INTERIM FINANCIAL REPORT

First Half-Year 2014

Deutsche Annington Immobilien SE   Interim Financial Report First Half-Year 2014

www.deutsche-annington.com

DEUTSCHE ANNINGTON

Key Figures	H1 2014	H1 2013	Change (%)
€ million			
Rental income	376.7	364.0	3.5
Adjusted EBITDA Rental	236.0	222.1	6.3
Income from disposal of properties	138.9	166.9	-16.8
Adjusted EBITDA Sales	22.4	19.6	14.3
Adjusted EBITDA	258.4	241.7	6.9
Total maintenance and modernisation work	141.5	89.4	58.3
thereof maintenance	69.1	71.5	-3.4
thereof capitalised maintenance	11.0	11.6	-5.2
thereof modernisation	61.4	6.3	-
Interest expense FFO	-98.9	-114.7	-13.8
FFO 1	130.3	103.4	26.0
FFO 2	152.7	123.0	24.1
AFFO	119.5	91.8	30.2
FFO 1 per share in €*	0.54	0.52	4.9

* Based on the shares qualifying for a dividend on the reporting date Jun. 30, 2014: 240,242,425; Jun. 30, 2013: 200,000,000

Key Balance Sheet Figures	Jun. 30, 2014	Dec. 31, 2013	Change (%)
Fair value	11,369.2	10,326.7	10.1
NAV	5,038.2	4,782.2	5.4
LTV (%)	51.2	50.2	1.0 pp
NAV per share in €*	20.97	21.33	-1.7

* Based on the shares qualifying for a dividend on the reporting date Jun. 30, 2014: 240,242,425; Dec. 31, 2013: 224,242,425

Non-Financial Figures	H1 2014	H1 2013	Change (%)
Number of units managed	211,726	206,382	2.6
thereof own apartments	184,682	179,358	3.0
thereof apartments owned by others	27,044	27,024	0.1
Number of units bought	11,307	-	100.0
Number of units sold	1,892	2,587	-26.9
thereof Privatise	1,190	1,457	-18.3
thereof Non-Core	702	1,130	-37.9
Vacancy rate (%)	3.8	3.9	-0.1 pp
Monthly in-place rent in €/m²	5.56	5.35	4.0
Monthly in-place rent in €/m² (like-for-like without DeWAG)	5.49	5.38	2.0
Number of employees (as at June 30)	3,283	2,683	22.4

Other Financial Figures	H1 2014	H1 2013	Change (%)
€ million			
Income from fair value adjustments of investment properties	20.8	523.9	-96.0
EBITDA IFRS	225.8	225.9	0.0
EBT	100.6	625.5	-83.9
Profit for the period	70.0	440.2	-84.1
Cash flow from operating activities	194.1	151.8	27.9
Cash flow from investing activities	-263.2	126.5	-
Cash flow from financing activities	-149.5	-526.0	-71.6

Contents

Dear Shareholders,

The first half of 2014 is behind us, and once again we can be positive about the last six months: we are “on track” or better in all relevant areas. Our income has improved on the previous year. Our investment programme is also putting record sums into quality of living and, by extension, our future rents. We are well ahead of our targets in some operational areas. This is why, today, we are revising our 2014 earnings forecast upwards. Taking the pro-rata contribution of our acquisitions into account, we believe that FFO 1 for 2014 will now be higher than the previously anticipated range of € 250 million to € 265 million. We still intend to distribute 70 % of this as a dividend.

We will also increase our total capital expenditure by a further € 10 million to € 160 million. Part of this increase will come from units in the DeWAG portfolio.

Due to our outstanding sales performance, we now expect 2,000 to 2,100 apartments to be privatised this year (up from 1,800 units), while the margin will be 30–35 % – much higher than the previously planned figure of at least 20 %. We remain committed to our plans to increase rent by between 2.3 % and 2.6 %.

Let’s take a quick look at our core segment: we were able to increase rental income in the Rental segment by a pleasing 3.5 % compared with the previous six months. When the new stocks are taken into account, monthly in-place rent per square metre went up from € 5.35 to € 5.56. The vacancy rate went down again, from 3.9 % to 3.8 %. We were also able to improve our cost structures by making optimisations in receivables management and service charge billing, for example. The cost per unit is currently around € 800, which is already lower than the goal of less than € 800 that we set for the end of 2014.

The continued expansion of our craftsmen’s organisation also had a positive impact on our cost structures. We are extremely happy with its performance, particularly because the expansion is proceeding much better than planned. Our DTGS subsidiary now has 1,262 craftsmen, making it the largest craftsmen’s organisation in the housing industry. And its processes work well. Our employees demonstrated this during the storms over the Pentecost weekend.

As expected, business in the Sales segment was somewhat subdued, but still better than planned. We sold 1,892 apartments in the first half of the year, far fewer units than in the first six months of the previous year. We are pleased to report that our average return on sales was far higher than our previous year’s figures and our targets.

Our performance indicators also improved: FFO 1 came to € 130.3 million, 26.0 % higher than in the first half of the previous year. Compared with the first half of 2013, adjusted EBITDA went up 6.9 % from € 241.7 million to € 258.4 million. NAV per share came to € 20.97, down slightly on the balance sheet date. This was primarily due to the increase in the number of shares as a result of the capital increase in March, as well as the distribution of the dividend of € 0.70 following the Annual General Meeting in May.

The organisational consolidation and financing of the Vitus and DeWAG portfolios, which were acquired this year and have more than 41,000 apartments in total, is advancing well. We closed the DeWAG acquisition on April 1 as scheduled. Thanks to the outstanding functionality of our platform and our well-coordinated team, we subsequently integrated around 11,000 apartments in June, twice as quickly as planned. Our second acquisition, Vitus, with around 30,000 apartments, is on schedule: we still expect to close the transaction on October 1. The integration should be completed by the end of the year.

We again placed a bond at historically low rates at the start of July in order to finance both acquisitions. The bond has a volume of € 500 million, a term of eight years and an interest rate of 2.125 %. We managed to attract new private investors by dividing the bond into shares of € 1,000 each. The bond was placed following the issue of a hybrid bond with a volume of € 700 million in April, and March’s cash capital increase which generated gross proceeds of € 304 million. It was the last major step in financing the two transactions.

The wide range of measures that we use to finance the development of our business is unique in the German real estate sector and gives us a great deal of flexibility when we need to raise capital. Together with the extremely attractive coupons, the healthy demand in the national and international capital market shows that investors have an extremely high level of confidence in our sustainable business model.

Klaus Freiberg
Member of the Management Board, COO

Rolf Buch
Chairman of the Management Board, CEO

Dr A. Stefan Kirsten
Member of the Management Board, CFO

This positive performance is reflected in the trend of the share price, which has gone up by 30.2 % over the past twelve months. It outperformed the EPRA Europe real estate index and the German MDAX. Analyst coverage is also positive: 13 of the 17 experts now recommend our share as a buy. We regard both of these factors as a demonstration of the fact that investors are convinced of our company’s potential.

Our shareholders will benefit from our company’s success for the first time in 2014. We will distribute a dividend of € 0.70 per share and a dividend yield of 3.9 % in relation to the share’s closing price on December 31, 2013.

Following the capital increase and the placement of shares held by major shareholder CPI Capital Partners in March 2014, we again significantly increased the liquidity and trading volume of the share by reallocating additional shares in the second quarter: our previous major shareholders, Terra Firma and CPI Capital Partners, placed a total of 30 million shares on the market in May 2014. Terra Firma also passed the majority of its shares directly to its own fund investors, who can now act independently. The significant increase in the free float sent the number of shares traded each day during the reporting period up to just under 300,000. In the previous twelve months, the daily trading volume was just 130,000 shares.

We feel responsible for our tenants. That’s why we continuously invest in the quality of our apartments. We will be spending around € 330 million this year as part of our maintenance and investment programme. This corresponds to a further increase of around € 20 million compared with our original planning. We expect capital expenditure to total approximately € 160 million in the 2014 financial year. This includes the additional potential for investments arising from the acquisition of the DeWAG portfolio. The expenses for our maintenance and investment programme will come to more than € 29 per square metre, well above average for the sector. We introduced a new system to help us evaluate portfolios, and this will also help us to evaluate potential acquisitions.

Last year, we repeatedly emphasised how our focus is on the satisfaction of our customers. We turned words into deeds by expanding our core business and improving our on-site support. We will continue this process in the second half of the year and improve Deutsche Annington for everyone involved. Thank you for the trust that you have placed in us.

Bochum, July 28, 2014

Rolf Buch (CEO)	Klaus Freiberg (COO)	Dr A. Stefan Kirsten (CFO)

INTERIM MANAGEMENT REPORT

Fundamental Information about the Group

BUSINESS MODEL

The company
With some 185,000 residential units worth a total of € 11.4 billion, Deutsche Annington Immobilien SE is one of the leading real estate companies in Europe.

Today, the Deutsche Annington Immobilien Group (DAIG) is the biggest housing company in Germany measured by fair value and the number of residential units. As at June 30, 2014, we managed a total of 184,682 residential units of our own, 45,808 garages and parking spaces as well as 1,262 commercial units. We also managed 27,044 residential units for other owners. The Deutsche Annington Immobilien Group provides housing in 550 towns and municipalities throughout Germany.

The DeWAG transaction was closed as planned with effect from April 1, 2014. As a result, a stock of 11,307 residential units, 198 commercial properties and 5,366 garages and parking spaces was added to the Deutsche Annington portfolio in the second quarter of 2014.

Portfolio structure
The portfolio of residential units – centring on the conurbations of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg – at the time of acquisition breaks down as follows:

HOUSING STOCKS ACQUIRED FROM DEWAG

				In-place rent	
as at April 01, 2014	Units	Living area (thousand m²)	Vacancy rate (%)	(p.a. € million)	(€/m²/ month)
Operate	4,835	328	2.6	24.3	6.35
Upgrade Buildings	2,479	161	3.9	14.3	7.68
Optimise Apartments	1,538	100	7.7	7.4	6.66
RENTAL ONLY	**8,852**	**590**	**3.9**	**46.0**	**6.77**
Privatise	2,102	146	5.9	10.6	6.42
Non-Core	353	23	6.5	1.5	6.09
TOTAL	**11,307**	**759**	**4.3**	**58.1**	**6.68**

Following the acquisition, the overall portfolio of Deutsche Annington as at June 30, 2014 breaks down as follows:

TOTAL HOUSING STOCKS OF DEUTSCHE ANNINGTON

			Vacancy rate		In-place rent		
as at June 30, 2014	Units	Living area (thousand m²)	(%)	Change (% points)	(p.a. € million)	(€/m²/ month)	Change like-for-like (%)*
Operate	72,769	4,618	3.0	- 0.1	301.4	5.61	+ 1.5
Upgrade Buildings	47,965	3,031	3.1	0.1	194.5	5.52	+ 2.2
Optimise Apartments	33,479	2,129	3.3	1.3	146.6	5.94	+ 3.2
RENTAL ONLY	**154,213**	**9,778**	**3.1**	**0.2**	**642.4**	**5.65**	**+ 2.1**
Privatise	20,790	1,423	5.0	- 0.2	88.3	5.44	+ 1.7
Non-Core	9,679	608	11.9	0.3	27.6	4.30	+ 0.9
TOTAL	**184,682**	**11,809**	**3.8**	**- 0.1**	**758.3**	**5.56**	**+ 2.0**

* Excluding DeWAG

Regional distribution of the entire portfolio

HOUSING STOCKS BY GERMAN STATE

				In-place rent	
as at June 30, 2014	Units	Living area (thousand m²)	Vacancy rate (%)	(p.a. € million)	(€/m²/ month)
North Rhine-Westphalia	95,054	5,955	4.0	358.0	5.23
Hesse	22,651	1,439	2.0	113.5	6.70
Bavaria	16,839	1,119	2.1	79.2	6.02
Berlin	13,634	882	1.8	60.7	5.84
Schleswig-Holstein	11,152	695	5.3	40.8	5.17
Lower Saxony	5,943	404	8.2	23.1	5.18
Baden-Württemberg	5,737	396	2.9	26.3	5.71
Rhineland-Palatinate	5,042	357	3.1	22.1	5.32
Saxony	3,190	200	8.2	10.8	4.92
Hamburg	1,841	110	3.3	9.6	7.48
Saxony-Anhalt	1,276	88	18.8	3.9	4.53
Thuringia	1,027	66	7.6	3.9	5.31
Mecklenburg-Western Pomerania	642	49	2.8	3.3	5.71
Brandenburg	576	42	4.9	2.8	5.87
Bremen	64	5	7.8	0.3	5.94
Saarland	14	1	0.0	0.1	4.69
TOTAL	**184,682**	**11,809**	**3.8**	**758.3**	**5.56**

