Annual Report 2013

EXPLOITING OUR STRENGTHS

DEUTSCHE ANNINGTON

In a European context, residential real estate in Germany is an attractive market.

ON SOLID GROUND

> PAGE 4

At Deutsche Annington, we invest continuously in the fabric of our buildings, thus placing our success on solid foundations.

CARRYING OUR VALUES SUCCESSFULLY INTO THE FUTURE

> PAGE 8

Our clear performance aspirations give us solid orientation in our daily business.

OUR FOCUS

> PAGE 2

As a service provider, we want to know what concerns our tenants so that we can swiftly respond to their needs.

CLOSE TO THE CUSTOMER

> PAGE 12

We address society's current issues and problems and deliver solutions.

WE SHOW RESPONSIBILITY

> PAGE 16

In the past, we have created excellent foundations on which to continue building the company's long-term success.

STRONG FOR THE FUTURE

> PAGE 20

JANUARY

Project kick-off IPO

FEBRUARY

Expansion of care-taker organisation completed

JUNE

We join the Charta der Vielfalt (Diversity Charter) organisation

JULY

Initial listing on the German Stock Exchange

Successful refi-nancing of GRAND securitisation. First bond issue

SEPTEMBER

Pars pro toto: Nine million euro investment at the Dortmund location

OCTOBER

Deutsche Annington Immobilien SE concludes complete refinancing through successful bond issues in Europe and the USA

NOVEMBER

Best Vocational Training Enter-prise award

In 2013 we achieved a lot!
Thanks to the successful IPO and refinancing and the continuing development of our operational performance we have further reinforced our leadership role on the German residential real estate market.

What is more, by successfully increasing our economic room for manoeuvre and establishing a stable income base, we now have every chance of growing our business in the long term. We are exploiting these strengths for the benefit of our customers and investors alike.

OUR FOCUS

More than 300,000 people live with us. We give them more than just living space. We offer them a place where they can really feel at home, every single day. Every day 2,935 employees endeavour to keep this performance promise.

Proximity

New ways

Efficiency

Service

Sustainable management

Responsibility

ON SOLID GROUND

Investing money is just like building houses: solid ground ensures stability and long-term security. In a comparatively volatile and global business sector Deutsche Annington is an attractive investment segment. With 175,000 of our own apartments plus 26,000 which we manage for other owners, we are the largest housing company in Germany and one of Europe's leaders in the field.

The largest part of the Group's portfolio is in Dortmund, in the east of the Ruhr area.

Top 10 locations

Number of residential units

DORTMUND
17,541

BERLIN
12,875

FRANKFURT
9,960

ESSEN
9,491

GELSENKIRCHEN
7,642

BOCHUM
7,588

MUNICH
4,616

HERNE
4,564

DUISBURG
4,501

BONN
4,230

As of 31.12.2013

Just one of the hundreds of playgrounds in our housing estates.

GOING FOR SIZE

Sometimes size really does matter. With 175,000 of our own residential units and 26,000 managed for other owners, Deutsche Annington is Germany's largest housing company. The large number of rental apartments and our Germany-wide presence are unique in the German housing industry and form the cornerstones of our strong performance.

Size and success are intimately connected for companies in the residential property industry. Our market leadership guarantees efficient property management and generates economies of scale, for instance, in procurement. Deutsche Annington's operational structure is unique in the housing sector and facilitates a strategy which is clearly oriented towards adding value.

80% of our real estate portfolio is located in conurbations with a steadily growing demand for housing. Through active portfolio management we aim to further improve our portfolio over the coming years.

BUILDING ON OUR PRESENCE

Germany is a country of tenants. Fewer Germans own their own homes than in other European countries, and consequently there is a higher demand for rental homes. This makes the German residential property market highly attractive for investors.

Unlike many other real estate companies Deutsche Annington owns and manages residential property throughout Germany. This position enables us to create long-term value and continue growing both organically and as an active consolidator, given that our Germany-wide presence offers numerous acquisition opportunities.

For historical reasons, almost half of Deutsche Annington's portfolio is located in the most highly populated state of North Rhine-Westphalia and the fashionable metropolis of Berlin. Demand for affordable homes is currently particularly strong in the conurbation of Berlin.

GEARED TO GROWTH

Focused specialist knowledge in one company coupled with proximity to customers and continuous investment in modernisation and maintenance: these are the factors which will enable Deutsche Annington to continue enjoying stable growth on the German residential property market over the coming years. Demand for affordable homes in Germany is set to keep on growing, with supply unable to keep pace.

CARRYING OUR VALUES SUCCESSFULLY INTO THE FUTURE

When it comes to modernisation and maintenance we are already working today on the issues of tomorrow. Our aim: to safeguard our long-term portfolio and earnings.

147,424

m^2 of living area in our portfolio was modernised in 2013.

We safeguard the long-term value of our portfolio through regular modernisation and maintenance.

Really thorough refurbishment extends from dry foundations to a well-insulated roof.

FOR US SUCCESS MEANS NEVER STANDING STILL

Our work is founded not on the past but on the future. That is why we are currently addressing the question 'what will be important tomorrow?'. Sustainable and long-term thinking and action are vital cornerstones of Deutsche Annington's corporate strategy.

And this is why maintenance and modernisation are tasks that we continually set ourselves. Both activities serve to maintain the value and quality of our housing for our customers, thereby generating the corporate success of the future. In 2013, Deutsche Annington embarked on a comprehensive modernisation and maintenance programme. This involved a nationwide investment in our portfolio of over € 228.4 million, of which € 70.8 million was spent on modernisation work alone. And that is just the start: over the coming years we plan to invest three times that amount.

FINDING TOMORROW'S ANSWERS TODAY

Pondering the question 'what will be important tomorrow?' has led us to address two central issues: demographic change and the energy transition. Both issues have significantly affected not only our corporate strategy but also our 2013 investment programme, and they will continue to do so over the coming years.

MAKING AGE-APPROPRIATE HOUSING POSSIBLE

Creating age-appropriate housing is a task which we are taking very seriously. The population is getting ever older. This demographic development poses great challenges for many sections of society, and the housing market is no exception. Many people naturally want to live in their own familiar four walls to an advanced age. We are working on making that happen for as many of our tenants as possible, continuously building suitably senior-friendly, high accessibility homes.

The conversion work includes such features as anti-slip flooring, flat shower trays, raised WCs, hand rails throughout the home, seating opportunities and high accessibility house entrances, measures whose importance only becomes apparent when even simple everyday tasks become increasingly difficult with advancing age.

MEETING THE CHALLENGES OF THE ENERGY TRANSITION

A further central pillar of our investment programme is energy-efficient modernisation of our residential units. Efficient building insula-

'Over the coming five years, we will be investing €800 million in energy-efficient refurbishments and senior-friendly conversions.'

Rolf Buch, Chairman of the Management Board

Today, high accessibility is an important criterion for elderly people when it comes to selecting an apartment.

tion is one of the keys to the success of the energy transition. Few if any ways of reducing CO_2 emissions are more effective than targeted energy-saving measures. Indeed, in 2013 Deutsche Annington's modernisation projects achieved cuts in CO_2 emissions of some 5,000 tonnes, representing a reduction of almost 50% in just one year.

Through these energy modernisation measures Deutsche Annington is living up to its responsibility as Germany's largest landlord. We also aim to make our modernisation activities so effective and efficient that the energy transition remains affordable for Deutsche Annington tenants. On top of this, these measures improve the housing quality for our tenants while cutting energy costs in the long term.

APPEARANCES ALSO COUNT

Housing quality depends on many other factors, though, which is why minor cosmetic repairs also formed part of our 2013 modernisation programme. Thus many apartments had balconies fitted for the first time last year, while in others old balconies were replaced with new ones. Elsewhere, garages were built and façades received colourful upgrades. In Dortmund, Deutsche Annington even received an award in the 'Colourful Façades – Friendly Environment – More Beautiful Dortmund' competition.

CLOSE TO THE CUSTOMER

Service providers, on-site caretakers and our own craftsmen's organisation ensure that the needs of our tenants are met with a prompt, uncomplicated and reliable response. Our aim is to ensure that our tenants feel well looked-after in their home environment.

1,200

of our own craftsmen ensure that our tenants feel really at home.

To be close means for us to be in regular contact with our customers and to ensure that everything runs smoothly.

Our customer centre personnel answer 5,200 calls a day.

QUICK, CLOSE AT HAND AND RELIABLE

Whether it's a squeaking door or a broken skylight, in a building there is always something that needs doing. And sometimes help is needed quickly. Because of this, Deutsche Annington has set the wheels in motion to improve the service tenants receive and therefore their living conditions, in so doing focusing on speed, closeness to tenants and reliability.

CARETAKERS: OUR ON-THE-SPOT HELPERS

To achieve this, we decided two years ago to use our own in-house caretaker and craftsmen's organisations. The caretakers look after the services, security, safety and cleanliness in their estates, and therefore the quality of the buildings and installations. They are on the move in their neighbourhoods every day, and are accessible for tenants as Deutsche Annington's direct contact people.

In the process, caretakers take on not just classical janitorial duties but also tasks such as regular visual inspections and functional checks. For instance, our caretakers check that the lights in the stairwells and basements are working, check the water pipes, inspect the condition of empty apartments, ensure that refuse container areas are kept clean and make sure there are no tripping hazards. They are also present during apartment handovers, assisting with preliminary and final handover inspections. As quality managers, they also check the work of external service providers, for instance those responsible for looking after the estate's green spaces and clearing snow and ice during winter.

The biggest advantage for our tenants is that they regularly meet their caretakers on their

> ‘Our regular customer surveys show that many satisfied tenants are happy to confirm the good work done by our professional craftsmen.’

