of the premium on the issue of new shares. The capital procurement costs of € 2.9 million attributable to the company in connection with the issuing of the new shares were offset against the capital reserves allowing for deferred tax effects of € 1.0 million.

### Development of capital reserves

| in € million | |
|---|---|
| As at January 1, 2015 | 2,076.0 |
| Capital increase | 2,575.2 |
| Transaction costs on the issue of new shares | -1.9 |
| **As at March 31, 2015** | **4,649.3** |

## Subsequent events that are relevant from an equity perspective

### Creation of 2015 authorised capital with the option of excluding subscription rights

On the basis of the resolution made at the General Meeting on April 30, 2015 and resulting in an amendment to the Articles of Association in Section 5a, the Management Board is authorised, with the consent of the Supervisory Board, to increase the company's share capital by up to € 170,796,534.00 once or several times on or before April 29, 2020 by issuing up to 170,796,534 new registered no-par value shares in return for cash contributions and/or contributions in kind (2015 authorised capital).

In this respect, the Management Board is authorised to exclude shareholder subscription rights with the consent of the Supervisory Board for one or several capital increases as part of the authorised capital,

- (i) in order to exclude fractional amounts from the subscription right;
- (ii) insofar as is required to grant holders of bonds carrying conversion rights, bonds carrying option rights, profit-sharing rights and/or profit participation bonds the right to subscribe to new registered no-par value shares in the company to the extent they would be entitled to do so after exercising their option/conversion rights and/or following the satisfaction of conversion/option obligations as shareholders;
- (iii) to issue shares in return for cash contributions if the issue price of the new shares does not fall below the stock market price of the shares of the same class and structure that are already listed and the pro rate share of the share capital that is attributable to the new shares issued excluding subscription rights does not exceed a total of 10 % of the subscribed capital;
- (iv) to issue shares in return for contributions in kind, in particular in order to acquire companies, parts of companies, participating interests in companies and other assets associated with an acquisition project;
- (v) limited to the issue of up to 2,500,000 new registered no-par value shares in return for cash contributions, insofar as this is necessary in order to issue shares to employees of the Group, excluding the relevant executive bodies.

To the extent that is legally permissible, the employee shares can also be issued in such a way, that the contribution to be made in return is covered by the part of the net income for the year, that the Management Board and the Supervisory Board can allocate to other revenue reserves pursuant to Section 58 (2) of the German Stock Corporation Act (AktG).

In addition, the new shares can be subscribed to, in return for cash contributions, by a credit institution, so that the company can buy back the subscribed shares in order to grant them to employees of the Group.

The authorisations to exclude subscription rights in the event of capital increases in return for cash contributions and/or contributions in kind are limited, in total, to an amount that does not exceed 20 % of the share capital, either at the time this authorisation takes effect or at the time at which it is exercised.

### Cancellation of the existing 2014 authorised capital

The currently existing authorisation to increase the share capital pursuant to Section 5a of the Articles of Association, adopted by the Annual General Meeting on May 9, 2014, and expiring on May 8, 2019, shall be cancelled upon the new 2015 authorised capital becoming effective.

### Creation of a 2015 conditional capital with the option of excluding subscription rights and the corresponding insertion of a new Section 6 in the Articles of Association as well as the cancellation of the existing authorisation to issue bonds carrying conversion and/or option rights and the cancellation of the existing 2013 conditional capital (Section 6 of the Articles of Association)

The existing authorisation and the existing conditional capital (2013 conditional capital) were cancelled at the Annual Meeting on April 30, 2015 and replaced by a new authorisation and a new conditional capital (2015 conditional capital).

Based on this resolution, the Management Board is now authorised, with the consent of the Supervisory Board, to issue bonds carrying conversion rights, bonds carrying option rights, profit-sharing rights and/or profit participation bonds (or combinations of these instruments) (hereinafter collectively referred to as “bonds”) in bearer or registered form, once or several times on or before April 29, 2020, with a nominal amount of up to € 5,311,000,000.00 with or without definite maturity, and to grant the holders of the bonds conversion or option rights for the shares of the company in a proportionate amount of the share capital of up to € 177,053,114.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the profit-sharing rights (hereinafter referred to as “Terms and Conditions”). The Terms and Conditions in question may also provide for mandatory conversion at maturity or at other points in time, including the obligation to exercise the conversion or option right. The bonds may also be issued against contributions in kind.

In addition to issues in euros, the bonds may also be issued in the legal currency of an OECD country – limited to the appropriate equivalent amount in euros. Furthermore, the bonds may also be issued by companies that are, either directly or indirectly, dependent on, or majority-owned by the company; in such cases, the Management Board shall be authorised, on behalf of the company that is dependent on, or is majority-owned by the company, to assume the guarantee for the bonds and to grant the holders of such bonds conversion or option rights relating to shares in the company. When the bonds are issued, they may/generally shall be split into partial bonds of equal rank. Shareholders shall generally be granted a subscription right to acquire the bonds. The Management Board is, however, authorised to exclude shareholder subscription rights to the bonds with the consent of the Supervisory Board.

### Dividend

The Annual General Meeting held on April 30, 2015 in Düsseldorf resolved inter alia to pay a dividend for the 2014 financial year in the amount of 78 cents per share and subsequently distributed € 276.2 million.

## 21 Provisions

The provisions as at March 31, 2015, comprise provisions for pensions totalling € 551.5 million (Dec. 31, 2014: € 360.9 million), tax provisions for current income tax of € 100.0 million (Dec. 31, 2014: € 66.0 million) and other provisions totalling € 277.2 million (Dec. 31, 2014: € 206.5 million).