HOUSING STOCKS 25 LARGEST LOCATIONS

as at June 30, 2014	Units	Living area (thousand m²)	Vacancy rate (%)	In-place rent (p.a. € million)	In-place rent (€/m²/month)
Dortmund	17,503	1,069	3.2	60.5	4.88
Berlin	13,634	882	1.8	60.7	5.84
Frankfurt am Main	10,666	661	1.0	57.0	7.26
Essen	9,465	582	5.5	34.6	5.25
Bochum	7,559	435	2.6	26.3	5.18
Gelsenkirchen	7,447	455	6.0	24.2	4.71
Munich	4,926	327	1.5	25.5	6.59
Duisburg	4,918	297	4.3	17.1	5.03
Cologne	4,654	306	2.3	24.0	6.70
Herne	4,548	278	4.9	15.2	4.78
Bonn	4,191	294	2.0	21.4	6.21
Gladbeck	3,231	198	3.9	11.3	4.96
Düsseldorf	2,686	176	2.6	14.7	7.14
Herten	2,673	171	4.8	9.1	4.62
Wiesbaden	2,355	158	3.4	13.7	7.49
Aachen	2,284	151	3.2	9.7	5.53
Marl	2,095	138	6.8	7.8	5.08
Geesthacht	1,983	113	4.1	7.3	5.60
Bottrop	1,876	118	3.1	7.0	5.11
Bergkamen	1,870	122	6.7	6.2	4.59
Hamburg	1,841	110	3.3	9.6	7.48
Kassel	1,834	114	4.2	6.6	4.99
Augsburg	1,810	100	2.9	7.4	6.41
Castrop-Rauxel	1,744	102	3.2	6.1	5.14
Recklinghausen	1,647	109	2.3	6.2	4.88
Subtotal of the 25 largest locations	**119,440**	**7,465**	**3.3**	**489.1**	**5.65**
Other locations	65,242	4,344	4.7	269.2	5.41
Total	**184,682**	**11,809**	**3.8**	**758.3**	**5.56**

MANAGEMENT SYSTEM

Our company policy focuses on sustainably increasing the value of the company. As is customary in the industry, this is expressed in the net asset value (NAV); in determining NAV, we are guided by the official 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 properties. 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 used for the management system, please refer to the statements in the combined management report for the 2013 financial year, which remain valid. The management report is available on the Deutsche Annington website, www.deutsche-annington.com.

SHARE AND CAPITAL MARKET

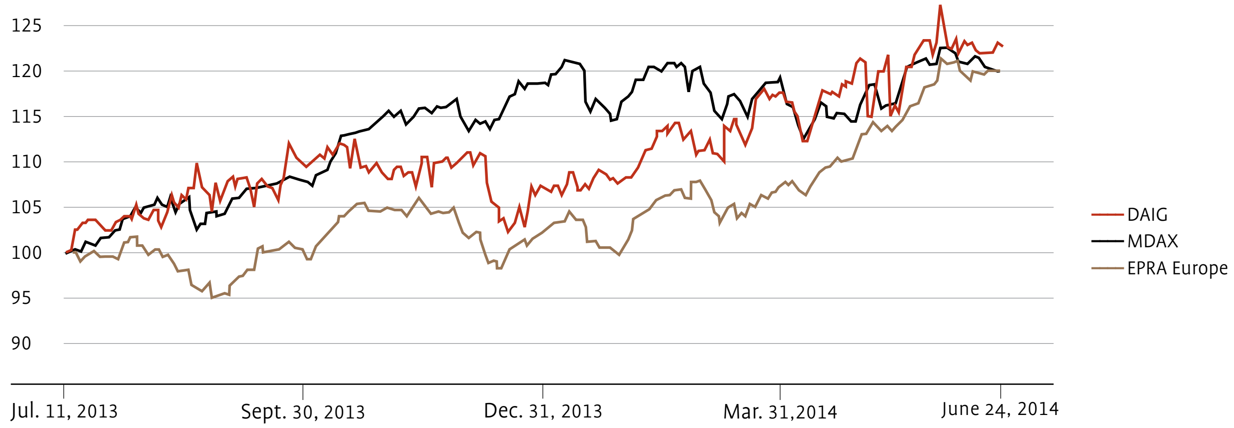
Positive share price performance

Our share price developed very positively in the first half of 2014. On June 30, 2014, the Xetra closing price was € 21.49. This corresponded to an increase of 19.4 % since the beginning of the year.

The Deutsche Annington share therefore outperformed the industry index, EPRA Europe, which gained 17.4 % in the first six months of 2014. The market capitalisation of Deutsche Annington amounted to roughly € 5.2 billion as at June 30, 2014.

DEVELOPMENT OF THE SHARE PRICE

in %



Information on the share
Following the capital increase and the placement of shares belonging to the previous major shareholder in March, the stock's liquidity experienced a further substantial boost in the second quarter thanks to the placement of additional shares.

Specifically, 30 million shares were successfully placed on the market on May 20, 2014, at a price of € 19.50 each. Terra Firma accounted for 18.7 million of these shares, while 11.3 million were attributable to CPI Capital Partners. Terra Firma transferred the remaining shares to the existing fund investors. Almost all of these investors agreed to a 90-day holding period. Only around 9 % of the shares are still held by funds advised by Terra Firma. As a result, both liquidity and the free float increased considerably as at the reporting date.

At the end of the first half, 16 national and international analysts published their assessments of the Deutsche Annington share.

Eleven recommend the share as a buy, meaning that the majority of the analysts expect the share, and Deutsche Annington itself, to develop positively. A further four banks recommend holding the share, while just one advises investors to sell it.

INFORMATION ON THE SHARE

1st day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	240.2 million
Share capital in €	240,242,425
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

Annual General Meeting
The first Annual General Meeting of Deutsche Annington Immobilien SE was held in Düsseldorf on May 9, 2014. 84.81 % of the capital was represented.

All of the items on the agenda were carried by a great majority, including a proposal to distribute a dividend of € 0.70 per share for the 2013 financial year. This corresponds to a dividend yield of 3.9 % in relation to the share's closing price on December 31, 2013.

The dividend for the 2013 financial year will be paid out from a contribution account for tax purposes. It is therefore tax-free for payees in Germany and will be paid out without capital gains tax and solidarity surcharge being deducted.

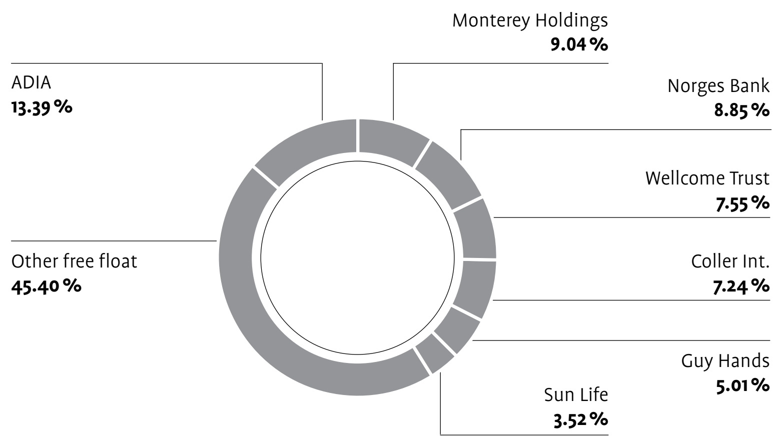
Furthermore, the Annual General Meeting resolved to authorise the Management Board, subject to the approval of the Supervisory Board, to increase the company's share capital by up to a total of € 25,010,101 in one or more tranches on or before May 8, 2019, by issuing up to 25,010,101 new no-par value registered shares against contributions in cash and/or in kind (authorised capital 2014). The Annual General Meeting's resolution concerning the above-mentioned creation of authorised capital and the corresponding amendment to the Articles of Association were entered in the commercial register at Düsseldorf Local Court on June 30, 2014.

Shareholder structure: free float increased significantly
Deutsche Annington had share capital of € 240,242,425 – divided into 240,242,425 shares – as at the reporting date, June 30, 2014.

The stake held by the former majority shareholder, Monterey Holdings I S.à r.l., fell to 9.04 % following the placement on May 20. The company's new leading shareholder is Abu Dhabi Investment Authority (ADIA), which owns a 13.39 % stake. The shareholder structure is now much more diverse following the withdrawal of Terra Firma. Other major shareholders include The Wellcome Trust with 7.55 % of the shares, Coller International Partners with 7.24 % and Guy Hands with a 5.01 % stake in Annington. Norges Bank further stepped up its shareholding to 8.85 % and Sun Life Financial owned 3.52 % of the shares on the date of its last notification.

The remaining free float increased to 45.40 % due to the placement by Terra Firma.

SHAREHOLDER STRUCTURE
as at June 30, 2014



Investor relations activities
In the first half of the year, the Management Board and the Investor Relations team held roadshows in all major European and North American financial centres and attended investors' conferences. In addition, we organised several tours around properties in our real estate portfolio for interested investors and analysts. We will hold more roadshows and take part in additional investors' conferences in the second half of the year. We aim to regularly inform investors and analysts about the current development of business and the attractive growth potential of our company.

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 upholding 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

Germany's economic upturn gains strength

According to the Kiel Institute for the World Economy (IfW), the economic situation in Germany continued to improve in the first half of the year. A number of factors had a dampening effect on the economy, including political developments in Ukraine, somewhat weak growth in a number of emerging markets and the limited economic recovery in the rest of the eurozone to date. The European Central Bank lowered its base rate further to 0.15 % at the beginning of June in order to support the economy.

Gross domestic product grew at an annualised rate of 3.3 % in the first quarter of 2014. This is the highest rate for three years, and it was bolstered by mild weather, which drove construction investments in particular. Investments in plant and equipment also increased. Private consumption likewise continued to provide positive stimuli. Foreign trade growth charted somewhat weak development with only a slight increase in exports. However, imports increased at a much faster rate thanks to strong domestic demand.

The situation on the labour market also continued to improve. In the first quarter, the number of employees subject to social insurance contributions was 2.2 % higher than in the previous quarter (annualised rate). Unemployment fell appreciably for the first time in two years and stood at 6.6 % according to the German Federal Employment Agency (seasonally adjusted: 6.7 %).

After picking up pace slightly at the beginning of the year, the upsurge in prices slowed down again. Energy prices remained almost unchanged and therefore had a curbing effect. Inflation stood at 0.9 % in May 2014.

Housing market

Purchase prices on the housing market rise further while rents stabilise

Although quoted rents shot up in the first few months of the year, they are now beginning to stabilise throughout Germany. This was corroborated by the property portal ImmobilienScout24 after an evaluation of the IMX property index, which is compiled on a regular basis. Rents increased by 0.4 percentage points per month in both April and May 2014. Uncertainty surrounding forthcoming legislative changes could again shake up the market, however.

According to ImmobilienScout24, the prices quoted for owner-occupied apartments also continued to climb in the first five months. The trend is being driven by the new-build segment. However, prices for newly built apartments only rose by 0.2 percentage points in May – a much more modest increase than in the previous months.

There is no sign of the nationwide rise in new-build prices abating for the time being. Meanwhile, the prices quoted for existing apartments edged up slightly or trended sideways in the first five months of this year. They climbed by 0.3 percentage points in April and 0.2 percentage points in May.

Transfers: good start to the year for housing portfolios

The real estate service provider NAI apollo described the first quarter of 2014 as the best start to any year since 2007. Around € 5.3 billion was invested in German housing portfolios in the first three months of 2014. This is equivalent to growth of 150 % since the first quarter of 2013. Despite this positive start to the year, NAI apollo and other estate agents expect the full twelve months to be good, but not outstanding. As most of the publicised major deals took place in the first quarter of 2014, the full-year volume is likely to exceed € 10 billion but fall short of the previous year's result (€ 15 billion).

Bill for the Tenancy Amendment Act meets with industry criticism

The bill on the "rent ceiling" submitted by SPD Federal Minister of Justice, Heiko Maas, in March goes beyond the stipulations of the coalition agreement. It has therefore come under criticism from several quarters, including the SPD party's coalition partner, CDU/CSU. The bill envisages, inter alia, the future capping of currently freely negotiable rents in tense housing markets when apartments are relet. Criticism levelled by the housing industry primarily focuses on the risks arising from state interference in contractual freedom, the lack of a clear definition of tenseness, the negative impact on new build activity and the failure to set a time limit. A package of measures for addressing the housing shortage should also be enshrined in law.