Dr Karsten Rech, Head of Property Management at Deutsche Annington

A member of DTGS staff. Internally, it is also called ‘rapid reaction force’ and comprises the most important craftsmen’s services.

own doorsteps and can ask questions and raise everyday problems about their apartments. In addition, at many of our locations tenants have the opportunity to raise their residential problems personally with their caretakers during weekly tenant consultation hours. If there are questions about a letter from Deutsche Annington, if a door hinge needs oiling, or if an elderly lady needs a light bulb changing quickly in her kitchen, our caretakers are on hand to help with these countless minor problems rapidly and without fuss.

DEUTSCHE TGS: ALL THE MOST IMPORTANT TRADE SERVICES UNDER ONE ROOF

The introduction of our own in-house craftsmen’s organisation has proven similarly successful. Deutsche TGS was established as recently as October 2011 but already employs over 1,200 people. This ‘rapid reaction force’, over 260 of them on call in the Ruhr region alone, can bring unique logistic capabilities to bear, and carried out 195,000 minor repairs in 2013 alone. After their work is done DTGS craftsmen park their vehicles outside their own front doors. The next day’s jobs will already be displayed on their tablet computers, and the system automatically recognises what replacement parts will be needed next day for the scheduled repairs. During the night, the parts will be delivered to their cars, so the next day the craftsmen will always have the right replacement parts to hand and can sort out the tenant’s problem on the first visit.

ALL TRADES ON BOARD

DTGS covers all trades, from painting and decorating to plumbing, electrical work, bricklaying and glazing. The organisation’s roll-out started in the Rhineland and by 2013 had extended across Germany in two phases. The results to date have been tangible. As our regular customer surveys show, many satisfied tenants are happy to confirm the good work done by our professional craftsmen.

CONTACTABLE IN MANY DIFFERENT WAYS

Deutsche Annington can also be contacted by its tenants via 64 letting offices distributed throughout Germany. Consultations are held at these offices, and viewing appointments can also be arranged directly. And if it’s too far on foot, you can also contact us 24 hours a day on our service or repair hotline.

WE SHOW RESPONSIBILITY

As important parts of society, companies are increasingly called upon to take responsibility for societal, social and ecological issues. A company whose core business is renting accommodation to people faces a special challenge here.

People from over 170 countries

live in Deutsche Annington homes.

Looking forward to a brighter future: our foundation attaches special importance to supporting children.

A cycle for children confined to wheelchairs. This long-standing dream of the Ambulanter Kinderhospizdienst (Outpatient Children's Hospice Service) in Gladbeck was one of the wishes made reality by the Deutsche Annington Foundation last year.

€308,306

the sum donated by the Deutsche Annington Foundation in 2013 for various projects.

'People in need deserve our special sympathy and support.'

Hilde Bohle-Bönsel, member of the Board of the Deutsche Annington Foundation

SOCIAL RESPONSIBILITY WITHIN THE LIVING SPACE

At Deutsche Annington we are aware of our social responsibility as Germany's largest housing company, and it has long been a central pillar of our corporate identity to actively participate in societal and social projects. We do this chiefly through the activities of the Deutsche Annington Foundation. The DAIG Foundation pursues the goal of promoting social life and neighbourliness among the people living on our residential estates. One particular aim is to give young people a better understanding of life in other countries and cultures. In addition, the Foundation provides financial help for people who are no longer able to raise themselves out of social deprivation. In 2013, we again pursued a wide range of exciting projects in support of interpersonal relations on our residential estates. Below we give three examples of our activities during an eventful and varied year for the Foundation.

NATURE RATHER THAN COMPUTERS AND TV

One of our major projects during 2013 was our involvement with Lernhof Natur und Geschichte (Nature and History Learning Farm) run by the Kassel branch of the German church charity Diakonisches Werk. The idea of the initiative is to give city children of both German and immigrant backgrounds an intimate experience of the natural world in a multicultural setting. On the farm the children look after the farm animals together, mucking out stables and building fences. Alternatively they set themselves up there as small-scale farmers, tending crops right through to the harvest. This helps them learn social skills and how to take responsibility.

BOOKS FOR EVERYBODY AROUND THE CLOCK

It is bright red and as big as a telephone box: the bookcase in Dortmund-Rahm. The wooden bookcase, situated right next to a newly-created green space complete with playground and park benches, contains everything an avid reader's heart could desire. Since last November, people have been able, around the clock, to choose

Participants in the 2013 language course held by the German Auslandsgesellschaft (Intercultural Academy).

their favourite read free of charge from a selection of over 300 books. The DAIG Foundation is supporting this project which gives local residents easy access to books and thus to education. The bookcase serves the dual purpose of also promoting social cohesion and communication in the neighbourhood.

A MUSICAL INSTRUMENT FOR EVERY CHILD

Awakening and supporting a love of music and the desire to play an instrument at an early age: that is the aim of the project entitled Musik in Leopold Grundschule (Leopold Primary School) in the small town of Weil am Rhein, which the Deutsche Annington Foundation intensively supported last year. Under this initiative musical instruments called monochords were purchased for the primary school's pupils and a 'Green Classroom' was created in collaboration with a local vocational school.

RESPONSIBILITY BOTH INSIDE AND OUTSIDE THE COMPANY

However, Deutsche Annington's commitment goes beyond these external activities. As an employer, too, we take our social responsibilities seriously. That is why fostering the compatibility of jobs with family life, promoting employee health, on-the-job training and sponsorship programmes all form central parts of our corporate strategy. Last year, Deutsche Annington also signed up to the Diversity Charter, an initiative which aims to promote the recognition, appreciation and integration of diversity in German corporate culture. All our employees should feel appreciated, regardless of their gender, nationality, origin, beliefs, handicap, sexual orientation and identity or age.

STRONG FOR THE FUTURE

Our hard work of recent years has paid off: We have laid solid foundations on which to further enhance our company's operational efficiency. Deutsche Annington is therefore well placed for continued successful development.

We have positioned ourselves closer to our customers and can offer them efficient support through our services and reinforced local presence. Our modernisation and maintenance system safeguards the long-term value of the business, which rests on stable financial foundations, as does the company as a whole. We have addressed the big issues such as the energy transition and demographic change, and have come up with answers.

Thus we are setting a new standard for our sector: customer-focused, economically successful, more highly integrated and full of potential.

On secure and solid foundations, we are leading Deutsche Annington towards a successful future in the interests of our investors, customers and employees.

The future begins with the little ones.
They are our tenants of tomorrow.

Financial Report 2013

EXPLOITING OUR STRENGTHS

Group

€ million	2013	2012	Change in %
Key Figures			
Rental income	728.0	729.0	-0.1
Adjusted EBITDA Rental	442.7	437.3	1.2
Income from disposal of properties	353.5	304.9	15.9
Adjusted EBITDA Sales	27.7	36.7	-24.5
Adjusted EBITDA	470.4	474.0	-0.8
Total maintenance and modernisation work	228.4	216.7	5.4
thereof maintenance	136.5	127.3	7.2
thereof capitalised maintenance	21.1	23.7	-11.0
thereof modernisation	70.8	65.7	7.8
Interest expense FFO	-210.7	-265.3	-20.6
FFO 1	223.5	169.9	31.5
FFO 2	251.2	206.6	21.6
AFFO	203.5	146.2	39.2
FFO 1 per share in €*	1.00	0.85	17.3

* Based on the shares qualifying for a dividend on the reporting date Dec. 31, 2013: 224,242,425, Dec. 31, 2012: 200,000,000

Key Balance Sheet Figures	Dec. 31, 2013	Dec. 31, 2012	Change in %
Fair value	10,326.7	9,982.0	3.5
NAV	4,782.2	3,448.9	38.7
LTV (%)	50.2	58.6	-8.4 pp
NAV per share in €*	21.33	17.24	23.7

* Based on the shares qualifying for a dividend on the reporting date Dec. 31, 2013: 224,242,425, Dec. 31, 2012: 200,000,000

€ million	2013	2012	Change in %
Non-Financial Figures			
Number of units managed	201,737	208,108	-3.1
thereof own apartments	175,258	181,954	-3.7
thereof apartments owned by others	26,479	26,154	1.2
Number of units sold	6,720	4,819	39.4
thereof Privatisation	2,576	2,784	-7.5
thereof Non-Core	4,144	2,035	103.6
Vacancy rate (%)	3.5	3.9	-0.4 pp
Monthly in-place rent in €/m² (like-for-like)*	5.40	5.30	1.9
Number of employees (as at December 31)	2,935	2,407	21.9

* 2012 monthly in-place rent not like-for-like € 5.28/m²

Other Financial Figures			
Income from fair value adjustment of investment properties	553.7	205.6	169.3
EBITDA IFRS	431.0	450.2	-4.3
EBT	689.6	215.8	219.6
Profit for the period	484.2	172.2	181.2
Cash flow from operating activities	259.6	385.5	-32.7
Cash flow from investing activities	171.3	194.5	-11.9
Cash flow from financing activities	-353.2	-388.4	-9.1

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

Ladies and Gentlemen,
Dear Shareholders,

Before I discuss the events of the past year in detail, I would like to take the end of the financial year as an opportunity to express my thanks to all our employees for their outstanding efforts over the past year. They are the foundations of Deutsche Annington's past success and the guarantors that this success will continue in future, thus generating stable and attractive returns for our shareholders.

We can look back on an extraordinarily successful financial year. In 2013 we set a definitive course for the future development of Deutsche Annington and were able to further improve our operational performance. And we are no less optimistic about the current financial year. We began the year full of energy and with a clear plan regarding the tasks that lie ahead of us, and can already report a positive start to the year.

2013 was dominated by our initial public offering. Since July 11, 2013, Deutsche Annington has been listed on the Frankfurt Stock Exchange, offering domestic and foreign investors the opportunity to participate in our company and thereby profit from our attractive business model. Investors' interest in our company has been great, a fact reflected in the share's positive performance to date.