The increase in pension provisions is largely due to the provisional purchase price allocation as part of the acquisition of GAGFAH S.A. (see note [3] Scope of consolidation and business combinations).

Furthermore, the development in pension provisions was affected by the reduction in the discount rate to 1.35 % (Dec. 31, 2014: 1.9 %) and by the 0.25 percentage point reduction in the pension trend to 1.75 % (Dec. 31, 2014: 2.0 %). Actuarial losses were recognised in other comprehensive income.

## 22 Non-derivative financial liabilities

| | Mar. 31, 2015 | | Dec. 31, 2014 | |
|---|---|---|---|---|
| € million | non-current | current | non-current | current |
| **Non-derivative financial liabilities** | | | | |
| Banks | 7,060.5 | 171.3 | 2,418.5 | 58.8 |
| Other creditors | 5,249.9 | 14.2 | 4,121.0 | 10.5 |
| Deferred interest from non-derivative financial liabilities | – | 101.8 | – | 56.0 |
| | **12,310.4** | **287.3** | **6,539.5** | **125.3** |

The US dollar corporate bonds issued in 2013 are translated at the exchange rate prevailing on the balance sheet date in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 191.9 million lower than the recognised value.

The nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows:

| € million | Mar. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Bonds* | 1,300.0 | 1,300.0 |
| Bonds (US dollar)* | 739.8 | 739.8 |
| Bonds (EMTN)* | 2,000.0 | 1,000.0 |
| Bond (Hybrid)* | 700.0 | 700.0 |
| Portfolio loans | | |
| Norddeutsche Landesbank (1)* | 140.9 | 140.9 |
| Corealcredit Bank AG (1)* | 158.1 | 158.7 |
| Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)* | 578.9 | 582.5 |
| Nordrheinische Ärzteversorgung | 35.1 | 35.4 |
| AXA S.A. (Société Générale S.A.)* | 160.3 | 161.9 |
| Norddeutsche Landesbank (2)* | 125.8 | 126.5 |
| Berlin Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg* | 432.1 | 435.4 |
| Pfandbriefbank AG* | 179.2 | 180.2 |
| Deutsche Hypothekenbank* | 183.1 | 184.2 |
| Mortgages | 904.5 | 901.3 |
| **GAGFAH:** | | |
| GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF 2013-1)* | 1,919.0 | – |
| GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF 2013-2)* | 689.0 | – |
| Taurus* | 1,042.2 | – |
| Portfolio loans | | |
| HSH Nordbank* | 286.2 | – |
| Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)* | 230.0 | – |
| Corealcredit Bank AG (2)* | 99.4 | – |
| Mortgages | 344.9 | – |
| | **12,248.5** | **6,646.8** |

* Under the conditions of existing loan agreements, DAIG is obliged to fulfil certain financial covenants.

As at March 31, 2015, scheduled repayments of € 935.8 million and unscheduled repayments of € 9.1 million had been made across the entire DAIG Group. New loans of € 1,931.8 million were taken out.

As part of the acquisition of the GAGFAH Group, securitised loans (CMBS), portfolio loans and mortgages with a nominal volume of € 4,614.8 million were acquired.

### Issue of bonds under the EMTN - tap issuance (European Midterm Notes Programme)

Based on the current tap issuance master-agreement dated March 12, 2015 (€ 8,000,000,000 debt issuance programme), DAIG has issued bonds in two tranches of € 500 million each via its Dutch financing company. The bonds were placed on March 30, 2015 at an issue price of 99.263 %, a coupon of 0.875 % and with a maturity of five years for one tranche, and at an issue price of 98.455 %, a coupon of 1.50 % and with a maturity of ten years for the other. The fund inflows served to refinance a syndicated bridge facility as part of the acquisition of the GAGFAH Group.

As part of the first-time consolidation of GAGFAH, the following major financing arrangements were incorporated into the DAIG Group:

#### GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)

On June 19, 2013, GAGFAH concluded a loan agreement with a volume of € 1,998.1 million and a term of five years, which reaches maturity on August 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-1 Limited (GRF 2013-1). There is the option of extending the agreement for one year. The weighted average interest rate is 2.78 % as at March 31, 2015. The outstanding loan volume currently amounts to € 1,919.0 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loans (CMBS), the issuer executed a corresponding swap transaction. In accordance with IFRS 10, GRF 2013-1 is included by way of full consolidation in the consolidated financial statements of DAIG.

#### GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)

On October 17, 2013, GAGFAH concluded a loan agreement with a volume of € 699.7 million and a term of five years, which reaches maturity on November 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-2 Limited (GRF 2013-2). There is the option of extending the agreement for one year. The weighted average interest rate is 2.68 % as at March 31, 2015. The outstanding loan volume currently amounts to € 689.01 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loan (CMBS), the issuer executed corresponding swap transactions. In accordance with IFRS 10, GRF 2013-2 is included by way of full consolidation in the consolidated financial statements of DAIG.

#### Taurus 2013 PLC

On February 20, 2013, a loan agreement with a volume of € 1,060.5 million was agreed between Taurus 2013 PLC and GAGFAH. On May 13, 2013, this agreement was increased by € 17 million to € 1,077.5 million. The outstanding loan volume currently amounts to € 1,042.2 million. This loan has a term of five years with an option to extend it for one year. As a result, the normal maturity date of the loan is May 14, 2018. The loan is largely a fixed-rate loan with a variable component that currently accounts for less than 4 %. The weighted average interest rate is 3.35 % as at March 31, 2015. The loan is fully secured by way of land charges, account pledge agreements and assignments.