ECONOMIC DEVELOPMENT OF THE GROUP

Business development in the first half of 2014

In the first half of the 2014 financial year, business at the Deutsche Annington Immobilien Group was shaped by the following key events:

> The portfolio acquired from DeWAG was incorporated into the reporting for the first time and the property management business was fully integrated into the Deutsche Annington Immobilien Group's management platform processes
> Successful operational developments in both business segments
> Implementation of the modernisation programme as planned
> Issue of a subordinated, long-term hybrid bond with a volume of € 700 million on April 8, 2014
> Capital increase from authorised capital with gross proceeds of € 304 million on March 5, 2014
> Investment grade rating confirmed

Overall development of business

Business at the Deutsche Annington Immobilien Group continued to develop positively in the first six months of the 2014 financial year. The acquisition of the DeWAG portfolio was completed on April 1, 2014. This meant that the corresponding companies were included in the reporting for the interim consolidated financial statements for the first time in the second quarter of 2014. As a result, a stock of 11,307 residential units, 198 commercial properties and 5,366 garages and parking spaces centring on the conurbations of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg were added to the Deutsche Annington portfolio in the second quarter of 2014.

Income from property management developed in line with our expectations and came to € 551.3 million for the first six months of 2014. Income from the sale of properties stood at € 138.9 million. The DeWAG portfolio, which was incorporated into the Group's reporting for the first time in the second quarter, contributed € 20.9 million towards income from property management and € 19.4 million towards income from the sale of properties.

Our key performance indicators also improved in comparison to the same period in the previous year. Totalling € 130.3 million, FFO 1 was 26.0 % higher in the first half of 2014 than in the same period of 2013. EBITDA amounted to € 225.8 million, while adjusted EBITDA increased by 6.9 % from € 241.7 million for the first half of 2013 to € 258.4 million for the first half of 2014. It should be noted that EBITDA for the first half-year 2014 also included ancillary acquisition costs and expenses for the integration of DeWAG totalling € 12.4 million. EBITDA and adjusted EBITDA for the second quarter were affected by the acquired DeWAG portfolio in the amount of € 14.8 million.

The portfolio acquired from DeWAG also had a € 50.1 million impact on NAV.

RESULTS OF OPERATIONS

The following primary KPIs reflect the development of the results of operations at the Deutsche Annington Immobilien Group. These KPIs were affected by the first-time inclusion of the portfolio acquired from DeWAG.

KEY PERFORMANCE INDICATORS OF DEUTSCHE ANNINGTON

€ million	H1 2014	H1 2013
Income from property management	551.3	532.2
thereof rental income	376.7	364.0
Adjusted EBITDA Rental	236.0	222.1
Income from disposal of properties	138.9	166.9
Adjusted EBITDA Sales	22.4	19.6
EBITDA IFRS	225.8	225.9
Adjusted EBITDA	258.4	241.7
FFO 1	130.3	103.4
FFO 2 (incl. profit from property sales)	152.7	123.0
AFFO	119.5	91.8
Number of employees (as at June 30)	3,283	2,683
Number of units bought	11,307	-
Number of units sold	1,892	2,587
thereof Privatise	1,190	1,457
thereof Non-Core	702	1,130
Vacancy rate (%)	3.8	3.9
Monthly in-place rent (€/m²)	5.56	5.35
Number of residential units in portfolio	184,682	179,358

Rental

Following on from the positive trend in the first quarter of 2014, we succeeded in further enhancing the performance of our core segment, Rental, in the second quarter of 2014. We increased **adjusted EBITDA Rental** by 6.3 % from € 222.1 million in the first half of 2013 to € 236.0 million in the first half of 2014. This was primarily thanks to ongoing performance-focused property management and the portfolio acquisition.

ADJUSTED EBITDA RENTAL

€ million	H1 2014	H1 2013
Rental income	376.7	364.0
Maintenance expenses	-69.1	-71.5
Property management costs	-71.6	-70.4
Adjusted EBITDA Rental	**236.0**	**222.1**

Rental income increased by 3.5 % from € 364.0 million in the first half of 2013 to € 376.7 million in the first half of 2014. Overall, the monthly in-place rent per square metre rose from € 5.35 at the end of the first half-year 2013 to € 5.56 at the end of the first half-year 2014. The DeWAG portfolio was included in the calculations as at June 30, 2014 with a monthly in-place rent of € 6.76/m². If the effects of portfolio sales on the monthly in-place rent had not been taken into account, the like-for-like increase excluding the DeWAG stocks would have been 2.0 %. Rental income was once again positively affected by the development in the vacancy rate, which we reduced further from 3.9 % at the end of the first half of 2013 to 3.8 % at the end of the first half of 2014.

Maintenance expenses totalled € 69.1 million for the first six months of 2014 and were therefore 3.4 % down on the previous year's figure of € 71.5 million. Including capitalised maintenance of € 11.0 million as well as value-enhancing modernisation work of € 61.4 million, we invested a total of € 141.5 million in modernisation and maintenance work on our properties in the first half of 2014 (first half of 2013: € 89.4 million).

MAINTENANCE AND MODERNISATION

€ million	H1 2014	H1 2013
Maintenance expenses	69.1	71.5
Capitalised maintenance	11.0	11.6
Modernisation work	61.4	6.3
Total cost of modernisation and maintenance*	**141.5**	**89.4**
thereof sales of own craftsmen's organisation	78.6	56.7
thereof bought-in services	62.9	32.7

* H1 2014 including intra-Group profits of € 8.0 million (thereof € 0.2 million capitalised maintenance); H1 2013: € 4.4 million

Operating 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 supplements.

Operating costs rose due to the acquisition of the DeWAG portfolio, up 1.7 % from € 70.4 million in the first half of 2013 to € 71.6 million. At the same time, we were able to continue our cost reduction measures as planned.

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 (Non-Core sales).

Sales in the Privatise portfolio segment in the first half of 2014 were as follows:

SALES IN THE PRIVATISE PORTFOLIO SEGMENT

€ million	H1 2014	H1 2013
Number of units sold	1,190	1,457
Income from disposal of properties	118.3	124.3
Fair value of properties sold*	- 88.6	- 102.4
Adjusted profit from disposal of properties	**29.7**	**21.9**
Fair value step-up (%)	33.5	21.4

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

In the first half of 2014, the number of units sold (1,190) in the Privatise portfolio segment was significantly below the figure from the first half of the previous year, as expected. Consequently, income from the disposal of properties decreased from € 124.3 million to € 118.3 million. This reduced sales volume was, however, accompanied by a significantly improved sales margin expressed in the fair value step-up. This increased substantially from 21.4 % in the first half of 2013 to 33.5 % in the first half of 2014. 109 units from the DeWAG portfolio were sold, generating income of € 19.4 million.

SALES IN THE NON-CORE PORTFOLIO SEGMENT

€ million	H1 2014	H1 2013
Number of units sold	702	1,130
Income from disposal of properties	20.6	42.6
Fair value of properties sold*	- 19.1	- 38.9
Adjusted profit from disposal of properties	**1.5**	**3.7**
Fair value step-up (%)	7.9	9.5

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

In the Non-Core portfolio segment, we continued to optimise our portfolio by selling properties which do not fit in with our medium to long-term strategy as the opportunity arises. A moderate number of properties – 702 residential units – were sold in the first half of 2014 as a result. This was down on the high first-half figure for the previous year.

Overall, the Sales segment developed as follows in the first half of 2014 compared with the previous year:

ADJUSTED EBITDA SALES

€ million	H1 2014	H1 2013
Income from disposal of properties	138.9	166.9
Carrying amount of properties sold	- 120.9	- 154.0
Revaluation of assets held for sale	11.3	11.1
PROFIT ON DISPOSAL OF PROPERTIES (IFRS)	**29.3**	**24.0**
Revaluation (realised) of assets held for sale	- 11.3	- 11.1
Revaluation from disposal of assets held for sale	13.2	12.7
ADJUSTED PROFIT FROM DISPOSAL OF PROPERTIES	**31.2**	**25.6**
Selling costs	- 8.8	- 6.0
ADJUSTED EBITDA SALES	**22.4**	**19.6**

Taking the DeWAG selling costs into account, total selling costs came to € 8.8 million for the first six months of 2014. This was considerably higher than in the first six months of 2013.

In addition, in the Sales segment, we adjust 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. In the first half of 2014, it amounted to € 1.9 million compared with € 1.6 million in the first half of 2013. Adjusted EBITDA Sales climbed from € 19.6 million to € 22.4 million during this period.

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 special factors which do not relate to the period, are non-recurring or do not relate to the object of the company. These special factors comprise expenses for refinancing and equity increases (where not treated as capital procurement costs), expenses for pre-retirement part-time work arrangements, severance payments, IPO preparation costs, the development of new fields of business, acquisition projects and the development of business processes.

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

NON-RECURRING ITEMS

€ million	H1 2014	H1 2013
Business model optimisation / Development of new fields of business	1.3	3.3
Acquisition costs	25.3	4.9
Refinancing and equity measures	0.0	5.9
Severance payments / Pre-retirement, part-time work arrangements	4.1	0.1
TOTAL NON-RECURRING ITEMS	**30.7**	**14.2**

Acquisition costs of € 25.3 million made up the largest non-recurring item in the first half of 2014. Our cost reduction measures also resulted in increased expenses of € 4.1 million for severance payments and pre-retirement part-time work arrangements.

Adjusted EBITDA rose 6.9 % to € 258.4 million in the first half of 2014, compared with € 241.7 million in the first half of 2013. Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, **EBITDA IFRS** was € 225.8 million in the first six months of 2014, on a par with the previous year.

FFO

We increased our primary key indicator for sustained operating performance, **FFO 1**, by € 26.9 million or 26.0 % to € 130.3 million compared to the first half of 2013. This rise is due, in particular, to much improved current interest expense as a result of our refinancing measures in 2013. Related to our number of shares as at June 30, 2014, FFO 1 is € 0.54 per share.

The table shows the reconciliation of key financial performance indicators:

FUNDS FROM OPERATIONS (FFO)

€ million	H1 2014	H1 2013
PROFIT FOR THE PERIOD	**70.0**	**440.2**
Interest expense/income	142.6	121.5
Income taxes	30.6	185.3
Depreciation	3.4	2.8
Income from fair value adjustments of investment properties	-20.8	-523.9
= EBITDA IFRS	**225.8**	**225.9**
Non-recurring items	30.7	14.2
Total period adjustments from assets held for sale	1.9	1.6
= ADJUSTED EBITDA	**258.4**	**241.7**
Adjusted EBITDA Sales	22.4	19.6
= ADJUSTED EBITDA RENTAL	**236.0**	**222.1**
Interest expense FFO	-98.9	-114.7
Current income taxes	-6.8	-4.0
= FFO 1	**130.3**	**103.4**
Capitalised maintenance	-10.8	-11.6
= AFFO	**119.5**	**91.8**
FFO 2 (FFO 1 INCL. PROFIT FROM PROPERTY SALES)	**152.7**	**123.0**
FFO 1 per share in €*	0.54	0.52
AFFO per share in €*	0.50	0.46

* Based on the shares qualifying for a dividend on the reporting date Jun. 30, 2014: 240,242,425; Jun. 30, 2013: 200,000,000

At € -142.6 million, the financial result was down € 21.1 million year on year. Prepayment penalties and valuation effects relating to financial instruments had a negative impact in the first half of 2014. By contrast, the operating FFO-related interest result improved by € 15.8 million. This ultimately stemmed from repayments of financial liabilities in 2013 and the optimised financing conditions resulting from the refinancing in 2013.

RECONCILIATION OF NET INTEREST RESULT TO NET CASH INTEREST

€ million	H1 2014	H1 2013
Income from non-current loans	1.0	1.0
Interest income	1.4	5.9
Interest expense	-145.0	-128.4
NET INTEREST RESULT*	**-142.6**	**-121.5**
Adjustments:		
Transaction costs	2.1	5.6
Prepayment penalties and commitment interest	24.1	15.2
Effects from the valuation of non-derivative financial instruments	13.8	-24.1
Derivatives	-4.1	0.0
Interest accretion to provisions / EK02	5.5	7.2
Accrued interest	31.1	-13.2
Other effects	2.3	2.9
NET CASH INTEREST	**-67.8**	**-127.9**
Accrued interest adjustment	-31.1	13.2
INTEREST EXPENSE FFO	**-98.9**	**-114.7**

* Excluding income from other investments

Profit for the period

The profit for the first half of 2014 amounted to € 70.0 million and was largely determined by net income from fair value adjustments to investment properties of € 20.8 million. By comparison, the profit for the first half of 2013 included net income from fair value adjustments to investment properties of € 523.9 million.