The past year was largely taken up by the successful refinancing operation, whereby we succeeded in fully repaying our liabilities from the GRAND securitisation and put in place a balanced, long-term debt profile. Deutsche Annington is now the only German real estate company with an investment grade rating (BBB), which puts us in a position to refinance ourselves on attractive conditions and without security. As a result, last year we were able to successfully issue a total of five bonds in less than three months in Europe and the USA. Our loan-to-value ratio fell from 59 % to 50 %, the mean maturity of our financial liabilities increased to about nine years and our refinancing costs eased from 4.4 % to 3.3 %. Today, we have a solid and flexible financing structure which gives us a competitive advantage and increases our room for manoeuvre. This provides a basis for our company's sustained long-term success.

Key performance indicators such as FFO, NAV and tenant satisfaction were all up on the previous year. These improvements are also founded on major progress in our operational business. For instance, thanks to our closer proximity to the customer, we were able to significantly reduce our vacancy rates. Indeed, customer satisfaction is central to everything we do, which is why we continually endeavour to better meet our customers' needs, for example through an improved service. The successful roll-out across Germany of our own craftsmen's organisation and the nationwide care provided by our own caretakers mean that our on-the-spot presence is stronger than ever before. Every month we conduct 750 tenant consultation hours throughout Germany. All in all, this means we can respond to tenant concerns significantly faster. When it comes to our apartments' technical equipment, we are also moving with the times: in 2013, we provided 43,000 homes with the latest broadband technology. These measures will also lead to further improvements in customer satisfaction.

In 2013, we maintained course and made further investments in our housing stock, with a total of € 228 million flowing during the year into modernisation and maintenance. The modernisation work focused on heat insulation and senior-friendly conversions. We are aiming for long-term success and, as a result, we have scheduled further investment totalling € 800 million for the next five years.

Over the coming years, Germany is facing major sociopolitical challenges, and the housing industry will play a key role in meeting them. One major issue is the energy transition, and the other is demographic change. As a large housing company, we can and will make a significant contribution on both these fronts.

> "Our company is in a position to successfully exploit any opportunities that present themselves, and generate satisfactory returns for our investors."
>
> Rolf Buch, CEO

Let us first take a look at the energy transition. The political goals of further reducing CO_2 emissions, promoting renewable energies and improving energy efficiency offer our company clear opportunities. Here I view the government policies adopted in a positive light: if the energy transition succeeds, it will give Germany a further significant competitive advantage over other national economies, since the price of energy will only continue to rise.

Almost 40 % of the energy consumed by end users in Germany today is attributable to buildings. To assess the potential in this field, last year we asked the German energy agency, dena, to investigate possible future savings in the energy consumed by housing. The finding was striking: by 2050, the primary energy demand attributable to housing could be reduced by almost 80 %. Our experience, our standardised processes and our ability to mobilise large investment sums put us in an excellent position to significantly increase the energy efficiency of large housing stocks.

No less demanding are the challenges posed by demographic change. Average ages are increasing and people want to remain in their own homes for as long as possible. To ensure that they can, those homes will have to be more senior-friendly in design, and further services will have to made available as and when needed. In parallel with this trend it can be predicted that ever more young people from other countries will want to migrate to Germany and they will further increase the demand for affordable housing equipped, for instance, with modern communication media.

The energy transition and the impact of demographic change pose both political and economic challenges. Our perspective here is clear: as Germany's largest housing company, Deutsche Annington has the operational know-how and economic strength necessary to implement appropriate solutions. Our company is in a position to successfully exploit any opportunities that present themselves, and generate satisfactory returns for our investors.

Together with my management team and workforce of 2,935 people, I look forward to tackling the tasks that face us. And I would like to thank you as our shareholders, tenants and partners for the confidence you have shown in us.

Bochum, February 2014

Yours

Rolf Buch
CEO

MANAGEMENT BOARD

ROLF BUCH
Chairman of the Management Board (since April 1, 2013)

As Chief Executive Officer, Rolf Buch is responsible for Acquisition, General Counsel, Investor Relations, HR Management, Auditing and Corporate Communications. Before joining the company, Rolf Buch was a Management Board member of Bertelsmann SE and CEO of the Board of Arvato AG. During his time at Arvato, the company grew into a global BPO service provider with over 60,000 employees in more than 40 countries and became the fastest-growing division of Bertelsmann SE. After studying Mechanical Engineering and Business Management at RWTH Aachen University, Rolf Buch started his career at Bertelsmann in 1991.

KLAUS FREIBERG
Member of the Management Board

Klaus Freiberg has been a member of the Management Board since February 1, 2010 and, as Chief Operating Officer, is responsible for Central Asset Management, Central Operations Management, Strategy/Triple Play, DTGS, North-East, Rhine/Main, the Ruhr Area and South. From 1995 to 2010, he held various managerial positions in the Arvato Group (Bertelsmann), including responsibility for the optimisation of the service centres of Deutsche Post and Deutsche Telekom. Klaus Freiberg is a recognised expert in making companies customer-focused. Klaus Freiberg completed his degree in History, Social Sciences and Economics at the Westfälische Wilhelms University of Munster in 1990.

DR A. STEFAN KIRSTEN
Member of the Management Board

Dr A. Stefan Kirsten has been a member of the Management Board since January 1, 2011 and, as Chief Financial Officer, is responsible for Controlling, Finance, Accounting, Valuation and Insurance. In his last position, Dr Kirsten was Chief Executive Officer of the trading and real estate group, Majid Al Futtaim Group LLC in the United Arab Emirates. Before that, he was, among other things, CFO of Metro AG and ThyssenKrupp AG. Dr Kirsten completed his degree in Business Economics and Informatics at the Hagen Distance-Learning University and Georg-August University, Gottingen. He then did his doctorate (Dr rer. pol.). In 1996, he completed the Stanford Executive Program at the Graduate School of Business of Stanford University in California. Since 1995, he has been lecturing at various German and foreign universities. Since 2001, he has been lecturing at the Westphalian University of Applied Science in Gelsenkirchen under an honorary professorship.

SUPERVISORY BOARD

DR WULF H. BERNOTAT, CHAIRMAN
Former CEO of E.ON SE, Düsseldorf

ROBERT NICOLAS BARR (from May 21, 2013, previously dormant)
Operational Managing Director of Terra Firma Capital Partners Limited, London

ARJAN BREURE
Financial Managing Director of Terra Firma Capital Partners Limited, London

FRASER DUNCAN
Business Consultant, London

PROF. DR EDGAR ERNST
President of Deutsche Prüfstelle für Rechnungslegung DPR e.V., Berlin

HILDEGARD MÜLLER
Chairwoman of the Executive Board of Bundesverband der Energie- und Wasserwirtschaft, Berlin

TIM PRYCE
Chief Executive Officer of Terra Firma Capital Partners Limited, London

PROF. DR KLAUS RAUSCHER
Business Consultant, Berlin

CLARA-CHRISTINA STREIT
Former Senior Partner with McKinsey & Company, Inc., Frankfurt am Main

as at Dec. 31, 2013

Dr Wulf H. Bernotat
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

Below I report on behalf of the Supervisory Board, which I have chaired since taking over from my predecessor, Guy Hands, on June 18, on the principal supervisory and advisory issues addressed by the Board during the past financial year. All in all, we were able to provide the Management Board of Deutsche Annington Immobilien SE with effective support during an eventful year at the end of which the company was well on the way to taking a major step forwards.

In 2013, the Supervisory Board continuously monitored the Management Board's management activities and provided the board with regular advice concerning the running of the company. In the process, we were able at all times to establish that their actions were lawful, expedient and regular. The Management Board complied at all times with its obligation to provide information and notified us regularly, promptly and comprehensively, both in writing and verbally, of all events and activities of relevance for the company. This also included notifying us of any discrepancies between the actual course of business events and the planning.

In both committees and plenary meetings, the members of the Supervisory Board always had ample opportunity to critically appraise the reports and proposals submitted by the Management Board and to contribute their own ideas and suggestions. In particular, we intensively discussed and tested the plausibility of all business occurrences of significance to the company, as communicated to us by the Management Board in written and verbal reports. Where required by law or the Articles of Association, the Supervisory Board granted its consent to individual business transactions.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Supervisory Board of Deutsche Annington comprises nine members (until June 18, 2013 six members). We provide the Management Board with advisory support in relation to key decisions. The Management Board, which comprises three members, regularly informs us about key events and the company's strategic direction.

In my role as Supervisory Board chairman, between board meetings I remained in close communication with the Management Board, in the process regularly exchanging information and ideas. Other senior management and supervisory personnel were promptly notified of any important findings or judgements, and at the latest by the next board meeting.

FOCUSES OF OUR WORK

In line with the duties assigned to the Supervisory Board by law, the Articles of Association and rules of procedure, we closely scrutinised the Group's operational, economic and strategic progress. The two overriding focal points of the past year were the company's IPO and the refinancing measures. The company successfully accomplished both these tasks under the Management Board's leadership.

Meetings

In 2013, the Supervisory Board convened five scheduled meetings. In addition to this, the Supervisory Board held seven teleconferences and passed three resolutions via written circular. In preparation for these meetings, the Management Board submitted written reports and resolution proposals to the Supervisory Board. On all but one occasion every member attended the Supervisory Board meetings. The exception was the meeting on September 25, 2013, for which two members were absent and excused.

After telephone consultation, the Supervisory Board passed a written resolution on **February 28, 2013,** appointing Rolf Buch as a member and simultaneously chairman of the Management Board of Deutsche Annington Immobilien SE, with effect from April 1, 2013.

At the ordinary meeting on **March 20, 2013,** the Supervisory Board appraised the 2012 annual and consolidated financial statements of Deutsche Annington Immobilien SE, duly approving them after subjecting them to thorough scrutiny and discussion and taking the auditor's reports into account. The Supervisory Board discussed its report in detail before deciding on the resolution proposals to submit to the General Meeting of Shareholders. Alongside the operational business and the projects assignable to it, such as the caretakers' organisation, the craftsmen's company and the investment programme, the Supervisory Board also discussed preparations for the scheduled IPO and the current status of the refinancing arrangements.