### HSH Nordbank AG

In connection with the acquisition of GAGFAH in March 2015, the following loans between GAGFAH and HSH Nordbank AG were assumed:

In September 2008, GAGFAH (Schweizer Viertel Grundstücks GmbH) took out a loan of € 37.2 million with HSH Nordbank, which had a value of € 36.0 million as at March 31, 2015. The variable rate loan has interest rate hedging in the form of a derivative financial instrument and the interest rate comes in at 5.39 % on the cut-off date. The loan reaches maturity on August 31, 2015. Securities were provided in the form of land charges, account pledge agreements and assignments.

In October 2013, GAGFAH took out another loan provided by HSH Nordbank AG with an initial volume of € 91 million and a final maturity date of October 21, 2020. The loan currently has a value of € 89.9 million. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate currently comes in at 3.74 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

In April 2014, GAGFAH concluded two loan agreements with a volume of € 176 million with HSH Nordbank AG. The loan consists of two tranches: the first tranche, which has a current volume of € 128.4 million (€ 55.3 million syndicated to UniCredit Bank AG), reaches maturity on April 22, 2021, whereas the second tranche, which has a volume of € 31.8 million, reaches maturity earlier, on April 22, 2017. Both tranches are variable rate loans and are currently hedged in part by a CAP. Based on the current EURIBOR interest rate, the weighted average interest rate is 1.9 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

### Berlin Hyp AG

On September 29, 2014, GAGFAH concluded a loan agreement with Berlin-Hannoversche Hypothekenbank AG with a total volume of € 230 million that reaches maturity on October 20, 2021. The entire amount was drawn down on December 18, 2014. The loan is fully secured, largely by way of land charges, account pledge agreements and assignments. The loan is a variable rate loan with an interest rate that is based on the 3M-EURIBOR. The loan has interest rate hedging in the form of a derivative financial instrument in an amount of € 160 million. Based on the financing structure, the outstanding loan amount of € 230.0 million is currently subject to a weighted average interest rate of around 2.06 % as at March 31, 2015.

### Corealcredit Bank AG

The variable rate loan between GAGFAH and Corealcredit Bank AG amounts to € 99.4 million as at March 31, 2015. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate on the loan comes in at 2.94 % on the cut-off date. The normal maturity date of the three tranches is October 14, 2016, although there is an option to extend them by one year. Securities were provided in the form of land charges, account pledge agreements and assignments.

## 23 Derivative financial instruments

| € million | Mar. 31, 2015 non-current | Mar. 31, 2015 current | Dec. 31, 2014 non-current | Dec. 31, 2014 current |
|---|---|---|---|---|
| **Derivatives** | | | | |
| Purchase price liabilities from put options | – | 33.8 | – | 21.7 |
| Cash flow hedges (interest rate swaps) | 166.6 | – | 54.5 | – |
| Stand-alone interest rate swaps | – | 0.7 | – | – |
| Deferred interest from derivatives | – | – | – | 0.2 |
| | **166.6** | **34.5** | **54.5** | **21.9** |

The nominal volume of a free-standing interest rate swap assumed in the context of the GAGFAH integration amounted to € 37.2 million on the reporting date. The interest rate conditions amount to 4.250 %, with the term ending on August 30, 2015. As of March 31, 2015 the negative market value of the interest rate swap amounted to € 0.7 million.

The valuation of the optional derivative financial instruments assumed as part of the GAGFAH integration (EUR interest rate caps) did not result in any amount being stated in the balance sheet, as their underlying contractual parameters currently have a fair value of close to zero.

Regarding further information to derivative financial instruments please refer to notes [27] Additional financial instrument disclosures and [29] Cash flow hedges.

## 24 Liabilities from finance leases

The liabilities from finance leases include € 92.7 million (Dec. 31, 2014: € 92.5 million) for the Spree-Bellevue property and € 4.2 million for liabilities from finance leases relating to inheritable rights assumed as part of the GAGFAH integration.

## 25 Income tax liabilities

The income tax liabilities result mainly from the obligations, assumed as part of the GAGFAH integration, to pay lump-sum tax retrospectively on the previously untaxed so-called EK02 amounts at a rate of 3 %.

## 26 Other liabilities

As part of the initial application of the IFRIC 21, the other liabilities report the yet unpaid land taxes attributable to 2015 in the amount of € 43.8 million.

# Other notes and dislosures

## 27 Additional financial instruments disclosures

| Measurement categories and classes:<br>€ million | Measurement category in acc. with IAS 39 | Carrying amounts Mar. 31, 2015 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | | |
| Cash on hand and deposits at banking institutions | LaR | 721.1 |
| Trade and other receivables | | |
| Receivables from the sale of properties | LaR | 66.6 |
| Receivables from property letting | LaR | 23.3 |
| Other receivables from trading | LaR | 1.7 |
| Financial assets | | |
| Associated companies valued at equity | n.a. | 4.1 |
| Loans to other investments | LaR | 33.5 |
| Other long-term loans | LaR | 4.6 |
| Dividends from other investments | LaR | 3.3 |
| Long-term securities | AfS | 7.2 |
| Other investments | AfS | 2.7 |
| Derivative financial assets | | |
| Cash flow hedges (cross currency swaps) | n.a. | 161.6 |
| Embedded Derivatives | FLHfT | 10.2 |
| Deferred interest from derivatives | n.a. | 1.6 |
| Liabilities | | |
| Trade and other payables | | |
| Liabilities from property letting | FLAC | 34.5 |
| Liabilities from other goods and services | FLAC | 69.7 |
| Non-derivative financial liabilities | | |
| Liabilities to banks | FLAC | 7,231.8 |
| Liabilities to other lenders | FLAC | 5,264.1 |
| Deferred interest from other non-derivative financial liabilities | FLAC | 101.8 |
| Derivative financial liabilities | | |
| Purchase price liabilities from put options | FLHfT | 33.8 |
| Stand-alone interest rate swaps | FLHfT | 0.7 |
| Cash flow hedges (interest rate swaps) | n.a. | 166.6 |
| Deferred interest from derivatives | n.a. | – |
| Liabilities from finance leases | n.a. | 96.9 |
| Liabilities to non-controlling interests | FLAC | 54.1 |
| thereof aggregated by measurement categories in accordance with IAS 39: | | |
| Loans and receivables | LaR | 854.1 |
| Available-for-sale financial assets | AfS | 9.9 |
| Financial liabilities held-for-trading | FLHfT | 44.7 |
| Financial liabilities measured at amortised cost | FLAC | 12,756.0 |
| Financial assets and financial liabilities not covered by IAS 39 | | |
| Employee benefits in accordance with IAS 19 | | |
| Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations | | 8.4 |
| Amount by which the fair value of plan assets exceeds the corresponding obligation | | 0.7 |
| Provisions for pensions and similar obligations | | 551.6 |