ASSETS POSITION

Asset and capital structure

Capital increases from authorised capital against cash contributions to the exclusion of the subscription right

On February 28, 2014, the Management Board of Deutsche Annington Immobilien SE resolved, with the Supervisory Board's approval, to increase capital against cash contributions from the existing authorised capital by issuing 16,000,000 no-par value registered shares to the exclusion of existing shareholders' subscription rights.

In an accelerated book-building process, 16,000,000 new shares were issued to institutional investors on March 5, 2014, at a price of € 19.00. This resulted in gross proceeds of € 304 million for the company. The capital increase transaction was completed on March 11, 2014.

The equity of the Deutsche Annington Immobilien Group grew by € 173.1 million in the first half of 2014 from € 3,818.0 million to € 3,991.1 million. This increase was primarily attributable to the capital increase performed on March 11, 2014, and to the profit for the period. The € 168.2 million dividend payout, the recognition of € 16.6 million in actuarial losses from pension provisions and the negative impact from hedge accounting totalling € 13.7 million had the opposite effect, however.

DAIG issued a subordinated, long-term bond (hybrid bond) with a volume of € 700 million via its Dutch financing company on April 8, 2014. The issue price was 99.782 %. This bond has a term of 60 years and an initial nominal interest rate of 4.625 %. It can be redeemed in five years' time (and thereafter every five years) if the company exercises its contractual redemption option.

As at the end of the first half-year 2014, non-current liabilities therefore include financial liabilities of € 5,996.0 million, pension obligations of € 313.8 million, residual pollution provisions of € 24.2 million and non-current provisions for pre-retirement part-time work arrangements. Deferred tax liabilities of € 995.3 million are also shown under non-current liabilities.

In addition to other provisions, current liabilities largely include current payment obligations for debt repayments and interest on loans of € 267.8 million.

GROUP BALANCE SHEET STRUCTURE

	Jun. 30, 2014		Dec. 31, 2013	
	€ million	%	€ million	%
Non-current assets	11,405.3	96.1	10,352.6	93.3
Current assets	467.3	3.9	740.2	6.7
TOTAL ASSETS	**11,872.6**	**100.0**	**11,092.8**	**100.0**
Equity	3,991.1	33.6	3,818.0	34.4
Non-current liabilities	7,368.3	62.1	6,830.7	61.6
Current liabilities	513.2	4.3	444.1	4.0
TOTAL EQUITY AND LIABILITIES	**11,872.6**	**100.0**	**11,092.8**	**100.0**

The equity ratio was 33.6 % on the balance sheet date of June 30, 2014, having stood at 34.4 % at the end of the 2013 financial year. At € 11,320.4 million (Dec. 31, 2013: € 10,266.4 million), the Group's main non-current assets are investment properties. The total value of the real estate assets – including properties used by the Group and assets held for sale – is € 11,366.8 million (Dec. 31, 2013: € 10,324.5 million). Known as gross asset value or GAV, this figure rose by € 1,043.5 million due to the acquisition of the DeWAG portfolio.

Cash and cash equivalents as at June 30, 2014, totalled € 329.2 million. The change as against December 31, 2013, resulted primarily from cash inflows as part of the equity placement on March 11, 2014, and the issue of the hybrid bond, which were both offset by the settlement of the payment obligation for the DeWAG portfolio, the dividend payout following the Annual General Meeting and the repayment of a structured finance product. € 52.5 million of the cash and cash equivalents are subject to restrictions on their disposal.

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.

Deutsche Annington reviews the fair value of its housing stocks every quarter and adjusts it in line with the current portfolio and market situation. The results of the internal property valuation as at the end of the first half of 2014 were confirmed by an independent report produced by the external property appraiser CBRE GmbH. The portfolio acquired from DeWAG was also evaluated by CBRE GmbH in a separate report. The German housing market remained favourable in the second quarter. Higher rents and modernisation work on the portfolio prompted a € 92.2 million increase in the value of our investment properties compared to year-end 2013.

The fair value of the real estate portfolio of the Deutsche Annington Immobilien Group of residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was approx. € 11,369.1 million as at June 30, 2014. Of this, the DeWAG portfolio accounted for a fair value of € 1,043.5 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 2013 financial year. The management report is available on Deutsche Annington's website at www.deutsche-annington.com.

The value of our real estate portfolio is a crucial factor influencing the assessment of our asset position and therefore the development of our net asset value, which is an important performance indicator.

Net asset value

The EPRA net asset value (EPRA NAV) of the Deutsche Annington Immobilien Group increased by € 256.0 million or 5.4 % from € 4,782.2 million to € 5,038.2 million in the reporting period in line with equity due to the capital increase performed of € 301.0 million net, but also the profit for the period attributable to DAIG of € 67.3 million. The triple NAV according to the EPRA definition is the reported equity of the Deutsche Annington shareholders.

NET ASSET VALUE (NAV) BASED ON APPLICATION OF IAS 40

€ million	Jun. 30, 2014	Dec. 31, 2013
EQUITY ATTRIBUTABLE TO DAIG SHAREHOLDERS	**3,975.9**	**3,805.5**
Fair value of derivative financial instruments*	70.0	54.7
Deferred taxes	992.3	922.0
NAV	**5,038.2**	**4,782.2**
NAV PER SHARE IN €**	**20.97**	**21.33**

* Adjusted for effects from cross-currency swaps
** Based on the number of shares on the reporting date Jun. 30, 2014: 240,242,425; Dec. 31, 2013: 224,242,425

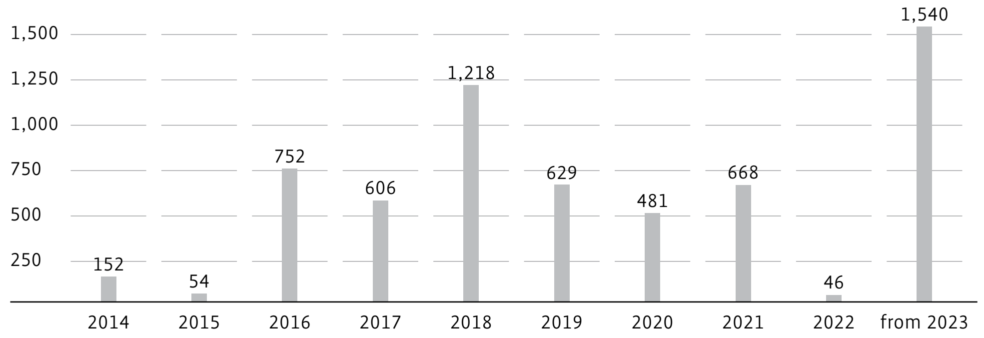
FINANCIAL POSITION

Financing and financial strategy

With the completion of the listing of its shares as well as the bond placements on the basis of the investment grade rating, DAIG has gained access to the international equity and debt capital markets and can therefore achieve flexible and balanced financing with a balanced maturity profile.

This Deutsche Annington financing structure was as follows as at June 30, 2014:

MATURITY STRUCTURE
as at June 30, 2014 in € million



For more detailed information, please refer to the relevant explanations in the Notes under “Financial Liabilities”. The changes to the borrowing profile compared with the first quarter resulted from the hybrid bond issue and the incorporation of the DeWAG portfolio, which were linked to the transfer of various financing agreements and the repayment of a structured finance product.

In connection with the issue of unsecured bonds by Deutsche Annington Finance B.V., we have 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.

These financial covenants have been fulfilled as expected. Any failure to meet the agreed financial covenants could have a negative effect on the liquidity status.

On February 28, 2014, Standard & Poor’s Rating Services (S&P) confirmed the ‘BBB’ long-term corporate credit rating and the ‘A-2’ short-term corporate credit rating awarded to Deutsche Annington Immobilien SE (DAI) with a stable outlook, after the acquisition of the DeWAG portfolio and the integration of the Vitus Group had been analysed. At the same time, S&P confirmed the ‘BBB’ rating of the planned but as yet outstanding, unsecured and long-term DAIG bond.

Cash flow

The following table shows the Group’s cash flow for the second quarter of 2014:

STATEMENT OF CASH FLOW

€ million	H1 2014	H1 2013
Cash flow from operating activities	194.1	151.8
Cash flow from investing activities	-263.2	126.5
Cash flow from financing activities	-149.5	-526.0
NET CHANGES IN CASH AND CASH EQUIVALENTS	**-218.6**	**-247.7**
Cash and cash equivalents at the beginning of the period	547.8	470.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**329.2**	**222.4**

The increase in cash flow from **operating activities** compared with the first half of 2013 is the result of a higher cash surplus from the property management business and a more favourable development in working capital. The cash flow from operating activities also includes acquisition and integration expenses.

The cash flow from **investing activities** includes a net outflow of € 382.1 million in settlement of the payment obligation for the acquisition of the DeWAG portfolio. It also comprises inflows of € 194.5 million from the sale of assets. These were offset by outflows of € 81.0 million for investments, primarily in our real estate portfolio.

Cash flow from **financing activities** for the first half of 2014 reflects the gross proceeds of € 304.0 million from the capital increase of March 11, 2014, net repayments of financial liabilities of € 149.1 million, regular interest payments of € 72.3 million as well as prepayment penalties and transaction costs of € 55.3 million. The figure also includes € 168.2 million for the dividend payout in the second quarter.

Opportunities and Risks

On April 1, 2014, Deutsche Annington concluded its purchase of some 11,300 residential units managed by DeWAG, and started integrating the corresponding real estate business into the Deutsche Annington Group's processes. This integration had largely been completed by the end of the second quarter. Deutsche Annington also arranged to integrate a combined portfolio belonging to the Vitus Group in an agreement dated April 17, 2014. This entails the 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. In order to minimise this risk, the acquisitions were accompanied by extensive due diligence procedures under the supervision of external consultants.

Furthermore, the integration of the portfolios and the incorporation of new entities are associated with operational risks which might jeopardise achievement of synergy objectives. Deutsche Annington is counteracting these risks with a structured integration programme.

There have been no significant changes to the other opportunities and risks presented in the management report for the 2013 financial year.

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

SUBSEQUENT EVENTS

Events after the balance-sheet date

Updating of the EMTN (European midterm notes programme) tap issue and issuance of a bond under this programme

The financial supervisory authority of the Grand Duchy of Luxembourg (CSSF) has approved the required scheduled update of the prospectus for the EMTN tap issue on June 30, 2014. On the basis of this update, Deutsche Annington, through its Dutch financing company, has issued a bond with a volume of € 500 million. This bond has been placed at an issue price of 99.412 %, with a coupon of 2.125 % and a term of eight years. The purpose of the cash inflow is to finance the acquisition of the Vitus portfolio. The funds were received in July, ahead of schedule, exploiting the extremely favourable market conditions.

Forecast Report

FURTHER COURSE OF THE GROUP

Expected development of the overall economic environment

Economic upturn gathers pace

According to the Kiel Institute for the World Economy (IfW), Germany's gross domestic product will increase by 2.0 % in 2014. For 2015, experts even forecast growth of 2.5 %. Economic expansion in Germany will pick up pace markedly as a result.

Growth is being driven by a further increase in investment activity, which seems to have finally recovered following a weak period. The construction industry is mainly being bolstered by housing construction (2014: +5.1 %, 2015: +4.3 %). This, in turn, is still being stimulated by historically low mortgage rates, and will almost have returned to the highs of the 1990s by the end of 2015. Imports will grow at a noticeably faster rate than exports. This means that although foreign trade will pick up, it will not contribute to expansion in mathematical terms.

Bright prospects on the labour market, low interest rates and rising disposable incomes will also continue to stimulate private consumption. Consumer spending is expected to increase by 1.6 % in 2014, followed by 2 % in 2015.

Based on the ECB's latest resolutions, the monetary environment will remain extremely expansive for the German economy for years to come. As a consequence, the stability risks associated with economic overheating will remain very high.

Housing market: price trend set to normalise

For the first time in five years, the experts from LBS anticipate a slightly lower price increase by the end of 2014. At 2 to 4 %, the expected price increases are in line with general income trends. Assessments by the property service provider ImmobilienScout24 confirm that quoted prices and rents for apartments rose in the period from January to May 2014. There is no sign of the nationwide rise in prices for newly built flats abating for the time being. However, the experts believe that prices for existing apartments will no longer fluctuate dramatically. The rental market could develop dynamically over the coming months. According to LBS, the growth in demand on the German housing market has now peaked, however. Although the German Real Estate Association (IVD) predicts that prices will probably continue to stabilise in the metropolises, experts from Jones Lang LaSalle expect smaller cities to experience sharper price increases in 2014.