On **April 25, 2013,** the Supervisory Board held a teleconference to discuss the appointment of a consortium of banks to assist in preparations for the IPO and the establishment of a subsidiary in the Netherlands for the future issuance of bonds.

On **June 4, 2013,** the Supervisory Board held a teleconference at which it discussed the 'GRAND' structured financing. The decision was taken to replace this with a term loan and the issuance of corporate bonds. In so doing, we duly took note that a proportion of unsecured real estate is regarded as a precondition for a corporate rating. In committee we also considered the issue of the remuneration structure for senior management personnel, an employee participation scheme, new rules of procedure and capital market directives. During the course of our discussions on the topic of corporate governance, we issued a statement to the effect that we respected the question of the diversity and independence of supervisory board members and would bear this in mind when taking further upcoming decisions.

During a teleconference on **June 8, 2013,** the Supervisory Board considered a proposal to take out interim finance for the purpose of winding up the GRAND securitisation, and this was duly agreed as a support measure for the IPO. At the same time, a resolution was passed to announce the company's 'intention to float'. Further decisions taken concerned changes to Management Board members' contracts including their long-term incentive programme.

On **June 17, 2013,** the Supervisory Board reconstituted itself in writing as a new nine-member line-up for the period of office beginning at the end of the meeting on June 18, 2013.

At the final meeting of the six-member Supervisory Board on **June 18, 2013,** the Supervisory Board decided on the share price spread for the IPO and authorised the Management Board to take the necessary action for the IPO. We also discussed the topics of business development, issuing a bond, D&O insurance and the work of the committees. Finally, KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, was appointed for a further year to conduct the 2013 audit.

In the light of market conditions, after in-depth discussions during a teleconference on **July 2, 2013,** we decided, with the agreement of the Management Board and the advisory consortium, to postpone the IPO.

In a teleconference on **July 8, 2013,** we decided, after joint discussions with the Management Board, to issue a share offer for institutional investors by way of an accelerated book-building process.

Then on **July 9, 2013,** also via teleconference, we fixed the issue price, at the same time discussing key points concerning further action during the pre-IPO phase.

During a teleconference on **July 16, 2013,** the Management Board and Supervisory Board exhaustively discussed the status of the GRAND securitisation follow-up financing. After an in-depth explanation by the Management Board and detailed discussions, we decided to approve the issuance of two bonds to a total value of € 1.4 billion.

The key outcome of the ordinary meeting on **September 25, 2013** was approval of the issuance of further debt instruments in the form of two US dollar bonds, each with a minimum volume of US-$ 250 million, and one bond with a volume of € 500 million from the European Medium Term Note Program (EMTN) set up by the company, which has a maximum volume of € 4 billion. Further topics addressed by the meeting were the company's operational and commercial progress, the division of responsibilities in the Management Board and the ongoing acquisition strategy. In addition, we discussed the acquisition of specific portfolios.

The future corporate strategy was a key item on the agenda for the meeting on **November 5, 2013.** As well as appraising the company's operational and commercial progress, we also discussed the questions of portfolio acquisition, the investment programme and committee work. A further point discussed (in the Management Board's absence) was Rolf Buch's director's contract.

During the final ordinary Supervisory Board meeting of last year, held on **December 6, 2013,** discussions focused on the 2014 budget, portfolio acquisitions and further streamlining of the company's organisational structures. Other subjects discussed were the optimisation of financing and the planned introduction of a pre-retirement part-time work programme.

WORK OF THE COMMITTEES

In order to perform its duties effectively the Supervisory Board forms the following committees: the Audit Committee, the Finance Committee and the Executive and Nomination Committee (until June 18, 2013 the Nomination Committee). The committees prepare topics for the Supervisory Board to discuss or pass resolutions on, as well as passing resolutions themselves on behalf of the plenary Supervisory Board.

Audit Committee

The Audit Committee comprises four (until June 18 three) members. Until June 18, the committee members were Fraser Duncan (chairman until May 20, 2013), Robert Nicolas Barr (once again a member after resigning from the Management Board on May 21, 2013, and also chairman), Arjan Breure and Professor Klaus Rauscher (until May 20, 2013). From June 18, the members were Professor Edgar Ernst (chairman), Robert Nicolas Barr, Dr Wulf H. Bernotat and Fraser Duncan.

In a total of four meetings, two of them teleconferences, the Audit Committee took a detailed look at the Group's current economic situation, as well as conducting analyses of key points after the presentation of the three-month, six-month and nine-month figures. A further focus was on the discussion of the quarterly reports from the Auditing department. At the meeting on March 5, the committee also considered its recommendations for the adoption of the annual financial statements and the internal audit, as well as discussing the committee's working efficiency and significant legal disputes within the Group. The principal themes of the teleconference on May 3, 2013 were the quarterly report as well as taxation, risk management and the refinancing of the GRAND securitisation. During a teleconference on August 8, the Audit Committee analysed the half-yearly figures and prepared the ground for the appointment of the external auditors for the 2013 financial year. At the meeting on November 5, 2013 to discuss the third quarter figures, the committee also addressed the issues of risk management, audit plan for 2014, legal disputes, anti-corruption rules, portfolio valuation and auditing.

Finance Committee

The Finance Committee comprises four (until June 18 three) members. Until June 18, the committee members were Arjan Breure (chairman until May 20, 2013), Robert Nicolas Barr (again a member from May 21, 2013 – see below – and also chairman), Neil Hasson (until May 20, 2013) and Fraser Duncan. From June 18 onwards, the members were Clara-Christina Streit (chairwoman), Robert Nicolas Barr, Dr Wulf H. Bernotat and Arjan Breure.

The Finance Committee held two meetings in 2013, during November and December, as well as two teleconferences (March and September). It also passed six resolutions via written circular.

The Finance Committee's meetings and resolutions chiefly concerned the issues of portfolio valuation, choosing advisers for the IPO, refinancing the GRAND securitisation, loan agreements, bond issuance and the sale and purchase of real estate. Apart from these specific topics, the Finance Committee also addressed general themes such as investor relations strategy and the Finance Committee's working principles.

Executive and Nomination Committee

To deal with employment contracts and remuneration issues between the company and Management Board members, the Supervisory Board set up a Nomination Committee. On June 12, 2013, this was renamed the Executive and Nomination Committee, which is also responsible for considering other business between Management and Supervisory Board members, on the one hand, and the company, on the other. The Executive and Nomination Committee comprises four (until June 18 three) members. Until June 18, the committee members were Guy Hands (chairman until May 20, 2013), Robert Nicolas Barr (again a member from May 21, 2013 – see below – and also chairman), Arjan Breure and Fraser Duncan. From June 18 onwards, Supervisory Board chairman Dr Wulf H. Bernotat chaired the committee, while Robert Nicolas Barr and Arjan Breure continued their committee work and Hildegard Müller resumed office.

The Executive and Nomination Committee met twice in 2013 as well as passing one resolution via written circular. At the meeting on April 4, 2013, the committee passed a resolution concerning the remuneration for Klaus Freiberg and Dr A. Stefan Kirsten. On November 7, 2013, the committee decided via written circular on a change to Rolf Buch's contract. At a meeting on December 6, 2013, the committee discussed the Group's remuneration system and agreed to introduce a short-term incentive programme for senior executives and managers. The committee also discussed the topic of 'Management by Objectives' in relation to persons employed outside or above the general pay scale, and decided on a modification of the long-term incentive plan (LTIP).

CORPORATE GOVERNANCE

The Management Board and Supervisory Board of Deutsche Annington Immobilien Group are committed to the principle of good corporate governance. The recommendations and suggestions of the German Corporate Governance Code and the implementation thereof were discussed during meetings of the Supervisory Board and its Finance and Audit committees.

Along with its annual reporting for the 2013 financial year, the Supervisory Board and Management Board for the first time submitted a Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG). This was approved by the Supervisory Board in line with the Audit Committee's recommendation and is printed on page 35 of the current report as well as being publicly accessible on the company's website at www.deutsche-annington.com. Further observations on corporate governance can be found in the corporate governance report jointly issued by the Management Board and Supervisory Board as well as in the corporate governance declaration.

AUDIT OF THE FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, (KPMG), was appointed by the General Meeting of Shareholders on March 20, 2013 as auditor of the financial statements for 2013. KPMG has duly audited the annual financial statements and consolidated financial statements of Deutsche Annington Immobilien SE for the 2013 financial year as well as the corresponding management report and the accounting on which they were based and has expressed an unqualified opinion thereon. The Management Board's report to the Supervisory Board concerning relations with affiliated companies pursuant to Section 312 AktG (the dependent company report) also formed part of the auditor's remit. For the first time the audit also extended to the structure and functioning of the risk management system, and here too no reservations were expressed. The auditor has affirmed its independence from the Audit Committee and duly declared that no circumstances exist which could give grounds for assuming a lack of impartiality on its part.

The audit assignment was awarded to KPMG by the chairman of the Audit Committee in line with the Supervisory Board resolution and the choice of auditor made by the General Meeting of Shareholders. KPMG has duly affirmed its independence from the chairman of the Audit Committee.

The single-entity financial statements were prepared by the Management Board in accordance with German generally accepted accounting practice and the rules laid down in the German Commercial Code (Handelsgesetzbuch – HGB), whereas the consolidated financial statements were prepared by the Management Board in accordance with International Financial Reporting Standards (IFRS), as applied in the European Union, as well as the supplementary provisions applicable pursuant to Section 315a, para. 1 HGB. For the first time, Deutsche Annington Immobilien SE has prepared a combined management report in accordance with the provisions of German Accounting Standard 20 (Deutscher Rechnungslegungsstandard (DRS) 20) in relation to single-entity and consolidated financial statements. In addition, due to the IPO, the accounting standards applicable to capital market-oriented companies were applied for the first time in 2013.