| Amounts recognised in balance sheet according to IAS 39 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Face value | Amortised cost | Acquisition cost | Fair value affecting net income | Fair value recognised in equity | Amounts recognised in balance sheet in acc. with IAS 17/ IAS28 | Fair value Mar. 31, 2015 | Fair value hierarchy level |
| | | | | | | | |
| | | | | | | | |
| 721.1 | | | | | | 721.1 | 1 |
| | | | | | | | |
| | 66.6 | | | | | 66.6 | 2 |
| | 23.3 | | | | | 23.3 | 2 |
| | 1.7 | | | | | 1.7 | 2 |
| | | | | | | | |
| | | | | | 4.1 | 4.1 | n.a. |
| | 33.5 | | | | | 70.5 | 2 |
| | 4.6 | | | | | 4.6 | 2 |
| | 3.3 | | | | | 3.3 | 2 |
| | | | | 7.2 | | 7.2 | 1 |
| | | 2.7 | | | | 2.7 | n.a. |
| | | | | | | | |
| | | | | | | 161.6 | 2 |
| | | | 10.2 | | | 10.2 | 2 |
| | | | | | | 1.6 | 2 |
| | | | | | | | |
| | | | | | | | |
| | 34.5 | | | | | 34.5 | 2 |
| | 69.7 | | | | | 69.7 | 2 |
| | | | | | | | |
| | 7,231.8 | | | | | 7,836.7 | 2 |
| | 5,264.1 | | | | | 5,668.6 | 2 |
| | 101.8 | | | | | 101.8 | 2 |
| | | | | | | | |
| | | | 33.8 | | | 33.8 | 3 |
| | | | 0.7 | | | 0.7 | 2 |
| | | | | | | 166.6 | 2 |
| | | | | | | – | 2 |
| | | | | | 96.9 | 178.7 | 2 |
| | 54.1 | | | | | 54.1 | 3 |
| | | | | | | | |
| 721.1 | 133.0 | – | – | – | – | 891.1 | |
| – | – | 2.7 | – | 7.2 | – | 9.9 | |
| – | – | – | 44.7 | – | – | 44.7 | |
| – | 12.756.0 | – | – | – | – | 13.765.4 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| Measurement categories and classes:<br>€ million | Measurement category in acc. with IAS 39 | Carrying amounts Dec. 31, 2014 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | | |
| Cash on hand and deposits at banking institutions | LaR | 714.8 |
| Commercial Papers | LaR | 450.0 |
| Money Market funds | AfS | 400.0 |
| Trade and other receivables | | |
| Receivables from the sale of properties | LaR | 49.8 |
| Receivables from property letting | LaR | 14.6 |
| Receivables from other management | LaR | 0.7 |
| Financial assets | | |
| Loans to other investments | LaR | 33.6 |
| Other long-term loans | LaR | 4.4 |
| Dividends from other investments | LaR | 2.0 |
| Long-term securities | AfS | 2.9 |
| Other investments | AfS | 1.7 |
| Derivative financial assets | | |
| Cash flow hedges (cross currency swaps) | n.a. | 50.6 |
| Liabilities | | |
| Trade and other payables | | |
| Liabilities from property letting | FLAC | 25.1 |
| Liabilities from other goods and services | FLAC | 27.4 |
| Non-derivative financial liabilities | | |
| Liabilities to banks | FLAC | 2,477.3 |
| Liabilities to other lenders | FLAC | 4,131.5 |
| Deferred interest from other non-derivative financial liabilities | FLAC | 56.0 |
| Derivative financial liabilities | | |
| Purchase price liabilities from put options | FLHfT | 21.7 |
| Cash flow hedges (cross currency swaps) | n.a. | – |
| Cash flow hedges (interest rate swaps) | n.a. | 54.5 |
| Deferred interest from cash flow hedges | n.a. | 0.3 |
| Liabilities from finance leases | n.a. | 92.5 |
| Liabilities to non-controlling interests | FLAC | 53.7 |
| thereof aggregated by measurement categories in accordance with IAS 39: | | |
| Loans and receivables | LaR | 1,269.9 |
| Available-for-sale financial assets | AfS | 404.6 |
| Financial liabilities held-for-trading | FLHfT | 21.7 |
| Financial liabilities measured at amortised cost | FLAC | 6,771.0 |
| Financial assets and financial liabilities not covered by IAS 39 | | |
| Employee benefits in accordance with IAS 19 | | |
| Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations | | 8.3 |
| Amount by which the fair value of plan assets exceeds the corresponding obligation | | 0.7 |
| Provisions for pensions and similar obligations | | 360.9 |