Analysts from the property service provider Aberdeen Asset Management see the current price increase on the German housing market as sharp in historic terms. However, they maintain that the rise is moderate compared to other countries and not indicative of a property bubble. The exception, experts say, is the overheating of a number of local markets. In light of ongoing population growth – especially in the big cities – Germany's robust economic and financial data, and the fact that residential construction is not keeping up with the growing demand, they believe that the latest price increase is justified.

Low interest rates are still one of the factors driving prices on the property markets. Thanks to the good economic situation and rising employment, more Germans can afford to buy their own home and are therefore keeping demand high. Although rising household income levels and low interest rates are compensating for the moderate increase in property prices, IVD expects owner-occupied housing to become somewhat less affordable in 2014 and 2015.

Upswing in residential construction in Germany

According to LBS Research, the ifo Institute forecasts growth of 12 % in new-build completions for 2014, meaning that 2.8 residential units will be completed per 1,000 inhabitants. This places Germany in a middling position within Europe. Completions are expected to increase by 13 % by 2016, corresponding to 3.2 completed apartments for every 1,000 residents or 260,000 newly built flats.

According to IVD, however, this positive trend has not yet gone far enough to satisfy the high demand for housing, particularly in cities. According to the Association of German Housing and Real Estate Companies (GdW), there is an acute backlog of demand, particularly for affordable housing. The GdW and IVD believe that the introduction of the rent ceiling announced by the coalition government will have an adverse effect on the construction of rental apartments.

Forecast for the 2014 financial year

Our outlook for the 2014 financial year takes into account the acquisition of 11,307 residential units from DeWAG, but does not cover the acquisition of the Vitus Group. As soon as the Vitus Group has been integrated into the business processes of Deutsche Annington, it will also be incorporated into the forecast.

Deutsche Annington had a successful start to the 2014 financial year. Both the Rental and Sales segments performed positively as expected.

In the Rental segment, the ongoing investment programme aimed at improving our housing stocks is still proving successful. At the end of the first half, projects had been developed for all measures planned in 2014, and 74 % of the measures had already been rolled out or completed. We expect capital expenditure to total approximately € 160 million in the 2014 financial year. This includes the additional potential for investments arising from the acquisition of the DeWAG portfolio. The focus will be on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. We expect our maintenance spend, including capitalised maintenance, to amount of approximately € 170 million. This includes expenditure for the property portfolios acquired from DeWAG.

The monthly in-place rent per square metre developed in line with our expectations in the first half of 2014. We therefore still expect a like-for-like rent increase of between 2.3 and 2.6 %, excluding the real estate acquired from DeWAG. In addition, we anticipate a further slight increase in the monthly in-place rent per square metre resulting from the DeWAG acquisition. At 3.8 %, our vacancy rate is also developing as expected, as the integration of the DeWAG stocks prompted the vacancy rate to edge up slightly. All in all, we expect rental income – including the DeWAG stocks – to come in at around € 770 million. We will also continue to strive to further improve customer satisfaction in 2014 and to increase the customer satisfaction index (CSI) by up to 5 % as a result.

Due to the acquisitions, we expect long-term interest expense, excluding non-recurring items, to be roughly on a par with the € 211 million posted in 2013. Taking the DeWAG acquisition into account, we therefore believe that FFO 1 for 2014 will fall clearly just above the € 250 million to € 265 million range issued by us as guidance to date.

Property sales in the Sales segment are going to plan. In the first half of 2014, 1,190 apartments were privatised with a step-up of 33.5 %. We expect to sell between 2,000 and 2,100 apartments in the Privatise portfolio segment with a step-up of 30 % to 35 %. We will also continue to sell buildings in the Non-Core segment at market values throughout the remainder of the 2014 financial year as the opportunity presents itself.

Including the DeWAG stocks, we expect our net asset value to grow by at least 8 % year on year in 2014.

Düsseldorf, July 28, 2014

The Management Board

Rolf Buch (CEO)	Klaus Freiberg (COO)	Dr A. Stefan Kirsten (CFO)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

€ million	Notes	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013 Restated*	Apr. 1 - Jun. 30, 2014	Apr. 1 - Jun. 30, 2013 Restated*
Income from property letting		542.3	523.2	281.6	261.5
Other income from property management		9.0	9.0	4.5	4.7
Income from property management	5	**551.3**	**532.2**	**286.1**	**266.2**
Income from sale of properties		138.9	166.9	78.7	64.2
Carrying amount of properties sold		-120.9	-154.0	-66.7	-58.5
Revaluation of assets held for sale		11.3	11.1	5.2	5.6
Profit on disposal of properties	6	**29.3**	**24.0**	**17.2**	**11.3**
Net income from fair value adjustments of investment properties	7	**20.8**	**523.9**	**1.0**	**9.4**
Capitalised internal modernisation expenses		34.2	8.7	20.7	4.4
Cost of materials	8	-246.4	-241.5	-127.1	-120.4
Personnel expenses	9	-87.9	-73.5	-43.8	-38.4
Depreciation and amortisation		-3.4	-2.8	-1.8	-1.3
Other operating income		19.8	19.2	10.0	9.5
Other operating expenses		-74.9	-43.4	-35.1	-22.2
Financial income		2.8	7.1	1.4	4.0
Financial expenses	10	-145.0	-128.4	-85.2	-54.6
Profit before tax		**100.6**	**625.5**	**43.4**	**67.9**
Income tax	11	-30.6	-185.3	-11.7	-15.2
Profit for the period		**70.0**	**440.2**	**31.7**	**52.7**
Attributable to:					
DAIG shareholders		67.3	436.8	30.4	51.7
Non-controlling interests		2.7	3.4	1.3	1.0
Earnings per share (basic and diluted) in €	12	**0.29**	**2.18**	**0.13**	**0.26**

Consolidated Statement of Comprehensive Income

€ million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013 Restated*	Apr. 1 - Jun. 30, 2014	Apr. 1 - Jun. 30, 2013 Restated*
Profit for the period	**70.0**	**440.2**	**31.7**	**52.7**
Cash flow Hedges				
Change in unrealised gains / losses, net	-22.4	4.8	3.5	3.0
Net realised gains / losses	2.6	13.3	-3.2	6.1
Tax effect	6.1	-4.3	0.4	-2.2
Items which will in future be recognised in profit or loss	**-13.7**	**13.8**	**0.7**	**6.9**
Actuarial gains / losses from pensions and similar obligations				
Change in actuarial gains / losses, net	-24.8	25.4	-12.7	12.1
Tax effect	8.2	-8.2	4.2	-3.9
Items which will not be recognised in profit or loss in future	**-16.6**	**17.2**	**-8.5**	**8.2**
Other comprehensive income	**-30.3**	**31.0**	**-7.8**	**15.1**
Total comprehensive income	**39.7**	**471.2**	**23.9**	**67.8**
Attributable to:				
DAIG shareholders	37.0	467.8	22.6	66.8
Non-controlling interests	2.7	3.4	1.3	1.0

Also see the corresponding explanations in the Notes.
* See Note (4) Changes in accounting policies

Consolidated Balance Sheet

€ million	Notes	Jun. 30, 2014	Dec. 31, 2013
Assets			
Intangible assets		3.2	3.8
Property, plant and equipment		22.7	20.7
Investment properties	13	11,320.4	10,266.4
Financial assets	14	41.7	42.5
Other assets		14.2	16.1
Income tax receivables		0.1	0.1
Deferred tax assets		3.0	3.0
Total non-current assets		**11,405.3**	**10,352.6**
Inventories		2.0	2.5
Trade receivables	15	51.3	103.5
Other financial assets	14	0.0	2.1
Other assets		37.3	26.3
Income tax receivables		13.2	12.1
Cash and cash equivalents	16	329.2	547.8
Assets held for sale	17	34.3	45.9
Total current assets		**467.3**	**740.2**
Total assets		**11,872.6**	**11,092.8**
Equity and liabilities			
Subscribed capital		240.2	224.2
Capital reserves		1,716.1	1,430.1
Retained earnings		2,060.6	2,178.5
Other reserves		- 41.0	- 27.3
Total equity attributable to DAIG shareholders		**3,975.9**	**3,805.5**
Non-controlling interests		15.2	12.5
Total equity	18	**3,991.1**	**3,818.0**
Provisions	19	367.7	342.6
Trade payables		0.3	0.3
Other financial liabilities	20	5,996.0	5,553.0
Other liabilities		9.0	9.8
Deferred tax liabilities		995.3	925.0
Total non-current liabilities		**7,368.3**	**6,830.7**
Provisions	19	152.7	148.6
Trade payables		40.9	47.6
Other financial liabilities	20	267.8	212.1
Other liabilities		51.8	35.8
Total current liabilities		**513.2**	**444.1**
Total liabilities		**7,881.5**	**7,274.8**
Total equity and liabilities		**11,872.6**	**11,092.8**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

€ million	Notes	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
Profit for the period		70.0	440.2
Net income from fair value adjustments of investment properties	7	- 20.8	- 523.9
Revaluation of assets held for sale	6	- 11.3	- 11.1
Depreciation and amortisation		3.4	2.8
Interest expenses / income		142.6	121.5
Income taxes	11	30.6	185.3
Results from disposals of investment properties		- 18.0	- 12.9
		196.5	**201.9**
Changes in inventories		0.6	- 0.7
Changes in receivables and other assets		12.3	- 18.5
Changes in provisions		- 9.5	- 14.1
Changes in liabilities		- 3.6	- 8.9
Payments of tax liabilities (EK02)		-	- 2.4
Income tax paid		- 2.2	- 5.5
Cash flow from operating activities		**194.1**	**151.8**
Proceeds from disposals of investment properties and assets held for sale		194.5	149.1
Proceeds from disposals of intangible assets and property, plant and equipment		0.1	0.1
Proceeds received from disposals of financial assets	14	0.8	0.5
Acquisition of investment properties	13	- 76.0	- 23.0
Acquisition of intangible assets and property, plant and equipment		- 5.0	- 1.8
Acquisition of shares in consolidated companies (net of cash acquired)	3	47.2	-
Acquisition of financial assets		- 429.3	- 0.9
Interest received		4.5	2.5
Cash flow from investing activities		**- 263.2**	**126.5**
Capital contributions on the issue of new shares (including premium)	18	304.0	22.2
Cash paid to DAIG SE shareholders	18	- 168.2	-
Cash paid to non-controlling shareholders		- 11.5	- 0.1
Cash proceeds from issuing loans and notes	20	705.7	1,031.6
Cash repayments of financial liabilities	20	- 854.8	- 1,358.0
Transaction costs		- 10.8	- 73.9
Payment of transaction costs in connection with the issue of shares		- 3.0	- 2.2
Prepayment penalty and commitment interest		- 41.5	- 15.2
Acquisition/disposal of shares in consolidated companies (net of cash acquired)		2.9	-
Interest paid		- 72.3	- 130.4
Cash flow from financing activities		**- 149.5**	**- 526.0**
Net changes in cash and cash equivalents		**- 218.6**	**- 247.7**
Cash and cash equivalents at beginning of the period		547.8	470.1
Cash and cash equivalents at the end of the period*	16	**329.2**	**222.4**

* Thereof restricted cash € 52.5 million (Jun. 30, 2013: € 117.2 million)

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Contributions made to perform the resolved capital increase	Capital reserves	Retained earnings	Other reserves: Can be reclassified: Cash flow hedges	Other reserves: Can be reclassified: Available-for-sale financial assets	Other reserves: Total	Equity of DAIG share-holders	Non-con-trolling interests	Total equity
As at Jan. 1, 2013	**0.1**		**1,052.3**	**1,661.1**	**- 47.2**	**0.1**	**- 47.1**	**2,666.4**	**11.0**	**2,677.4**
Profit for the period				436.8				436.8	3.4	440.2
Other comprehensive income										
Changes in the period				17.2	3.6		3.6	20.8	0.0	20.8
Reclassification adjustments recognised in income					10.2		10.2	10.2		10.2
Total comprehensive income				454.0	13.8		13.8	467.8	3.4	471.2
Shareholder's capital contributions		22.2	239.1					261.3		261.3
Capital increase from company funds	199.9		- 199.9							
As at June 30, 2013	**200.0**	**22.2**	**1,091.5**	**2,115.1**	**- 33.4**	**0.1**	**- 33.3**	**3,395.5**	**14.4**	**3,409.9**
As at Jan. 1, 2014	**224.2**		**1,430.1**	**2,178.5**	**- 27.3**	**0.0**	**- 27.3**	**3,805.5**	**12.5**	**3,818.0**
Profit for the period				67.3				67.3	2.7	70.0
Other comprehensive income										
Changes in the period				- 16.6	- 15.4	0.0	- 15.4	- 32.0	0.0	- 32.0
Reclassification adjustments recognised in income					1.7		1.7	1.7		1.7
Total comprehensive income				50.7	- 13.7	0.0	- 13.7	37.0	2.7	39.7
Capital increase	16.0							16.0		16.0
Premium on the issue of new shares			288.0					288.0		288.0
Transaction costs on the issue of new shares			- 2.0					- 2.0		- 2.0
Dividend distributed by DAIG SE				- 168.2				- 168.2		- 168.2
Changes recognised directly in equity				- 0.4				- 0.4	0.0	- 0.4
As at June 30, 2014	**240.2**		**1,716.1**	**2,060.6**	**- 41.0**	**0.0**	**- 41.0**	**3,975.9**	**15.2**	**3,991.1**

Also see Note (18) in the Notes.