Every member of the Supervisory Board received copies of the annual financial statements, the consolidated financial statements and the combined management report, the dependent company report and the auditor's report in good time. On the basis of the preliminary examination by the Audit Committee, about which the Audit Committee chairman reported to the Supervisory Board, the Supervisory Board has scrutinised in detail the annual financial statements, consolidated financial statements and combined management report of the Deutsche Annington Immobilien Group for the 2013 financial year and also considered the Management Board's proposal for the appropriation of profit.

At a joint meeting on February 28, 2014 with the Audit Committee, and at the subsequent Supervisory Board meeting on February 28, 2014, the auditors reported both on their overall audit findings and on the audit's individual focal points. In particular, the auditors addressed the accounting in relation to the IPO, to real estate valuation and to the issuance of bonds. The auditors gave detailed answers to our questions. After its own in-depth review of all documentation, the Supervisory Board found no grounds for objection. Accordingly, we concurred with the auditors' findings. On February 28, 2014 we therefore followed the Audit Committee's recommendation and approved the annual financial statements and consolidated financial statements of Deutsche Annington Immobilien SE, as well as the combined management report. The annual financial statements are thus duly adopted.

The Supervisory Board has reviewed the Management Board's proposal for the appropriation of the profit, in so doing taking carefully into account the Company's liquidity, tax considerations, and also the financial budgets and investment planning. After this review the Supervisory Board hereby endorses the Management Board's recommendation to the Annual General Meeting of Shareholders to distribute to the shareholders out of the profit of € 195,583,207.82, an amount of € 156,969,697.50 on the shares of the share capital as at December 31, 2013 be paid as a dividend to the shareholders and the remaining amount of € 38,613,510.32 be carried forward to the new account or be used for other dividends on shares which are entitled to dividends at the time of the Annual General Meeting and which go beyond those as at December 31, 2013.

PERSONNEL

During the reporting period, there were personnel changes in both the Supervisory Board and the Management Board. Turning first to the changes in the Supervisory Board:

In connection with the planned IPO, the serving members of the Supervisory Board formally relinquished their posts with effect from the end of the Supervisory Board meeting on June 18, 2013. Immediately after the end of this meeting, the Supervisory Board members appointed by resolution of the General Meeting of Shareholders of June 13, 2013 took up their posts. The General Meeting of Shareholders appointed all Supervisory Board members for a five-year term, i.e. until the 2018 AGM.

Neil Hasson and the long-serving chairman Guy Hands left the Supervisory Board. The Supervisory Board elected Dr Wulf H. Bernotat as its new chairman and Robert Nicolas Barr as deputy chairman.

Further new members appointed to the Supervisory Board were Prof. Dr Edgar Ernst, Hildegard Müller, Clara-Christina Streit and Tim Pryce. Robert Nicolas Barr returned to his suspended Supervisory Board mandate after the end of his interim spell as a member of Deutsche Annington Immobilien SE's Management Board (see below).

The constitution of the Supervisory Board chairmanship and appointments to the committees took place via written circular.

The Management Board underwent the following personnel changes during the reporting period: on February 28, 2013 the Supervisory Board appointed Rolf Buch chairman of the Management Board of Deutsche Annington Immobilien SE with effect from April 1, 2013. Robert Nicolas Barr, who had temporarily relinquished his Supervisory Board mandate on September 25, 2012 and taken up interim office as a Management Board member, duly stood down from the Management Board on May 20, 2013. On May 21, 2013, Robert Nicolas Barr resumed his membership of the Supervisory Board.

CONCLUDING REMARKS

We would like to thank the outgoing Supervisory Board members for their great commitment and the key contribution they have made to the progress and success of the Deutsche Annington Immobilien Group. Our special thanks go to Robert Nicolas Barr for taking on interim directorial duties at Deutsche Annington Immobilien SE. We would also like to thank the current Management Board, all employees and the employees' representatives for their dedication and hard work during an extremely eventful year.

Düsseldorf, February 28, 2014
On behalf of the Supervisory Board

Dr Wulf H. Bernotat, Chairman

COMBINED MANAGEMENT REPORT

This combined management report contains the reporting on Deutsche Annington Immobilien SE as well as the Deutsche Annington Immobilien Group. The management report was prepared in accordance with the rules of Sections 289, 315 and 315a of the German Commercial Code (HGB) as well as the promulgations of the German Accounting Standard (DRS) 20.

Fundamental Information about the Group

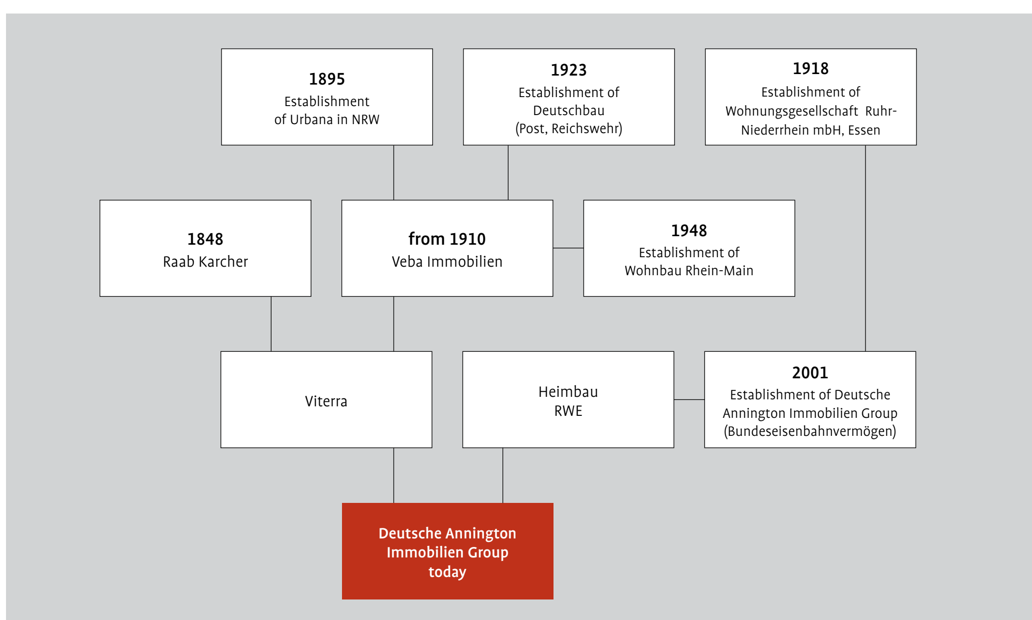
BUSINESS MODEL

The company

With some 175,000 residential units worth a total of € 10.3 billion, Deutsche Annington Immobilien SE is one of the leading real estate companies in Europe.

The Deutsche Annington Immobilien Group is today Germany's largest housing company measured by fair value and the number of residential units. We manage a total of 175,258 residential units of our own, 40,760 garages and parking spaces as well as 1,076 commercial units. We also manage 26,479 apartments for other owners. Deutsche Annington provides housing in some 533 cities and communities throughout Germany.

The company was established as part of the takeover of railway housing companies in 2001 and grew considerably through further acquisitions in the years that followed. With the purchase of Viterra in 2005, Deutsche Annington advanced to become Germany's largest residential real estate company. Today, the Group pools the experience and know-how of ten companies with over one hundred years of history.



Performance-focused management of residential real estate

The Deutsche Annington Immobilien Group 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. Most of our apartments have two to three rooms and average living areas of 64 square metres. Thus Deutsche Annington is a major provider of small and medium-sized apartments. Industry experts are currently predicting that this market segment will offer the best opportunities since the demand for smaller apartments will grow disproportionately as the number of one and two-person households increases in the coming years and decades.

We also offer additional real estate-related services which bring benefits to both our customers and our owners.

In conjunction with our services, we assume responsibility for our housing stocks and make a contribution to solving the societal challenges that arise from demographic and social changes in our residential estates. At the same time, we manage our properties in a success-focused manner in this business environment and secure a stable return for our shareholders.

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.

Sales – Privatise and Non-Core

Deutsche Annington pursues the business model of generating additional value by selling owner-occupier units and single-family houses at a premium compared with their fair value. The same applies to selected multi-family houses for which Deutsche Annington does not see sufficient development potential in the Rental portfolio in the medium term and which are to be sold at their fair value. These properties are offered to tenants, owner-occupiers as well as private and institutional investors.

Targeted value-enhancing acquisition opportunities

It is also part of our business to make selective acquisitions of housing stocks and to add them to our Rental portfolio and thus increase the company's value in the long term. Therefore, we continuously follow the market and assess potential acquisitions on offer.

OBJECTIVES AND STRATEGY

Strategic environment

Important strategic aspects of the strategic environment for Deutsche Annington are the two megatrends, energy transition and the demographic change, in Germany.

A crucial prerequisite for the success of the energy transition in Germany is the sustainable and significant reduction of final energy consumption. As residential buildings account for more than a quarter of total final energy consumption, this segment offers considerable potential for saving energy. For this reason, the German government has set itself the ambitious goal of reducing the heat requirements of buildings by 20 % by 2020 and reducing primary energy consumption by 80 % by 2050. This means that comprehensive energy-efficiency measures have to be performed in a large percentage of buildings in Germany.