| | Amounts recognised in balance sheet according to IAS 39 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Face value | Amortised cost | Acquisition cost | Fair value affecting net income | Fair value recognised in equity | Amounts recognised in balance sheet in acc. with IAS 17 | Fair value Dec. 31, 2014 | Fair value hierarchy level |
| | | | | | | | | |
| | | | | | | | | |
| | 714.8 | | | | | | 714.8 | 1 |
| | | 450.0 | | | | | 450.0 | 2 |
| | | 400.0 | | | | | 400.0 | 2 |
| | | | | | | | | |
| | | 49.8 | | | | | 49.8 | 2 |
| | | 14.6 | | | | | 14.6 | 2 |
| | | 0.7 | | | | | 0.7 | 2 |
| | | | | | | | | |
| | | 33.6 | | | | | 55.3 | 2 |
| | | 4.4 | | | | | 4.4 | 2 |
| | | 2.0 | | | | | 2.0 | 2 |
| | | | | | 2.9 | | 2.9 | 1 |
| | | | 1.7 | | | | 1.7 | n.a. |
| | | | | | | | | |
| | | | | | | | 50.6 | 2 |
| | | | | | | | | |
| | | | | | | | | |
| | | 25.1 | | | | | 25.1 | 2 |
| | | 27.4 | | | | | 27.4 | 2 |
| | | | | | | | | |
| | | 2,477.3 | | | | | 2,735.2 | 2 |
| | | 4,131.5 | | | | | 4,446.0 | 2 |
| | | 56.0 | | | | | 56.0 | 2 |
| | | | | | | | | |
| | | | | 21.7 | | | 21.7 | 3 |
| | | | | | | | – | 2 |
| | | | | | | | 54.5 | 2 |
| | | | | | | | 0.3 | 2 |
| | | | | | | 92.5 | 162.8 | 2 |
| | | 53.7 | | | | | 53.7 | 3 |
| | | | | | | | | |
| | 714.8 | 555.1 | – | – | – | – | 1,291.6 | |
| | – | 400.0 | 1.7 | – | 2.9 | – | 404.6 | |
| | – | – | – | 21.7 | – | – | 21.7 | |
| | – | 6,771.0 | – | – | – | – | 7,343.4 | |
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The following table shows the assets and liabilities which are recognised in the balance sheet at fair value and their classification according to the fair value hierarchy:

| € million | Mar. 31, 2015 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | **20,635.9** | | | 20,635.9 |
| Available-for-sale financial assets | | | | |
| Non-current securities | **7.2** | 7.2 | | |
| Assets held for sale | | | | |
| Investment properties (contract closed) | **70.6** | | 70.6 | |
| Derivative financial assets | | | | |
| Cash flow hedges (cross currency swaps) | **161.6** | | 161.6 | |
| Embedded Derivatives | **10.2** | | 10.2 | |
| **Liabilities** | | | | |
| Derivative financial liabilities | | | | |
| Purchase price liabilities from put options | **33.8** | | | 33.8 |
| Stand alone interest rate swaps | **0.7** | | 0.7 | |
| Cash flow hedges (interest rate swaps) | **166.6** | | 166.6 | |

| € million | Dec. 31, 2014 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties | **12,687.2** | | | 12,687.2 |
| Available-for-sale financial assets | | | | |
| Non-current securities | **2.9** | 2.9 | | |
| Assets held for sale | | | | |
| Investment properties (contract closed) | **53.8** | | 53.8 | |
| **Liabilities** | | | | |
| Derivative financial liabilities | | | | |
| Purchase price liabilities from put options | **21.7** | | | 21.7 |
| Cash flow hedges | **54.5** | | 54.5 | |

When inputs used to measure the fair value are categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Should the level of the input parameters used for a financial instrument change in a period subsequent to initial recognition, the financial instrument is reclassified to the new hierarchy level as at the end of that reporting period. No financial instruments were reclassified to different hierarchy levels during the reporting period.

DAIG measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The main measurement parameters and results can be found in note [14] Investment Properties.

The investment properties classified as assets held for sale are recognised at the time of their transfer to assets held for sale at their new fair value, the agreed purchase price (Level 2).

Non-current securities are measured using the quoted prices in active markets (Level 1).

For the measurement of interest rate swaps and cross currency swaps, cash flows are initially calculated and then discounted. In addition to the tenor-specific zero-rates, the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either DAIG's own credit risk or the counterparty risk is taken into account in the calculation. For the consolidated financial statements, DAIG's own credit risk was relevant for EUR interest rate swaps. This credit risk is derived for major risks from rates observable on the capital markets and ranges of between 45 and 85 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross currency swaps, a counterparty risk of between 50 and 120 basis points was taken into account.

The optional derivative financial instruments (EUR interest rate caps) assumed as part of the GAGFAH integration were measured using accredited option pricing models.

The non-derivative financial liabilities, the liabilities from finance leases and the liabilities to non-controlling shareholders are measured at fair value by discounting contractually agreed future cash flows.

The fair value of the purchase price obligations from put options granted to minority shareholders for the shares they hold is generally based on the going concern value of the company; if a contractually agreed minimum purchase price exceeds this amount, this purchase price is recognised (Level 3). The unobservable valuation parameters may fluctuate depending on the going concern values of these companies. However, a major change in value is not likely, as the business model is very predictable.

The following table shows the development of the put options recognised at fair value:

| € million | Jan. 1 | Change scope of consolidation | Change affecting net income | Change cash-effective | Mar. 31 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Purchase price liabilities from put options | **21.7** | 12.1 | – | – | 33.8 |

| € million | Jan. 1 | Change scope of consolidation | Change affecting net income | Change cash-effective | Dec. 31 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Purchase price liabilities from put options | 7.4 | 18.6 | 3.9 | -8.2 | 21.7 |

As part of the acquisition of GAGFAH an option was agreed with the co-investor J.P. Morgan Securities plc. As at the date of first time consolidation, this option had a fair value of € 12.1 million.