Selected explanatory notes in accordance with IFRS

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

The Deutsche Annington Immobilien Group (hereinafter referred to as DAIG) is a performance-focused holder and manager of residential real estate in Germany. Our core business is providing affordable housing for broad sections of the population. We also offer additional real estate-related services. A further business activity is portfolio optimisation. To achieve this, we sell selected properties in our portfolio and systematically integrate new housing stock into the Group. 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 previous parent company of DAIG, Monterey Holdings I S.à r.l., Luxembourg, indicated in the second quarter that its shareholding had fallen to 9.04 %. Monterey Holdings I S.à r.l. is therefore no longer the parent company of DAIG.

The interim consolidated financial statements as at June 30, 2014 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 2013 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of DAIG as at June 30, 2014 in condensed form compared with the consolidated financial statements for the year ended December 31, 2013 has been chosen.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2013, which are the basis for these interim consolidated financial statements.

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

2 CONSOLIDATION PRINCIPLES

Entities that are under the control of Deutsche Annington Immobilien SE are included in the interim consolidated financial statements as subsidiaries. Control is exercised when Deutsche Annington Immobilien SE is exposed to fluctuating returns due to its involvement in the company and/or if it possesses rights to these returns and is in a position to influence them by means of its power of control over the company.

The same consolidation principles have been applied as for the consolidated financial statements for 2013. For a detailed description, please refer to the consolidated financial statements for the year ended December 31, 2013.

3 SCOPE OF CONSOLIDATION

In addition to Deutsche Annington Immobilien SE, 98 (Dec. 31, 2013: 101) domestic companies and 22 (Dec. 31, 2013: 3) foreign companies have been included in the interim consolidated financial statements of DAIG as at June 30, 2014.

With a share purchase agreement dated February 28, 2014, a subsidiary of Deutsche Annington Immobilien SE acquired roughly 94 % of the real estate business of the DeWAG Group. DAIG gained control of this group of companies upon completion of this share purchase on April 1, 2014.

DeWAG is a real estate management company operating throughout Germany with housing stocks of some 11,000 units. The majority of these stocks are located in the metropolitan areas of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg. The portfolio comprises almost exclusively residential properties that are further developed through professional property management as well as value-focused refurbishment and modernisation measures. Apartments are also offered for sale at selected locations where the demand for residential property is high. The stocks managed by the DeWAG Group present an excellent complement to the portfolio strategy of the Deutsche Annington Immobilien Group, in particular with a view to the aspiration to continuously improve the quality of life and housing for tenants while simultaneously generating a corresponding higher value as a return for our shareholders.

The housing stocks and management processes are to be integrated into the Deutsche Annington Immobilien Group in order to realise potential synergies.

In a uniform transaction, in addition to selected holding companies, the relevant property-holding entities under German and Dutch law as well as amounts payable by the DeWAG Group under existing shareholder loans were acquired.

The sellers are holding companies under Dutch and Luxembourg law that are advised by international investment funds.

The consideration for the acquisition of the shares is made up as follows:

€ million	
Cash and cash equivalents	10.0
Contingent purchase price obligation	6.5
Consideration for the acquisition of shares	**16.5**

The purchase price share of € 10.0 million has already been paid.

In terms of amount and reason, the contingent purchase price obligation relates to the occurrence of circumstances in connection with the realisation of construction projects, the prepayment penalties related to the repayment of existing financing and the anticipated statutory provisions on rent ceilings.

The contingent purchase price obligation is recognised at the currently anticipated value of € 6.5 million within the scope of the provisional purchase price calculation.

In addition, DAIG has assumed amounts payable by the acquired DeWAG Group under existing shareholder loans. As at the date of first-time consolidation, the fair value of the amounts payable under these loans was € 429.3 million.

The following allocation of the total purchase price at the fair values of the assumed assets and liabilities at the time of acquisition is based on an external preliminary valuation report prepared for this purpose.

The assets and liabilities assumed in the course of the business combination had the following fair values at the time of acquisition:

€ million	
Investment properties	1,055.6
Trade receivables	2.6
Other assets	20.2
Cash and cash equivalents	57.2
Trade payables	- 1.3
Other financial liabilities	- 1,051.2
Provisions	- 7.3
Deferred tax liabilities	- 50.1
Other liabilities	- 9.2
Net assets acquired	**16.5**

The gross amount of the acquired trade receivables was € 5.6 million, while the net carrying amount (which corresponds to the fair value) was € 2.6 million.

In regard to the non-controlling interests in the acquired group of companies, a contract has been concluded establishing put options. The fair value of the purchase price liabilities resulting from put options amounts to the pro rata going concern value of the DeWAG Group, which is determined as the present value of the net cash inflows connected with ownership. As at the date of first-time consolidation, these put options for shares held by minority shareholders had a fair value of € 18.6 million and were disclosed as other financial liabilities.

In the second quarter of 2014, the DeWAG Group realised income from property management in the amount of € 20.9 million as well as an earnings contribution in the sense of earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 14.8 million.

If the DeWAG Group had already been fully included in the consolidated group as at January 1, 2014, it would have contributed to the income from property management in the amount of € 42.0 million and to EBITDA in the amount of € 31.4 million.

In the 2014 financial year, transaction costs of € 7.8 million were recognised as other operating expenses.

Should knowledge become available within twelve months of the acquisition that necessitates a different assessment of the recognition and measurement of assets and liabilities at the acquisition date, these will be revised retrospectively as at the time of acquisition.

In overall terms, through the acquisition of the DeWAG Group 11 domestic companies and 19 foreign companies have been newly included in the scope of consolidation.

The disposals up to June 30, 2014 were the result of 11 mergers and three intra-Group legal reorganisations.

4 ACCOUNTING POLICIES

Changes in accounting policies

Owing to the extended business of the Group's own craftsmen's organisation, the capitalised internal modernisation expenses were shown in a separate item for the first time in the financial statements as at December 31, 2013 in order to achieve better presentation of the results of operations. These expenses had previously been deducted from the original expenses.

The prior-year figures have been adjusted as follows:

€ million	Jan. 1 - Jun. 30, 2013	Adjustments Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2013 Restated
Capitalised internal modernisation expenses	-	8.7	8.7
Cost of materials	- 237.4	- 4.1	- 241.5
Personnel expenses	- 70.4	- 3.1	- 73.5
Other operating expenses	- 41.9	- 1.5	- 43.4

The change in the accounting policies had no effect on the cash flow, the balance sheet and the earnings per share.

Estimates, assumptions and management judgment

The decisions of management regarding the scope of estimates, assumptions and the exercise of judgment are consistent with those in the last consolidated financial statements as at December 31, 2013.

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 2014 financial year and have no significant effects on the DAIG consolidated financial statements:

> IFRS 10 "Consolidated Financial Statements"
> IFRS 11 "Joint Arrangements"
> IFRS 12 "Disclosure of Interests in Other Entities"
> IFRIC 21 "Levies"
> Amendments to IAS 27 "Separate Financial Statements"
> Amendments to IAS 28 "Investments in Associates and Joint Ventures"
> Amendments to IAS 32 "Financial Instruments: Presentation"
> Amendments to IAS 36 "Impairment of Assets"
> Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"

Application of the following Standard was not yet mandatory for the 2014 financial year:

> IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces previous Standards and Interpretations for revenue recognition and creates a uniform regulatory framework for all issues of revenue recognition from contracts with customers. The basic principle of IFRS 15 is that in future, only a single, uniform model will be used for revenue recognition. On the basis of a five-step framework model, IFRS 15 indicates when revenue is to be recognised and in what amount. Further changes may result due to new policies on revenue recognition in case of the transfer of control, for multiple-element sales arrangements, for recognition of revenue beyond the period in which services are provided and through extended disclosures. The new Standard is mandatory for financial years beginning on or after January 1, 2017; earlier application is permitted. DAIG is examining the effects of the new Standard.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5 INCOME FROM PROPERTY MANAGEMENT

€ million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
Rental income	376.7	364.0
Ancillary costs	165.6	159.2
Income from property letting	**542.3**	**523.2**
Other income from property management	9.0	9.0
Income from property management	**551.3**	**532.2**

6 PROFIT ON DISPOSAL OF PROPERTIES

€ million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
Income from disposal of investment properties	69.8	69.4
Carrying amount of investment properties sold	-51.8	-56.5
Profit on disposal of investment properties	**18.0**	**12.9**
Income from sale of assets held for sale	69.1	97.5
Retirement carrying amount of assets held for sale	-69.1	-97.5
Revaluation of assets held for sale	11.3	11.1
Profit on disposal of assets held for sale	**11.3**	**11.1**
	29.3	**24.0**

The revaluation of investment properties held for sale led to a gain as at June 30, 2014 of € 11.3 million (1st half of 2013: € 11.1 million). After value adjustment, these properties were transferred to "Assets held for sale".

7 NET INCOME FROM FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The measurement of the investment properties led to a net valuation gain as at June 30, 2014 of € 20.8 million (1st half of 2013: € 523.9 million) (see Note (13) Investment Properties).

8 COST OF MATERIALS

€ million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013 Restated*
Expenses for ancillary costs	160.6	159.4
Expenses for maintenance	61.3	54.7
Other cost of purchased goods and services	24.5	27.4
	246.4	**241.5**

* See Note (4) Changes in accounting policies

9 PERSONNEL EXPENSES

€ million	Jan. 1 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013 Restated*
Wages and salaries	73.7	61.4
Social security, pensions and other employee benefits	14.2	12.1
	87.9	**73.5**

* See Note (4) Changes in accounting policies

As at June 30, 2014, 3,283 people (1st half of 2013: 2,683) were employed at DAIG.

10 FINANCIAL EXPENSES

The financial expenses mainly relate to interest expense on financial liabilities measured at amortised cost.

In the reporting period, the non-cash interest expense resulting from the application of the effective interest method amounted to € 13.8 million. In the first half of 2013, financial expenses were reduced by € 24.1 million through the use of the effective interest method.

Interest expense includes interest accretion to provisions for pensions in the amount of € 4.5 million (1st half of 2013: € 4.1 million) and for miscellaneous other provisions in the amount of € 1.0 million (1st half of 2013: € 0.6 million).

In addition, financial expenses in the amount of € 2.5 million in the first half of 2013 were affected by the compounding of the obligation to pay lump-sum tax on the previously untaxed EK02 amounts. The income tax liability was repaid in full and ahead of time in the previous year.

In the first half of 2014, transaction costs of € 2.1 million were recognised as expenses while the first half of 2013 was impacted by transaction costs of € 5.6 million.

In addition, interest from prepayment penalties and commitment interest negatively impacted results in the amount of € 24.1 million (1st half of 2013: € 15.2 million).

In the reporting period, € 5.5 million was recognised as interest expense in connection with swaps (1st half of 2013: € 16.8 million).

11 INCOME TAXES

Income taxes at € 4.9 million relate to tax income on current tax (1st half of 2013: tax income of € 2.4 million) and € 35.5 million (1st half of 2013: € 187.7 million) to deferred tax. Current tax expense includes tax income for previous years in the amount of € 11.7 million (1st half of 2013: € tax income 6.4 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 2014 for current and deferred taxes is 30.39 % (1st half of 2013: 29.63 %). 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 - Jun. 30, 2014	Jan. 1 - Jun. 30, 2013
Profit for the period attributable to DAIG shareholders (in € million)	67.3	436.8
Weighted average number of shares	234,496,569	200,122,775
Earnings per share (basic and diluted) in €	**0.29**	**2.18**

In March 2014, a cash capital increase was performed against the issuance of 16,000,000 new shares which led to a total of 240,242,425 shares.