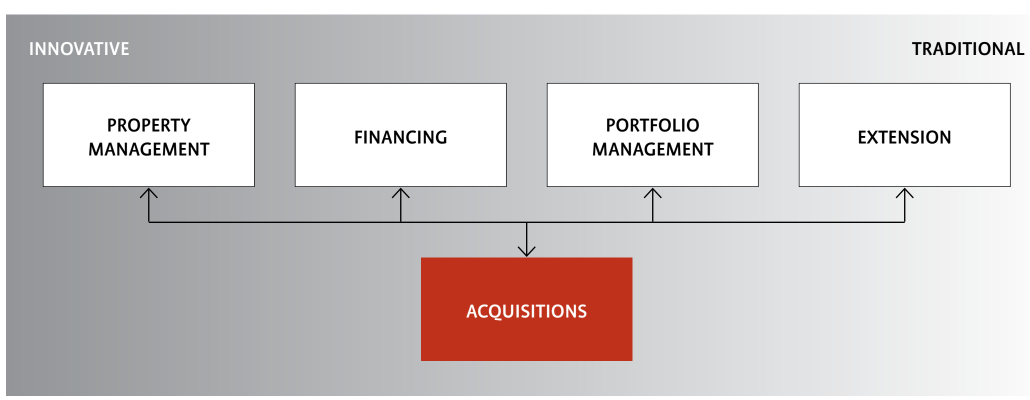
Deutsche Annington is aware of its responsibility and has therefore set up an energy-efficient modernisation programme. With the help of the funds from promotional banks, we will be investing some € 500 million over the next five years in measures to enhance the energy efficiency of our buildings.

The demographic change also has a considerable influence on the housing industry in Germany. The population is ageing fast and presenting the housing industry with major challenges – particularly in the field of age-appropriate accommodation.

In order to respond to this trend, the German government is also providing low-interest funds from promotional banks to support the efforts of the real estate companies to adapt their housing stocks to the needs of older people, therefore enabling them to live longer in their familiar surroundings. Against this background, Deutsche Annington will invest a three-digit million sum in the senior-friendly conversion of its apartments in the next five years.

Furthermore, Germany is currently experiencing a wave of immigrants coupled with a migration of people within Germany from the countryside to the metropolitan areas such as Rhine/Neckar, Rhine/Main, Rhine/Ruhr as well as Munich, Hamburg and Berlin. This development is contributing to an increase in the number of one to two-person households, which the Deutsche Annington business model benefits from.

OUR STRATEGY



Our strategy consists of five elements. They are:

- Property Management
- Financing
- Portfolio Management
- Extension (extension of the value chain)
- Acquisitions

The successful implementation of the operational strategic elements – Property Management, Financing, Portfolio and Extension – is the basis for a sustained and positive development of our primary key performance indicators, funds from operations (FFO) and net asset value (NAV). At the same time, it gives us flexibility for acquisitions which open up further optimisation potential through economies of scale.

Property Management

The paramount goal of Deutsche Annington's property management strategy is the systematic optimisation of operating performance and core business productivity. The fundamental requirements for achieving this goal are sustained strength and improved customer satisfaction.

Through a balanced mix of various measures which are geared to this goal, we create a strategy which is characterised by sustainability and profitability.

Deutsche Annington invests continuously and above the average of its competitors in the maintenance of its buildings – this guarantees reliable technical quality of our apartments.

In addition, we optimise our services by implementing a coherent quality management system, which is characterised by high quality standards and continuous checks. In order to ensure the economic balance of all activities, our processes and structures are strictly geared to our customers' satisfaction. This gives us a clear picture of falling ancillary costs and growing customer satisfaction, which we continuously measure and evaluate.
This holistic property management approach delivers a clear economic benefit.

Financing

Our financing strategy pursues various goals: a balanced structure and maturity of our debt capital, optimisation of our financing costs, maintenance of our credit rating and adequate liquidity at all times.

The success of our financing strategy is reflected in the following:

- Access to the capital markets through the IPO on the basis of a sound equity ratio of roughly 34 % and a loan-to-value ratio of up to about 50 %

> Access to the debt capital markets through an investment grade rating of BBB from S&P
  > Balanced and weighted maturity profile up to 2023
  > Balanced debt structure through bonds (EMTN and Yankee Bond programmes) supplemented by structured loans and low-interest mortgages
  > Synchronised hedging strategy

> Possibilities to obtain funds of more than € 4 billion in a balanced mix of equity and debt capital
  > Permits further growth
  > Ensures improved financial result
  > Ensures earnings growth and investor returns through dividends and share price

We laid the foundation of our financing strategy in 2013 by achieving a financing structure which is both unique and leading in the German real estate industry.

At the beginning of 2013, the Management Board of Deutsche Annington Immobilien SE, Düsseldorf, ("DAIG" or "Company") began to implement the new financing strategy of Deutsche Annington. This strategy is based on balanced financing made up of equity and debt capital with a sound equity ratio and loan-to-value ratio (LTV ratio). That means, in particular, that the GRAND CMBS securitisation is refinanced by a healthy mix of issued unsecured and non-subordinated bonds as well as structured loans and mortgages, which results in a weighted and balanced maturity profile.

In a first step, in June 2013 Deutsche Annington Immobilien SE, Düsseldorf, applied for admission of its public offering on the Frankfurt and Luxembourg stock exchanges on the basis of a stock exchange prospectus in accordance with the EU Prospectus Directive. The approvals were granted by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)) on June 19 and July 10. The initial listing of the share then took place on July 11 in the Prime Standard segment of the Frankfurt stock exchange (WKN: A1ML7J; ticker symbol: ANN).

As a result of the IPO, DAIG generated net proceeds of some € 380 million from the issue whereupon the rating agency Standard & Poor's (S&P) granted DAIG a corporate rating of BBB (long-term) and A2 (short-term) with a stable outlook (investment grade rating BBB).

The successful IPO and the investment grade rating granted by S&P smoothed the way for the procurement of funds on the international equity and debt capital markets.

On July 25 as well as on October 2 and 8, 2013, bonds were issued for a total value of € 2,527 million in three stages on the basis of the investment grade rating, the proceeds from the bonds ultimately being used for the repayment of the GRAND CMBS securitisation.

After repayment of the GRAND securitisation using the proceeds from the bonds, the structured financing now in place and the successful IPO, DAIG has largely achieved the most important goals of its financing strategy: a balanced mix of equity and unsecured, non-subordinated bonds with free access to the equity and debt capital markets on the basis of an investment grade rating.

The desired result is a loan-to-value ratio of 50 %.

These successes are a clear competitive advantage for a German residential real estate company. The DAIG management has clearly expressed its intention to procure additional funds through the issuance of further bonds; these funds are to serve as debt capital to supplement equity so that both the company's organic and external growth (by acquisitions) can be advanced.

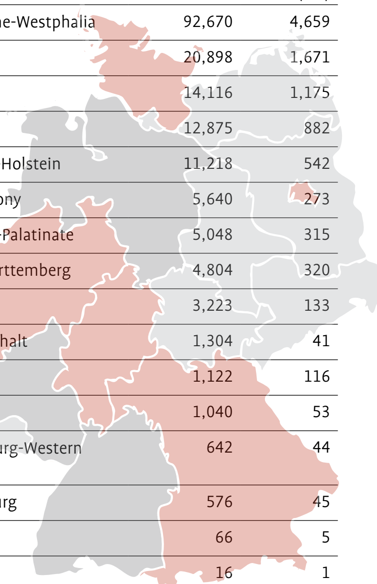
Portfolio Management
Deutsche Annington has divided its portfolio into five action-oriented portfolio segments. We follow a clearly differentiated strategy with regard to value creation.

Portfolio segmentation*

	Rental Only (84 %)		
Core 97 %	**Operational value generation through:** > Rental growth > Vacancy reduction > Effective and sustainable maintenance spend > Cost efficiency through scale	»	**I. Operate (39 %)** > Continuous improvement without major portfolio measures
	Additional value creation through investments: > € 800 m capex opportunities > Returns above cost of capital > Cost of capital lower than for acquisitive growth > Track record of about € 160 m of investments 2009-2012 at about 7 % unlevered yield on average	»	**II. Upgrade Buildings (25 %)** > Invest in energy efficiency upgrades > € 500 m of opportunities identified **III. Optimise Apartments (20 %)** > Invest in apartments for senior living and higher standard flats in strong markets
	Additional value creation through retail sales: > Total of 21 k apartments prepared > Track record of selling about 2,500 apartments > 20% above fair value per annum	»	**IV. Privatise (13 %)** > Sell as opportunity presents itself if sufficient premium value is offered
Non-Core 3 %	> Insufficient medium to long-term growth prospects	»	**V. Non-Core (3 %)** > Sell mid-term around fair value

* Percentages refer to the segment's fair values in relation to the total fair value

Portfolio distribution



German federal states	Units	Fair value (€m)
North Rhine-Westphalia	92,670	4,659
Hesse	20,898	1,671
Bavaria	14,116	1,175
Berlin	12,875	882
Schleswig-Holstein	11,218	542
Lower Saxony	5,640	273
Rhineland-Palatinate	5,048	315
Baden-Württemberg	4,804	320
Saxony	3,223	133
Saxony-Anhalt	1,304	41
Hamburg	1,122	116
Thuringia	1,040	53
Mecklenburg-Western Pomerania	642	44
Brandenburg	576	45
Bremen	66	5
Saarland	16	1

< € 200 m € 200 m - € 500 m ≥ € 500 m

The portfolio segmentation is as follows at the beginning of 2014:

> **Operate**
In this segment we pursue the strategy of **value-enhancing property management.** We achieve operational value generation through rental growth, vacancy reduction, effective and sustainable maintenance spend as well as cost efficiencies through scale.

> **Upgrade Buildings**
With **value-creating investments,** we generate significant value improvement through a comprehensive investment programme, picking up on the societal megatrend, climate protection, and investing in energy-efficient modernisations.

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

> **Privatise**
We generate further value through the sale **(privatisation)** of owner-occupier units and single-family houses at a significant premium compared with their fair value. Related to the fair value at the end of 2013, these units amount to 13 % of the DAIG housing stocks, measured by the number of residential units.