In order to measure interest rate swaps, future cash flows are calculated and then discounted (Level 2). The calculated cash flows result from the contract conditions. The contract conditions refer to the EURIBOR reference rates (3M and 6M EURIBOR).

The calculated cash flows of the currency swap result from the forward curve for USD/EUR. The cash flows are discounted on the basis of the reference interest rate of each currency (LIBOR and EURIBOR) and translated into EURO at the current exchange rate (Level 2).

As part of the acquisition of GAGFAH, unused credit lines of € 64 million were assumed. These relate to a liquidity line that currently totals € 47 million between Goldman Sachs Bank USA and GERMAN RESIDENTIAL FUNDING 2013-1 LIMITED, as well as a liquidity line that currently totals € 17 million between Bank of America N.A., London branch, and GERMAN RESIDENTIAL FUNDING 2013-2 LIMITED.

There is also a loan agreement with a volume of € 112 million between UniCredit Bank and Griffin Flats NRW GmbH that has not been used.

## 28 Financial risk management

The financial risks existing in DAIG have not changed significantly since December 31, 2014.

Please refer to the notes to the consolidated financial statements as at December 31, 2014 for a detailed description of the interest, credit default, market and liquidity risks.

## 29 Cash flow hedges

At the reporting date, the nominal volume of the interest rate swaps included in cash flow hedging amounted to € 3,624.2 million (December 31, 2014: € 734.1 million). Interest rates vary between 0.683 % and 4.470 % with original swap periods of between three and ten years.

The nominal volume of the cross currency swaps is still € 739.8 million at the reporting date (December 31, 2014: € 739.8 million). The interest conditions are 2.970 % for four years and 4.580 % for ten years.

As part of the cash flow hedge accounting, non-current derivatives were shown as at March 31, 2015 at their negative fair values totalling € 166.6 million (Dec. 31, 2014: € 54.5 million) under other financial liabilities. This compared with non-current derivatives with positive fair values totalling € 161.6 million (Dec. 31, 2014: € 50.6 million) shown under financial assets.

At the balance sheet date, all the cash flow hedges used by DAIG are part of effective hedging as required by IAS 39.

## 30 Segment reporting

DAIG is an integrated real estate company. Its policy focuses on sustainably increasing the value of the company. DAIG steadily strives to grow its earnings through the value-enhancing management of its properties, through value-creating investments as well as through active portfolio management. The housing stocks are located exclusively in Germany.

The systematic focus on value is reflected in the company's internal management system. For this purpose, a distinction is made between the two segments, Rental and Sales.

The Rental segment pools all business activities for active management as well as investments in the residential properties.

Only ancillary costs that cannot be passed on to the tenants are included in the Rental segment. The other income from property management is offset against the operating costs within the Rental segment and is therefore not shown gross as sales. The maintenance shown includes the services of the Group's own craftsmen's organisation measured at the market price, among other things.

The Sales segment covers all business activities relating to the sale of single units (Privatise) as well as the sale of entire buildings or plots of land (Non-Core sales).

A group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored.

Reporting to the chief decision-makers and thus the assessment of business performance as well as the allocation of resources are performed on the basis of this segmentation. Accordingly, segment reporting is presented in accordance with IFRS 8.22. No segmentation by region is performed. Assets and liabilities are not viewed separately by segment.

Internal reporting is generally based on the IFRS reporting standards.

The Management Board as chief decision-makers of the DAIG assess the contribuition of the business segments to the company's performance on the basis of the revenues as well as the segment result. The segment result represents earnings before interest, taxes, depreciation and amortisation adjusted for items not related to the period, recurring irregularly and atypical for the business operation and excluding effects from revaluations in accordance with IAS 40 (adjusted EBITDA).

| € million | Rental | Sales | Other* | Group |
|---|---|---|---|---|
| **Jan. 1 – Mar. 31, 2015** | | | | |
| **Segment revenues** | **263.6** | **123.0** | **123.2** | **509.8** |
| Carrying amount of properties sold | | -115.8 | | |
| Revaluation from disposal of assets held for sale | | 7.2 | | |
| Maintenance | -43.8 | | | |
| Operating expenses | -37.3 | -4.9 | -123.2 | |
| **EBITDA (adjusted)** | **182.5** | **9.5** | **0.0** | **192.0** |
| Non-recurring items | | | | -38.9 |
| Period adjustments from assets held for sale | | | | 0.1 |
| **EBITDA IFRS** | | | | **153.2** |
| Net income from fair value adjustments of investment properties | | | | 0.0 |
| Depreciation and amortisation | | | | -2.0 |
| Income from other investments | | | | 0.0 |
| Financial income | | | | 0.7 |
| Financial expenses | | | | -98.8 |
| **EBT** | | | | **53.1** |
| Income taxes | | | | -22.8 |
| **Profit for the period** | | | | **30.3** |

* Includes ancillary costs of € 117.3 million and other income from property management of € 5.9 million

| € million | Rental | Sales | Other* | Group |
|---|---|---|---|---|
| **Jan. 1 – Mar. 31, 2014** | | | | |
| **Segment revenues** | **180.5** | **60.2** | **84.7** | **325.4** |
| Carrying amount of properties sold | | -54.2 | | |
| Revaluation from disposal of assets held for sale | | 6.6 | | |
| Maintenance | -34.0 | | | |
| Operating expenses | -37.0 | -3.4 | -84.7 | |
| **EBITDA (adjusted)** | **109.5** | **9.2** | **0.0** | **118.7** |
| Non-recurring items | | | | -20.8 |
| Period adjustments from assets held for sale | | | | -0.5 |
| **EBITDA IFRS** | | | | **97.4** |
| Net income from fair value adjustments of investment properties | | | | 19.8 |
| Depreciation and amortisation | | | | -1.6 |
| Income from other investments | | | | 0.0 |
| Financial income | | | | 1.4 |
| Financial expenses | | | | -59.8 |
| **EBT** | | | | **57.2** |
| Income taxes | | | | -18.9 |
| **Profit for the period** | | | | **38.3** |

* Includes ancillary costs of € 80.2 million and other income from property management of € 4.5 million..