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 INVESTMENT PROPERTIES

€ million	
Balance on Jan. 1, 2014	**10,266.4**
Additions due to changes in scope of consolidation	1,055.6
Additions	4.2
Capitalised modernisation costs	71.4
Transfer to assets held for sale	- 57.5
Disposals	- 51.8
Net income from fair value adjustments of investment properties	20.8
Revaluation of assets held for sale	11.3
Balance on June 30, 2014	**11,320.4**
Balance on Jan. 1, 2013	**9,843.6**
Additions	0.9
Capitalised modernisation costs	90.8
Grants received	- 2.0
Transfer from property, plant and equipment	1.1
Transfer to property, plant and equipment	- 3.4
Transfer to assets held for sale	- 124.7
Disposals	- 117.9
Net income from fair value adjustments of investment properties	553.7
Revaluation of assets held for sale	24.3
Balance on Dec. 31, 2013	**10,266.4**

The fair values of the investment properties were determined on the basis of the International Valuation Standard Committee's definition of market value on the basis of the discounted cash flow (DCF) method.

The main valuation parameters and valuation results as at June 30, 2014 are as follows:

Valuation parameters	
Management costs residential	average of € 249 per residential unit p.a.
Repair and maintenance costs residential	average of € 9.72 per m² p.a.
Apartment improvement costs for reletting	average of € 3.27 per m² p.a.
Market rent	average of € 6.06 per m² p.a.
Market rent increase	average 1.2 % p.a.
Cost increase / inflation	1.5 % p.a.
Stabilised vacancy rate	average of 2.9 %
Discount rate	average of 6.1 %
Capitalised interest rate	average of 5.0 %
Valuation results	
Net initial yield	5.0 %
In-place rent multiplier	14.3-fold
Fair value per m²	€ 939 per m² of lettable area

The residential property market in Germany continues to develop positively. This can be seen in the development of existing rents of DAIG. In addition to increased rental income, the removal of rent restrictions and modernisation work in the portfolio have led to positive effects on the value of the real estate and, compared to the end of the year, to net income from fair value adjustments of € 20.8 million in the half-year period ending June 30, 2014.

14 FINANCIAL ASSETS

€ million	Jun. 30, 2014 non-current	Jun. 30, 2014 current	Dec. 31, 2013 non-current	Dec. 31, 2013 current
Other investments	1.6	-	1.6	-
Loans to other investments	33.6	-	33.6	-
Securities	2.9	-	3.7	-
Other long-term loans	3.6	-	3.6	-
Dividends from other investments	-	-	-	2.1
	41.7	**-**	**42.5**	**2.1**

15 TRADE RECEIVABLES

€ million	Jun. 30, 2014	Dec. 31, 2013
Receivables from the sale of properties	38.9	90.5
Receivables from property letting	12.0	12.0
Receivables from other management	0.4	1.0
	51.3	**103.5**

16 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 € 329.2 million (Dec. 31, 2013: € 547.8 million).

Of these bank balances, € 52.5 million (Dec. 31, 2013: € 49.1 million) are restricted with regard to their use.

17 ASSETS HELD FOR SALE

Assets held for sale of € 34.3 million (Dec. 31, 2013: € 45.9 million) include the carrying amounts of properties held for sale for which there is a concrete intention to sell and whose sale within the next twelve months is highly probable.

18 EQUITY

Subscribed capital

At the Annual General Meeting held on June 30, 2013, the Management Board was authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until June 29, 2018 by a maximum of € 111,111,111 by issuing up to 111,111,111 new no-par value registered shares against cash and/or non-cash contributions once or multiple times and under certain circumstances to the exclusion of the subscription rights of shareholders (authorised capital).

The company's existing authorised capital has been partially utilised in accordance with resolutions passed by the Management Board on February 28, 2014 and March 4, 2014 on a capital increase against cash contributions in the amount of € 16,000,000 to the exclusion of the subscription rights of existing shareholders pursuant to Section 186, para. 3, sentence 4 of the German Stock Corporation Act [AktG]. The Supervisory Board and its finance committee, to which the Supervisory Board had delegated certain powers by resolution dated February 28, 2014, approved these resolutions of the Management Board by resolutions dated February 28, 2014 and March 4, 2014, respectively. Entry in the Düsseldorf commercial register was on March 7, 2014. After this capital increase, the subscribed capital of Deutsche Annington Immobilien SE was divided into 240,242,425 no-par value registered shares which carry full dividend rights as from January 1, 2013.

The shares resulting from the capital increase on March 7, 2014 were successfully placed on the market in an accelerated book-building procedure at an issue price of € 19.00.

At the Annual General Meeting of Deutsche Annington Immobilien SE on May 9, 2014, the Management Board was authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until May 8, 2019 by a maximum of € 25,010,101 by issuing up to 25,010,101 new no-par value registered shares against cash and/or non-cash contributions once or multiple times and to the exclusion of the subscription rights of shareholders (authorised capital 2014). The Annual General Meeting's resolution concerning the above-mentioned creation of authorised capital and the corresponding amendment to the Articles of Association were entered in the commercial register at Düsseldorf Local Court on June 30, 2014.

Capital reserves

Capital reserves amounted to € 1,716.1 million (Dec. 31, 2013: € 1,430.1 million).

The capital reserves increased by € 288.0 million in the first half of 2014 as a result of the premium on the issue of new shares. The capital procurement costs attributable to the company of € 3.0 million in connection with the issuing of the new shares were offset against the capital reserves allowing for deferred tax effects of € 1.0 million.

Dividend

The Annual General Meeting held on May 9, 2014 in Düsseldorf resolved inter alia to pay a dividend for the 2013 financial year in the amount of 70 cents per share. This dividend was distributed on May 12, 2014.

19 PROVISIONS

The provisions as at June 30, 2014 comprise provisions for pensions totalling € 313.8 million (Dec. 31, 2013: € 291.0 million), tax provisions for current income tax of € 59.1 million (Dec. 31, 2013: € 64.4 million) and other provisions totalling € 147.5 million (Dec. 31, 2013: € 135.8 million).

The increase in pension provisions compared with 2013 is largely a result of the recognition of actuarial losses, which are due to the reduction of the discount rate to 2.7 % (Dec. 31, 2013: 3.3 %). Actuarial losses were recognised in equity not affecting net income.

20 OTHER FINANCIAL LIABILITIES

€ million	Jun. 30, 2014 non-current	Jun. 30, 2014 current	Dec. 31, 2013 non-current	Dec. 31, 2013 current
Other non-derivative financial liabilities				
Banks	2,304.9	176.1	2,512.7	150.6
Other creditors	3,613.5	14.2	2,970.9	25.7
Deferred interest from other non-derivative financial liabilities	-	59.9	-	26.8
Derivative financial liabilities				
Purchase price liabilities from put options	-	18.0	-	7.4
Cash flow hedges	77.6	-	69.4	-
Deferred interest from cash flow hedges	-	-0.4	-	1.6
	5,996.0	**267.8**	**5,553.0**	**212.1**

For hedge accounting purposes, the deferred interest from cash flow hedges is included in the carrying amount of interest rate swaps.

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

€ million	Jun. 30, 2014	Dec. 31, 2013
Bond*	700.0	700.0
Bond*	600.0	600.0
Bond (US dollar)*	554.9	554.9
Bond (US dollar)*	184.9	184.9
Bond (EMTN)*	500.0	500.0
Bond (Hybrid)*	700.0	-
Portfolio loans		
Landesbank Hessen-Thüringen and SEB AG*	-	248.5
Norddeutsche Landesbank (1)*	142.6	144.2
Corealcredit Bank AG*	160.6	162.3
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	601.3	640.9
Nordrheinische Ärzteversorgung	37.2	38.5
AXA S.A. (Société Générale S.A.)*	166.6	174.8
Norddeutsche Landesbank (2)*	128.0	129.4
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	453.0	465.5
Pfandbriefbank AG*	183.0	190.3
Deutsche Hypothekenbank*	186.4	-
HSH Nordbank*	124.5	-
Mortgages	722.9	993.9
	6,145.9	**5,728.1**

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

As part of the acquisition of the DeWAG Group, portfolio loans and mortgages with a nominal volume of € 565.5 million were acquired.

As at June 30, 2014, scheduled repayments of € 32.1 million and unscheduled repayments of € 822.7 million had been made across the entire DAIG Group. New loans of € 705.7 million were taken out.

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 € 7.6 million higher than the recognised value.

Issuance of a hybrid bond

On April 1, 2014, DAIG agreed to issue a subordinated long-term bond (hybrid bond) of € 700 million. The bond was issued with a term of up to 60 years and an initial nominal interest rate of 4.625 % and may be called first after five years (and afterwards every five years) if the company uses its termination option. The hybrid bond was placed by Deutsche Annington Finance B.V. at an issue price of 99.782 %. The issue was completed on April 8, 2014.

HSH Nordbank

A loan with a volume of € 131.5 million, which was granted by HSH Nordbank on December 12, 2013, was acquired in connection with the acquisition of the DeWAG Group. This loan has a term expiring on January 31, 2015 and bears interest corresponding to EURIBOR plus a credit margin. Securities were provided in the form of land charges, account pledge agreements and assignments.

Deutsche Hypothekenbank (Actien-Gesellschaft)

In October 2011, the DeWAG Group – acquired by DAIG in April 2014 – obtained a syndicated loan with a volume of € 208.0 million under the lead management of Deutsche Hypothekenbank (Actien-Gesellschaft). This loan bears interest at a rate of 3.96 % and its term expires in October 2021. Securities were provided in the form of land charges, account pledge agreements and assignments.

OTHER NOTES AND DISCLOSURES

21

21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

Measurement categories and classes:			Amounts recognised in balance sheet according to IAS 39							
€ million	Measurement category in acc. with IAS 39	Carrying amounts Jun. 30, 2014	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 Jun. 30, 2014	Fair-value hierarchy level
Assets										
Cash and cash equivalents	LaR	329.2	329.2						329.2	1
Trade and other receivables										
Receivables from the sale of properties	LaR	38.9		38.9					38.9	2
Receivables from property letting	LaR	12.0		12.0					12.0	2
Receivables from other management	LaR	0.4		0.4					0.4	2
Financial assets										
Loans to other investments	LaR	33.6		33.6					46.1	2
Other long-term loans	LaR	3.6		3.6					3.6	2
Dividends from other investments	LaR	-		-					-	2
Other non-derivative financial assets										
Long-term securities	AfS	2.9					2.9		2.9	1
Other investments	AfS	1.6			1.6				1.6	n.a.
Liabilities										
Trade and other payables										
Liabilities from property letting	FLAC	19.5		19.5					19.5	2
Liabilities from other goods and services	FLAC	21.6		21.6					21.6	2
Other non-derivative financial liabilities										
Liabilities to banks	FLAC	2,481.0		2,481.0					2,658.4	2
Liabilities to other lenders	FLAC	3,535.5		3,535.5					3,755.6	2
Deferred interest from other non-derivative financial liabilities	FLAC	59.9		59.9					59.9	2
Liabilities from finance leases	n.a.	92.2						92.2	120.9	2
Derivative financial liabilities										
Purchase price liabilities from put options	FLHfT	18.0				18.0			18.0	3
Cash flow hedges (cross currency swaps)	n.a.	27.3				12.8	14.5		27.3	2
Cash flow hedges (interest rate swaps)	n.a.	50.3				- 0.3	50.6		50.3	2
Deferred interest from cash flow hedges	n.a.	- 0.4				- 0.4			- 0.4	2
thereof aggregated by measurement categories in accordance with IAS 39										
Loans and receivables	LaR	417.7	329.2	88.5	-	-	-	-	430.2	
Available-for-sale financial assets	AfS	4.5	-	-	1.6	-	2.9	-	4.5	
Financial liabilities held for trading	FLHfT	18.0	-	-	-	18.0	-	-	18.0	
Financial liabilities measured at amortised cost	FLAC	6,117.5	-	6,117.5	-	-	-	-	6,515.0	
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		8.2								
Provisions for pensions and similar obligations		313.8								