> **Non-Core**
As part of **portfolio optimisation,** we sell buildings to private and institutional investors as the opportunity presents itself. 3 % of the DAIG housing stocks, measured in terms of fair value, have only limited development potential in the medium to long term as they are not suitable for long-term, successful management using our standardised letting processes due to their location or the condition of the property. This housing stock is to be sold in the medium term at prices around fair value.

The foundation of all sales and purchase decisions of Deutsche Annington is its own analysis of the German market on the basis of the yield achieved and the future potential to increase value. To calculate the growth potential, we have developed a scorecard with which we believe we can forecast the future development of the local markets better than by using publically available studies. One main difference is that our analysis includes the knowledge of our local business unit managers throughout Germany in addition to the expected regional demographic developments. The result of this market analysis forms the basis for long-term portfolio optimisation.

Extension
Deutsche Annington has steadily extended its core business since 2012. The most important examples of the successful extension of our value chain are the development of our craftsmen's organisation Deutsche TGS and the partnership with Deutsche Telekom to supply our residential units with digital radio and TV reception. Both

projects have met or even exceeded our expectations. In 2012, we started to build up our own caretaker organisation to be able to look after our tenants better with our service offering. The response to this caretaker service offering is extremely positive and fully meets our expectations.

We see great growth potential for the craftsmen's organisation DTGS. Since the beginning of last year, we have hugely expanded our capacities in the different regions. Today, we employ some 1,200 people and plan to further increase the number of employees. DTGS is now available for all Deutsche Annington customers and the reaction to our service offering is extremely positive.

Our craftsmen's organisation gives us key strategic advantages:

- Availability of highly-skilled craftsmen
- Improved service quality by building expertise and implementing efficient, well-coordinated processes
- Cost advantages (procurement etc.)
- Scalable operating platform throughout Germany

The contract with Deutsche Telekom was signed in 2011. The joint objective is to equip 145,000 apartments with modern fibre-optic technology so as to be able to offer our tenants the entire spectrum of Deutsche Telekom services on more favourable conditions. By the end of 2013, 43,000 apartments had already been equipped.

In addition to these projects, we want to further expand the service offering for our tenants. Our aim is to continually strengthen the loyalty of our customers and profitably develop our business.

Acquisitions

In addition to Deutsche Annington's potential for organic growth, we are also active in the field of acquisitions. Thanks to our presence throughout Germany, we see many possibilities and can also integrate housing stocks which are scattered over a wide area into our existing portfolio. Furthermore, our financial flexibility means that we offer potential sellers a high degree of transaction security.

Deutsche Annington is highly disciplined when assessing potential acquisitions and sets clear requirements. All eligible acquisitions must meet the following four conditions, they must

- fit into the existing portfolio
- increase FFO/share
- be at least NAV/share neutral
- not jeopardise the existing BBB rating

PORTFOLIO

Structure

The Deutsche Annington portfolio as at December 31, 2013 breaks down as follows:

HOUSING STOCKS

as at Dec. 31, 2013	Units	Living area (thousand m²)	Vacancy rate (%)	Vacancy rate Change (% points)	In-place rent (€ million)	In-place rent like-for-like (€/m²/month)	In-place rent Change like-for-like (%)	Fair value* Dec. 31, 2013 (€/m²)
Operate	78,764	4,999	3.0	-0.1	316.1	5.43	+1.7	907
Upgrade Buildings	43,476	2,743	2.8	0.0	170.3	5.33	+1.8	897
Optimise Apartments	21,363	1,335	2.1	0.1	95.6	6.10	+3.5	1,084
Rental Only	**143,603**	**9,077**	**2.8**	**0.0**	**581.9**	**5.50**	**+2.0**	**930**
Privatise	20,536	1,406	4.9	-0.9	85.3	5.31	+1.9	953
Non-Core	11,119	699	9.7	-1.4	32.0	4.24	+0.6	494
Total	**175,258**	**11,182**	**3.5**	**-0.4**	**699.2**	**5.40**	**+1.9**	**901**

* Average fair value of housing stocks related to rentable area

Regional distribution of the entire portfolio

Approx. 69 % of our portfolio is concentrated in cities with more than 100,000 inhabitants. The focus is on the Ruhr area, Berlin, the Rhine-Main region and southwest Germany. The vast majority of our housing stocks (96 %) are situated in the states of former West Germany (including Berlin). 53 % are in North Rhine-Westphalia. Therefore, by far the largest proportion of our residential portfolio is located in the most highly populated German state.

HOUSING STOCKS BY GERMAN STATE

as at Dec. 31, 2013	Units	Living area (thousand m²)	Vacancy rate (%)	In-place rent (€ million)	In-place rent (€/m²/month)
North Rhine-Westphalia	92,670	5,797	3.8	341.8	5.11
Hesse	20,898	1,321	1.6	102.9	6.59
Bavaria	14,116	939	1.8	61.2	5.54
Berlin	12,875	829	1.4	56.5	5.76
Schleswig-Holstein	11,218	699	3.7	41.4	5.14
Lower Saxony	5,640	381	7.5	21.5	5.08
Rhineland-Palatinate	5,048	359	3.6	21.6	5.20
Baden-Württemberg	4,804	335	2.2	21.5	5.48
Saxony	3,223	202	9.0	10.8	4.89
Saxony-Anhalt	1,304	89	17.9	4.0	4.51
Hamburg	1,122	65	1.9	5.6	7.38
Thuringia	1,040	67	6.2	4.0	5.26
Mecklenburg-Western Pomerania	642	49	2.8	3.3	5.70
Brandenburg	576	42	3.8	2.9	5.83
Bremen	66	5	9.1	0.3	5.74
Saarland	16	1	0.0	0.1	4.75
Total	**175,258**	**11,182**	**3.5**	**699.2**	**5.40**

Roughly 66 % of the housing portfolio (115,867 units) is concentrated in our 25 largest locations. The three largest locations are Dortmund, Berlin and Frankfurt am Main. Overall, a large proportion of our residential portfolio is located in cities and regions with good growth prospects and a positive development of the number of households, including Munich and Berlin as well as the Rhine-Main region with the cities Frankfurt am Main, Cologne, Bonn and Düsseldorf.

HOUSING STOCKS 25 LARGEST LOCATIONS

as at Dec. 31, 2013	Units	Living area (thousand m²)	Vacancy rate (%)	In-place rent (€ million)	In-place rent (€/m²/month)
Dortmund	17,541	1,070	3.0	59.6	4.79
Berlin	12,875	829	1.4	56.5	5.76
Frankfurt am Main	9,960	616	0.8	52.4	7.14
Essen	9,491	583	5.2	34.5	5.22
Gelsenkirchen	7,642	469	6.7	24.2	4.61
Bochum	7,588	437	2.7	26.2	5.13
Munich	4,616	307	0.5	23.2	6.33
Herne	4,564	279	5.2	15.0	4.72
Duisburg	4,501	269	3.7	15.4	4.97
Bonn	4,230	297	1.3	21.3	6.06
Cologne	3,956	261	1.7	19.8	6.42
Gladbeck	3,256	199	3.4	11.3	4.91
Herten	2,692	173	4.1	9.1	4.57
Düsseldorf	2,464	161	2.2	13.1	6.93
Aachen	2,187	145	2.1	9.2	5.39
Marl	2,103	139	5.8	8.0	5.08
Wiesbaden	2,051	137	1.8	11.9	7.37
Geesthacht	1,994	114	3.7	7.3	5.57
Bottrop	1,900	120	3.2	7.1	5.08
Bergkamen	1,872	122	5.7	6.2	4.49
Kassel	1,848	115	2.9	6.6	4.91
Castrop-Rauxel	1,704	100	4.5	5.8	5.12
Recklinghausen	1,654	109	2.9	6.1	4.79
Flensburg	1,594	106	4.3	5.8	4.80
Nuremberg	1,584	109	0.6	7.6	5.81
Subtotal of the 25 largest locations	**115,867**	**7,265**	**3.0**	**463.1**	**5.48**
Other locations	59,391	3,916	4.4	236.2	5.26
Total	**175,258**	**11,182**	**3.5**	**699.2**	**5.40**

Modernisation and maintenance

In 2013, we continued to systematically pursue our goal of steadily improving the quality of our housing stocks and the neighbourhoods. Expenditure on maintenance and modernisation amounted to € 19.95/m^2 in 2013.

As part of the energy-efficient modernisation measures in the Upgrade Buildings portfolio segment, we heat-insulated façades, basement ceilings and attics for a living area of some 150,000 m^2. The catalogue of measures also included the optimisation and renewal of heating systems. All these measures reduce energy consumption which, in turn, cuts CO_2 emissions. The lower energy consumption not only benefits the environment but also our tenants in the form of lower heating costs. In addition, our customers profit from the improved standard of comfort of our properties.

We also take account of the demographic change when planning investments in our properties. Some 36 % of our tenants are over 60 and many of them want to stay living in their homes as long as possible. In the Optimise Apartments segment, we therefore initiated modernisation measures with an investment volume of over € 16 million in 2013. Over 1,100 apartment modernisations were completed in 2013 or are near completion.

If technically feasible, conversions were carried out according to standards of the KfW programme "Senior-friendly conversions".

DAIG INVESTMENT PROGRAMME

Programme year	Investment volume (€ million)	Units (No.)	Yield (%)
Ø 2009-2011	33.70	2,281	7.00
2012	56.60	2,982	6.80
2013 (Forecast)	65.30	5,320	7.10

Notes:
(1) "Programme year" is defined as the calendar year in which construction work on the respective measure started.
(2) "Total investment volume" includes all costs of the measures performed excluding internal personnel costs incurred, e.g. for programme coordination or for the site managers employed in the Group.
(3) "Yield" is the static net initial yield and is calculated for the Upgrade Buildings segment from the change in the property management income (i.e. changes in the rent and vacancy rate) in relation to the external planning and construction costs of the measure. The time of measurement is December of the calendar year following the programme year; in the Optimise Apartments segment, the difference between the last rent before the refurbishment and the reletting rent achieved after refurbishment is completed is compared with construction costs of the project. The time of measurement is, in this case, the middle of the calendar year following the programme year.
(4) The "Forecast" nature of the figures for the 2013 programme year is due to the fact that success is not measured until the middle or the end of the calendar year following the programme year and is therefore not finally determined until mid-2014 (Optimise Apartments) or the end of 2014 (Upgrade Buildings).