## 31 Contingent liabilities

The property transfer obligations decreased by € 0.9 million from € 1.7 million as at December 31, 2014 to € 0.8 million. A detailed description of contingent liabilities can be found in the consolidated financial statements as at December 31, 2014.

## 32 Share-based payments for executives

With effect from January 1, 2015, the Supervisory Board passed a resolution on a new virtual share programme (new LTIP) for the Management Board members of DAIG, which was confirmed by the Annual General Meeting held on April 30, 2015. This programme constitutes a long-term variable remuneration instrument to encourage the executives to participate in the company's long-term development. This will result in Management Board members receiving virtual shares (performance share units "PSU") as of January 1 for a period of four years. These virtual shares will be based on their target achievement level and will be paid out after the performance period comes to an end. In accordance with IFRS, the new LTIP programme has resulted in total expenses of € 0.1 million as at March 31, 2015.

As part of the acquisition of GAGFAH, share-based remuneration programmes for managers were taken over. These are remuneration plans featuring cash compensation. The virtual stock options are granted over a period of three consecutive years, with one tranche being granted per year. The conditions for exercise are the corresponding target achievement level and an uninterrupted length of service over each vesting period. In accordance with IFRS, the LTIP programme acquired has resulted in total expenses of € 0.1 million as at March 31, 2015.

## 33 Events after the balance-sheet date

### Subsequent events that are relevant from an equity perspective

Explanatory information on the changes to the authorised capital, the conditional capital and the dividend distribution after the balance sheet date are provided in the note relating to equity [20].

### Completion of the acquisition of the Franconia portfolio

On April 1, 2015, the combined purchase of shares and properties of the “Franconia portfolio” with regard to approximately 5,000 residential units from CitCor Residential Holdings S.à r.l as well as selected subsidiaries was completed by way of the transfer of the shares/properties. The purchase price of € 316.8 million had already been paid in March 2015.

### Renaming

The Annual General Meeting held on April 30, 2015 approved the move to rename the company Vonovia SE. The entry in the Commercial Register and the implementation of the new name are scheduled for the autumn of 2015 at the latest.

### GAGFAH acquisition – put option based on the Luxembourg Takeover Law

As part of the put option based on the Luxembourg Takeover Act, 12,355,521 GAGFAH shares had been tendered on May 10, 2015. For further information, please refer to the comments set out in note [3] Scope of consolidation and business combinations.

Düsseldorf, May 22, 2015

| | | |
|---|---|---|
| Rolf Buch<br>(CEO) | Thomas Zinnöcker<br>(CRO) | Klaus Freiberg<br>(COO) |
| Dr A. Stefan Kirsten<br>(CFO) | Gerald Klinck<br>(CCO) | |

# Review Report

To Deutsche Annington Immobilien SE, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements of the Deutsche Annington Immobilien SE -- comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the condensed interim consolidated financial statements -- together with the interim group management report of the Deutsche Annington Immobilien SE for the period from January 1 to March 31, 2015, that are part of the quarterly financial report according to § 37x Abs. 3 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements "Review of interim Financial Information performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Essen, May 22, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dr. Hain | Salzmann |
| Wirtschaftsprüfer | Wirtschaftsprüferin |

# Information

# Glossary

### Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation)
Adjusted EBITDA is the result before interest, taxes, depreciation and amortisation (including income from other investments) adjusted for special effects which do not relate to the period, are non-recurring or do not relate to the object of the company and for net income from fair value adjustments to investment properties. These non-recurring items include the development of new business areas and business processes, acquisition projects, expenses for refinancing and equity increases (where not treated as capital procurement costs), IPO preparation costs and expenses for pre-retirement part-time work arrangements and severance payments.

### Adjusted EBITDA Rental
The adjusted EBITDA Rental is calculated by deducting property management costs and maintenance expenses from the Group's rental income.

### Adjusted EBITDA Sales
The adjusted EBITDA Sales is calculated by subtracting all operating expenses (excl. overheads) incurred in connection with sales activities from the profit on the disposal of properties generated by the Group and by adjusting the profit on the disposal of properties to reflect certain reclassification and time effects.

### Adjusted NAV
The adjusted NAV is equal to the EPRA NAV less goodwill.

### Cash-generating unit (CGU)
The cash-generating unit refers, in connection with the impairment testing of goodwill, to the smallest group of assets that generates cash inflows and outflows independently of the use of other assets or other cash-generating units (CGUs).

### CMBS (commercial mortgage-backed securities)
Securities backed by mortgages. The properties used as collateral are commercial.

### Core/Non-Core properties
Properties which are assigned to the company's Core or Non-Core real estate portfolios. Non-Core properties are less attractive management propositions because they are at odds with our processes or due to their characteristics or location. Furthermore, significant numbers of these properties have below-average growth potential and will be sold in the medium term in line with the corporate strategy. Core properties are our properties in the Rental Only and Privatise portfolios.

### Covenants
Requirements specified in loan agreements or bond conditions containing future obligations of the borrower or the bond obligor to meet specific requirements or to refrain from undertaking certain activities.