Measurement categories and classes:			Amounts recognised in balance sheet according to IAS 39							
€ million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2013	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, 2013	Fair-value hierarchy level
Assets										
Cash and cash equivalents	LaR	547.8	547.8						547.8	1
Trade and other receivables										
Receivables from the sale of properties	LaR	90.4		90.4					90.4	2
Receivables from property letting	LaR	12.1		12.1					12.1	2
Receivables from other management	LaR	1.0		1.0					1.0	2
Other assets										
Receivables from related parties	LaR	3.0		3.0					3.0	2
Financial assets										
Loans to other investments	LaR	33.6		33.6					37.4	2
Other long-term loans	LaR	3.6		3.6					3.6	2
Dividends from other investments	LaR	2.1		2.1					2.1	2
Other non-derivative financial assets										
Long-term securities	AfS	3.7					3.7		3.7	1
Other investments	AfS	1.6			1.6				1.6	n.a.
Liabilities										
Trade and other payables										
Liabilities from property letting	FLAC	19.5		19.5					19.5	2
Liabilities from other goods and services	FLAC	28.4		28.4					28.4	2
Other non-derivative financial liabilities										
Liabilities to banks	FLAC	2,663.3		2,663.3					2,756.2	2
Liabilities to other lenders	FLAC	2,904.7		2,904.7					2,945.5	2
Deferred interest from other non-derivative financial liabilities	FLAC	26.8		26.8					26.8	2
Liabilities from finance leases	n.a.	91.9						91.9	109.4	2
Derivative financial liabilities										
Purchase price liabilities from put options	FLHfT	7.4				7.4			7.4	3
Cash flow hedges (cross currency swaps)	n.a.	24.7				10.6	14.1		24.7	2
Cash flow hedges (interest rate swaps)	n.a.	44.7				6.9	37.8		44.7	2
Deferred interest from cash flow hedges	n.a.	1.6				1.6			1.6	2
thereof aggregated by measurement categories in accordance with IAS 39										
Loans and receivables	LaR	693.6	547.8	145.8	-	-	-	-	697.4	
Available-for-sale financial assets	AfS	5.3	-	-	1.6	-	3.7	-	5.3	
Financial liabilities held for trading	FLHfT	7.4	-	-	-	7.4	-	-	7.4	
Financial liabilities measured at amortised cost	FLAC	5,642.7	-	5,642.7	-	-	-	-	5,776.4	
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		8.1								
Provisions for pensions and similar obligations		291.0								

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	Jun. 30, 2014	Level 1	Level 2	Level 3
Assets				
Investment properties	**11,320.4**			11,320.4
Available-for-sale financial assets				
Non-current securities	**2.9**	2.9		
Assets held for sale				
Investment properties (contract closed)	**34.3**		34.3	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**18.0**			18.0
Cash flow hedges	**77.6**		77.6	

€ million	Dec. 31, 2013	Level 1	Level 2	Level 3
Assets				
Investment properties	**10,266.4**			10,266.4
Available-for-sale financial assets				
Non-current securities	**3.7**	3.7		
Assets held for sale				
Investment properties (contract closed)	**45.9**		45.9	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**7.4**			7.4
Cash flow hedges	**71.0**		71.0	

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 may be found in Note (13) Investment Properties.

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

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).

For the measurement of non-derivative and derivative financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR rates (3M; 6M), 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 interim consolidated financial statements DAIG's own credit risk was relevant in each case. This credit risk is derived for major risks from rates observable on the capital markets and ranges between 60 and 100 basis points, depending on the residual maturities of financial instruments.

Other non-derivative financial liabilities 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. In connection with the existing put options, there was an immaterial change in value to € 7.6 million as at the reporting date.

As part of the acquisition of the DeWAG Group, a contract has been concluded establishing put options. As at the date of first-time consolidation, these put options had a fair value of € 18.6 million. Cash transactions in particular (reorganisations under company law and distribution of dividends) resulted in the value of this put option decreasing to € 10.4 million as at the reporting date.

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).

22 FINANCIAL RISK MANAGEMENT

The financial risks existing in DAIG have not changed significantly since December 31, 2013.

Please refer to the notes to the consolidated financial statements as at December 31, 2013 for a detailed description of the interest, credit default, market and liquidity risks.

23 DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, the nominal volume of the interest rate swaps amounted to € 739.5 million (Dec. 31, 2013: € 996.4 million). Interest rates vary between 1.295 % and 4.470 % with original swap periods of between 4.75 and ten years.

The nominal volume of the cross currency swaps is € 739.8 million at the reporting date (December 31, 2013: € 739.8 million). The interest conditions are 2.970 % for four years and 4.580 % for ten years.

As part of cash flow hedge accounting, the non-current derivatives as at June 30, 2014 were shown at their negative clean present fair values totalling € 77.6 million (Dec. 31, 2013: € 71.0 million) under other financial liabilities.

At the balance sheet date, all the derivative financial instruments used by DAIG are part of effective hedging as required by IAS 39.

24 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 also 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 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 chief decision-makers assess 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 untypical for the business operation and excluding effects from revaluations in accordance with IAS 40 (adjusted EBITDA).

€ million	Rental	Sales	Other*	Group
Jan. 1 - June 30, 2014				
Segment revenues	**376.7**	**138.9**	**174.6**	**690.2**
Carrying amount of properties sold		- 120.9		
Revaluation from disposal of assets held for sale		13.2		
Maintenance	- 69.1			
Operating expenses	- 71.6	- 8.8	- 174.6	
EBITDA (adjusted)	**236.0**	**22.4**	**0.0**	**258.4**
Non-recurring items				- 30.7
Period adjustments from assets held for sale				- 1.9
EBITDA IFRS				**225.8**
Net income from fair value adjustments of investment properties				20.8
Depreciation and amortisation				- 3.4
Income from other investments				- 0.4
Financial income				2.8
Financial expenses				- 145.0
EBT				**100.6**
Income taxes				- 30.6
Profit for the period				**70.0**

* Includes ancillary costs of € 165.6 million and other income from property management of € 9.0 million

€ million	Rental	Sales	Other*	Group
Jan. 1 - June 30, 2013				
Segment revenues	**364.0**	**166.9**	**168.2**	**699.1**
Carrying amount of properties sold		- 154.0		
Revaluation from disposal of assets held for sale		12.7		
Maintenance	- 71.5			
Operating expenses	- 70.4	- 6.0	- 168.2	
EBITDA (adjusted)	**222.1**	**19.6**	**0.0**	**241.7**
Non-recurring items				- 14.2
Period adjustments from assets held for sale				- 1.6
EBITDA IFRS				**225.9**
Net income from fair value adjustments of investment properties				523.9
Depreciation and amortisation				- 2.8
Income from other investments				- 0.2
Financial income				7.1
Financial expenses				- 128.4
EBT				**625.5**
Income taxes				- 185.3
Profit for the period				**440.2**

* Includes ancillary costs of € 159.2 million and other income from property management of € 9.0 million

€ million	Rental	Sales	Other*	Group
Apr. 1 - June 30, 2014				
Segment revenues	**196.2**	**78.7**	**89.9**	**364.8**
Carrying amount of properties sold		- 66.7		
Revaluation from disposal of assets held for sale		6.5		
Maintenance	- 35.1			
Operating expenses	- 34.6	- 5.3	- 89.9	
EBITDA (adjusted)	**126.5**	**13.2**	**0.0**	**139.7**
Non-recurring items				- 9.9
Period adjustments from assets held for sale				- 1.4
EBITDA IFRS				**128.4**
Net income from fair value adjustments of investment properties				1.0
Depreciation and amortisation				- 1.8
Income from other investments				- 0.4
Financial income				1.4
Financial expenses				- 85.2
EBT				**43.4**
Income taxes				- 11.7
Profit for the period				**31.7**

* Includes ancillary costs of € 85.4 million and other income from property management of € 4.5 million

€ million	Rental	Sales	Other*	Group
Apr. 1 - June 30, 2013				
Segment revenues	**182.0**	**64.2**	**84.2**	**330.4**
Carrying amount of properties sold		- 58.5		
Revaluation from disposal of assets held for sale		5.3		
Maintenance	- 37.2			
Operating expenses	- 32.0	- 3.0	- 84.2	
EBITDA (adjusted)	**112.8**	**8.0**	**0.0**	**120.8**
Non-recurring items				- 10.4
Period adjustments from assets held for sale				0.2
EBITDA IFRS				**110.6**
Net income from fair value adjustments of investment properties				9.4
Depreciation and amortisation				- 1.3
Income from other investments				- 0.2
Financial income				4.0
Financial expenses				- 54.6
EBT				**67.9**
Income taxes				- 15.2
Profit for the period				**52.7**

* Includes ancillary costs of € 79.5 million and other income from property management of € 4.7 million

25 CONTINGENT LIABILITIES

The property transfer obligations decreased by € 5.6 million from € 12.6 million as at December 31, 2013 to € 7.0 million. A detailed description of contingent liabilities can be found in the consolidated financial statements as at December 31, 2013.

26 SHARE-BASED PAYMENTS

With effect from January 1, 2014, the Management Board of DAIG has resolved a virtual share programme (new LTIP) for DAIG's level 1 (L1) executives. This programme constitutes a long-term variable remuneration instrument to encourage the L1 executives to participate in the company's long-term development. On January 1 of each calendar year, the L1 executives will receive virtual shares (performance share units, "PSU") in line with the level of target achievement. In accordance with IFRS, the new LTIP programme has resulted in total expenses of € 0.1 million as at June 30, 2014.

27 SUBSEQUENT EVENTS

Updating of the EMTN (European midterm notes programme) tap issue and issuance of a bond under this programme.

The financial supervisory authority of the Grand Duchy of Luxembourg (CSSF) approved the required annual update of the prospectus for the EMTN tap issue on June 30, 2014. On the basis of this update, DAIG, through its Dutch financing company, has issued a bond with a volume of € 500 million. On July 9, 2014, this bond was placed at an issue price of 99.412 %, with a coupon of 2.125 % and a term of eight years. The purpose of the cash inflow is to finance the acquisition of the Vitus Group. This took place back in July, ahead of schedule, exploiting the extremely favourable market conditions.

Düsseldorf, July 28, 2014

Rolf Buch | Klaus Freiberg | Dr A. Stefan Kirsten

Responsibility Statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the interim management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year."

Düsseldorf, July 28, 2014

Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

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 June 30, 2014, that are part of the semi annual financial report according to § 37w 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, July 29, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hain	Salzmann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Glossary

GLOSSARY OF THE KEY PERFORMANCE INDICATORS

Adjusted EBITDA
Adjusted EBITDA is the result before interest, taxes, depreciation and amortisation (but including income from other investments) adjusted for non-recurring factors and net income from fair value adjustments to investment properties. Non-recurring factors are effects considered by the company to be unusual or infrequent which have an impact on the result, such as project costs for the further development of business.

Adjusted EBITDA Rental
Adjusted EBITDA Rental is adjusted EBITDA less adjusted EBITDA Sales and shows the profit from property rental adjusted for non-recurring items.

Adjusted EBITDA Sales
Adjusted EBITDA Sales is determined on the basis of the economic transfer of title of the properties sold in order to show the realised earnings for the period. It is therefore adjusted for the "revaluation of assets held for sale" and the "revaluation (realised) from the disposal of assets held for sale". The purpose of this adjustment is to show effects from the application of IFRS 5 on property sales affecting net income only in the period in which the sale actually takes place.

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 net asset value ("EPRA NAV") excluding the fair value of derivative financial instruments (net) and deferred taxes.

EPRA NNNAV
The triple net asset value according to EPRA is the reported equity of the Deutsche Annington shareholders.

Fair value
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. The fair value of the Deutsche Annington properties is confirmed regularly by external property appraisers.

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 represents a figure based on the cash flow available from operating activities. 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 (excluding adjusted EBITDA Sales), which is determined by deducting net interest expense excluding non-recurring items (e.g. transaction costs, prepaid penalties and commitment interest) and current income taxes – but not the operating result of sales activities (adjusted EBITDA Sales) – from adjusted EBITDA for the respective periods.
> FFO 1 before maintenance, in which FFO 1 is adjusted for maintenance expense.
> AFFO, which refers to capex-adjusted FFO 1 in which FFO 1 is adjusted for capitalised maintenance expenses.
> FFO 2, which is determined by adding profit from the disposal of properties to FFO 1 for the respective periods.

LTV ratio (loan-to-value ratio)
The loan-to-value ratio (LTV ratio) is the ratio of the nominal amount of financial liabilities, less cash and cash equivalents, to the sum of investment properties, trading properties, owner-occupied apartments and assets held for sale on a given reporting date.

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-transferrable 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.

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.

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

DEUTSCHE ANNINGTON IMMOBILIEN SE
Philippstrasse 3
44803 Bochum
Phone +49 234 314-0
Fax +49 234 314-1314
info@deutsche-annington.com
www.deutsche-annington.com

YOUR CONTACTS

Corporate Communications
Klaus Markus
Head of Corporate Communications
Phone +49 234 314-1149
Fax +49 234 314-1309
E-mail: klaus.markus@deutsche-annington.com

Investor Relations
Thomas Eisenlohr
Head of Investor Relations
Phone +49 234 314-2384
Fax +49 234 314-2995
E-mail: thomas.eisenlohr@deutsche-annington.com

Financial Calendar

October 30,2014	Interim Report Q3 2014

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 2013 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.

Imprint
Published by the Management Board of
Deutsche Annington Immobilien SE
Concept and realisation: Berichtsmanufaktur GmbH, Hamburg
Management Board photo: Andreas Teichmann
Status: July 28, 2014