### CSI (customer satisfaction index))
The CSI is determined at regular intervals by means of systematic customer surveys and reflects how our services are perceived and accepted by our customers. The CSI is determined on the basis of points given by the customers for our properties and their neighbourhood, customer service, commercial and technical support as well as maintenance and modernisation management.

### EPRA (European Public Real Estate Association)
Organisation domiciled in Brussels which represents the interests of the large European property companies in the public eye and supports the development and market presence of the European publicly listed real estate companies.

### EPRA NAV
EPRA NAV is used as an indicator of Deutsche Annington's long-term equity and is calculated based on the equity of DAIG's shareholders ("EPRA NNNAV") excluding the fair value of derivative financial instruments (net) and deferred taxes on investment properties, properties held for sale and derivative financial instruments.

### EPRA vacancy rate
The EPRA vacancy rate shows the rental income on vacant properties that would be expected based on market rent values in relation to the rental income on the residential property portfolio, based on market rent values.

### Fair value
Valuation pursuant to IAS 40 in conjunction with IFRS 13. The estimated value of an asset. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

### Fair value step-up
Fair value step-up is the difference between the income from selling a residential unit and its current market value in relation to its fair value. It shows the percentage increase in value for the company on the sale of a residential unit before further costs to sell.

### FFO (funds from operations)
FFO is the long-term earnings power of the operating business. In addition to adjusted EBITDA, FFO allows for recurring cash-effective net interest expenses from non-derivative financial instruments as well as income taxes. This metric is not determined on the basis of any specific international reporting standard but is to be regarded as a supplement to other performance indicators determined in accordance with IFRS.

### FFO 1/FFO 1 before maintenance/FFO2/AFFO
The Deutsche Annington Immobilien Group differentiates between the following:

FFO 1: The profit or loss for the period adjusted to reflect the adjusted profit or loss from sales, the effects from property held for sale, special effects which do not relate to the period, are non-recurring or do not relate to the object of the company, one-off/special effects, the net income from fair value adjustments of investment properties, depreciation and amortisation, deferred and prior-year current taxes (tax expenses/income), transaction costs, prepayment penalties and commitment interest, valuation effects on financial instruments, the unwinding of discounting for provisions, particularly pension provisions, and other prior-year interest expenses and income that are not of a long-term nature.

For the purposes of FFO 1 (before maintenance), FFO 1 is adjusted to reflect maintenance expenses.

AFFO refers to capex-adjusted FFO 1 in which FFO 1 is adjusted for capitalised maintenance.

In order to calculate FFO 2, the adjusted EBITDA Sales is added to FFO 1 for the periods in question.

### LTV ratio (loan-to-value ratio)
The LTV ratio refers to the coverage ratio of financial liabilities. It shows the ratio of non-derivative financial liabilities pursuant to IFRS, less cash and cash equivalents, to the total fair values of the investment properties, trading properties, properties used by the company itself and assets held for sale.

### Maintenance
Maintenance covers the measures which are necessary to ensure that the property can continue to be used as intended over its useful life and which eliminate structural and other defects caused by wear and tear, age and weathering effects.

### Modernisation measures
Modernisation measures are long-term and sustainable value-enhancing investments in housing and building stocks. Energy-efficient refurbishments generally involve improvements to the building shell and communal areas as well as the heat and electricity supply systems. Typical examples are the installation of heating systems, the renovation of balconies and the retrofitting of prefabricated balconies as well as the implementation of energy-saving projects, such as the installation of double-glazed windows and heat insulation, e.g. façade insulation, insulation of the top storey ceilings and cellar ceilings. In addition to modernisation of the apartment electrics, the refurbishment work upgrades the apartments, typically through the installation of modern and/or handicapped-accessible bathrooms, the installation of new doors and the laying of high-quality and non-slip flooring. Where required, the floor plans are altered to meet changed housing needs.

### Monthly in-place rent
The monthly in-place rent is measured in € per square metre and is the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements at the end of the relevant month before deduction of non-transferable ancillary costs divided by the living area of the rented residential units. The in-place rent is often referred to as the net cold rent. The monthly in-place rent (in € per square metre) like for like refers to the monthly in-place rent for the residential portfolio that was already held by Deutsche Annington 12 months previously, i.e. portfolio changes during this period are not included in the calculation of the in-place rent like for like.

### Rating
Classification of debtors or securities with regard to their creditworthiness or credit quality according to credit ratings. The classification is generally performed by rating agencies.

### Rental income

Rental income refers to the current gross income for rented residential units as agreed in the corresponding rent agreements before the deduction of non-transferable ancillary costs.

### Vacancy rate

The vacancy rate is the number of empty housing units as a percentage of the total housing units owned by the company. The vacant units are counted at the end of each month.

# Contact

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# Financial Calendar

| | |
|---|---|
| **April 30, 2015** | Annual General Meeting, Düsseldorf |
| **June 1, 2015** | Interim Report Q1 2015 |
| **August 19, 2015** | Interim Report H1 2015 |
| **November 3, 2015** | Interim Report Q3 2015 |

**Note**
This Interim Financial Report is published in German and English. The German version is always the authoritative text. The Interim Financial Report can be found on the website at www.deutsche-annington.com.

**Disclaimer**
This report contains forward-looking statements. These statements are based on current experience, assumptions and projections of the Management Board as well as information currently available to the Board. The forward-looking statements are not guarantees of the future developments and results mentioned therein. The future developments and results depend on a large number of factors. They involve certain risks and uncertainties and are based on assumptions that may prove to be inaccurate. These risk factors include but are not limited to those discussed in the Risk Report of the 2014 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security of Deutsche Annington Immobilien SE.

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