At the dena Energy Efficiency Congress in Berlin in November 2013, we presented the results of our refurbishment roadmap which we had developed with dena. The refurbishment roadmap evaluates the DAIG portfolio with regard to the technical feasibility and economic viability of energy-efficient refurbishment and compares the energy-efficiency effects with the German government's climate goals for 2050. As a result, the refurbishment roadmap, the first in the German residential real estate industry, gives us a long-term and innovative blueprint with which we will further develop our modernisation strategy.

Portfolio changes

DAIG's portfolio segmentation is action-based. Consequently, in addition to the sales-related changes, there are changes during the year as a result of reclassified empirical values in the property management, investment and sales areas.

DAIG PORTFOLIO AS AT DEC. 31, 2013 (NUMBER OF RESIDENTIAL UNITS)

Portfolio segment	Old segmentation	New segmentation	Changes
Operate	78,764	68,002	-10,762
Upgrade Buildings	43,476	45,469	1,993
Optimise Apartments	21,363	31,945	10,582
Rental Only	**143,603**	**145,416**	**1,813**
Privatise	20,536	19,860	-676
Non-Core	11,119	9,982	-1,137
Total	**175,258**	**175,258**	**0**

> Operate: the number of units fell by 10,762.
The main reasons were:
> Disposals from the re-assessment of investment possibilities in our housing stocks, in particular investments in our apartments which were transferred to the relevant segments.
> Additions from completed modernisation projects which, after refurbishment, belong to the Operate segment.

> Upgrade Buildings: the number of units increased by 1,993.
The main reasons were:
> Disposals owing to completed modernisation projects, the units then being transferred to the Operate segment.
> Additions of units which were moved from the Operate segment following the annual strategy review.

> Optimise Apartments: the number of units increased by 10,582.
The main reasons were:
> Disposals of units which moved to the Operate or Upgrade Buildings segments after their completed refurbishment.
> Additions of units which were moved from the Operate segment following the annual strategy review.

> Privatise: the number of units fell by 676 owing to reclassifications within the sales portfolio to the Non-Core segment. No new sales projects were started.

> Non-Core: the number of units fell by 1,137 owing to reclassification to the Operate segment. The basis for this reclassification was the findings of the annual sales audit in which the sales prospects and market situation were re-assessed.

The portfolio segmentation at the beginning of 2014 is as follows:

Portfolio segment	Units	Vacancy rate in %	Living area million m²	In-place rent €/m²	Fair value €/m²
Operate	68,002	3.0	4.3	5.48	917
Upgrade Buildings	45,469	2.5	2.9	5.30	901
Optimise Apartments	31,945	2.7	2.0	5.79	989
Rental Only	**145,416**	**2.8**	**9.2**	**5.49**	**928**
Privatise	19,860	4.9	1.4	5.30	953
Non-Core	9,982	10.5	0.6	4.17	478
Total	**175,258**	**3.5**	**11.2**	**5.40**	**901**

Therefore, the share of the Non-Core segment has fallen to about 3 % of the total fair value, mainly as a result of the sale of properties with a total of 4,144 residential units in 2013. The share of the segments in which investments are planned has increased to 45 % of the total fair value.

MANAGEMENT SYSTEM

Performance Indicators

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

The systematic 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 KPIs

The basis for value-focused operational management for the two segments Rental and Sales is **adjusted EBITDA** (earnings before interest, tax, depreciation and amortisation). By adjusting for special effects which do not relate to the period, are non-recurring or do not relate to the object of the company, we ensure concentration on the operational performance of the segments and comparability with prior periods. Furthermore, we eliminate net income from fair value adjustments to determine **adjusted EBITDA Rental** so this performance indicator shows the sustainable cash-based earnings from the management of our properties.

Our main metric for steering sustainable operational earnings is the performance indicator typically used in the industry, **Funds from Operations 1 (FFO 1).** To arrive at FFO 1, we adjust adjusted EBITDA Rental for net cash interest payments excluding non-recurring results **(interest expense FFO)** as financing is also a fundamental component in the success of our business activities. Furthermore, the result is reduced by current income taxes.

In addition to growth from operating activities, the increase in our company's value is mainly driven by the valuation of our real estate assets. These two factors are therefore decisive for the further development of our company which is reflected in the **net asset value (NAV)** provided that the capital structure remains the same. Therefore, NAV is our second main metric alongside FFO 1. We always refer both metrics to the number of shares in order to make the sustainable earnings and the value of each share transparent. In view of their significance, they are also part of our forecast report.

Our daily activities focus on the customer. Therefore, in addition to the two financial performance indicators FFO 1 and NAV, the **customer satisfaction index (CSI)** is of special importance for internal management. It is determined at regular intervals in systematic customer surveys and shows the effectiveness and sustainability of our services for the customer.

Alongside the sustainable management of our residential real estate, active portfolio management is another element of our business activities. We measure the resulting sales activities using **adjusted EBITDA Sales.** Adding adjusted EBITDA Sales to FFO 1 gives **FFO 2.** FFO 2 thus shows the earnings from all our operating activities.

As a non-operational financial metric, the **loan-to-value ratio (LTV ratio)** is used for monitoring the degree to which debt is covered by the value of the properties. With the help of this metric, we ensure a sustainable ratio of debt to real estate assets as well as our investment grade rating.

The performance indicators used are so-called non-GAAP measures, i.e. metrics which cannot be derived directly from the figures in the consolidated financial statements according to the IFRS standards. The financial performance indicators can, however, be reconciled to the closest-possible metric in the consolidated financial statements. DAIG follows the recommendation of the European Public Real Estate Association EPRA when deriving the metric NAV.

Non-financial metrics

We also focus on non-financial operating performance indicators in our daily business since they are drivers for our financial KPIs. Therefore, we include these metrics in the management report in order to give a better and clearer picture of our business performance. They are also part of our forecast report.

The **vacancy rate** shows the proportion of residential units in our own housing stocks which are not let and therefore generate no rental income. The **monthly in-place rent per square metre** gives information on the average rental income from the rented properties. In particular, over the course of time, the average rent increase achieved in the rented properties can be derived from this figure. The vacancy rate and the average rent are important metrics for managing **rental income.**

The **maintenance and modernisation work** reflects the amount of value-maintaining and value-enhancing measures in our rental properties. Related to the living area of our own units, it shows the intensity of the maintenance and modernisation work in our housing stocks.

The number of **apartment sales** in the Privatise portfolio and the Non-Core sales indicate the sales performance in the Sales segment. The fair **value step-up** is the difference between the income from the sale of a residential unit and its fair value related to its fair value. It shows the percentage growth in value for the company from the sale of a residential unit before further costs to sell.

SHARE

Successful IPO affords important leeway for financing strategy

The share of DAIG SE has been listed on the Prime Standard of the regulated market of the Frankfurt stock exchange since July 11, 2013. Through the issuance of further no-par-value registered shares as part of the IPO, Deutsche Annington Immobilien SE raised gross proceeds of € 400.0 million.

A total of 34,848,485 shares within a price range from € 16.50 to € 17.00 were offered to institutional investors on July 9, 2013 by way of an accelerated book-building process. The offering consisted of 24,242,425 new shares from a capital increase, 6,060,606 shares from the holdings of the selling shareholder and 4,545,454 shares from the selling shareholder as part of an over-allotment.

In addition to flexible access to the equity market, the **IPO** has given us greater flexibility in our debt capital structure. The foundation for this is the **new financing strategy** of DAIG on the basis of the investment grade rating BBB, which we were granted by Standard & Poor's Ltd. on June 10, 2013. As the only housing company in Germany with an investment grade rating, we can therefore use the entire spectrum of financing possibilities. Consequently, we are even more flexible in our financing and, depending on the market situation, can profit from interest advantages.

In the second half of the year, the Management Board and the IR team held roadshows at important financial centres. In addition, we organised several tours around properties in our real estate portfolio for interested investors and analysts. In 2014, we will expand our IR activities and take part in various roadshows and investor conferences. We aim to regularly inform investors and analysts about the current development of business and the attractive growth potential of our company.

INFORMATION ON THE SHARE

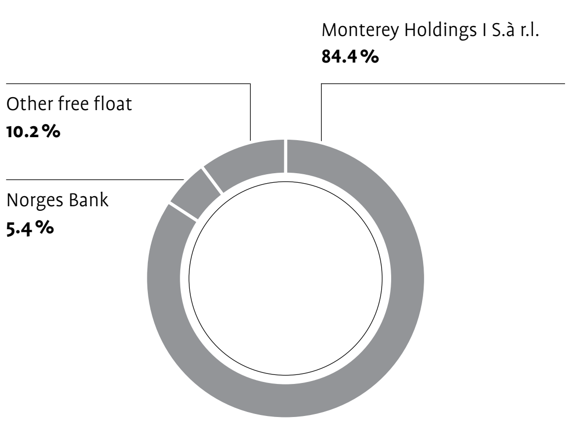
1st day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	224.2 million
Share capital in €	224,242,425
ISIN	DE000A1ML7J1
WKN	A1ML7J
Symbol	ANN
Common code	94567408
Class	Registered shares with no par value
Free float	15.6 % (including Norges Bank)
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market

Current share price and information on share at investoren.deutsche-annington.com

Shareholder structure

The number of outstanding shares of Deutsche Annington was unchanged at 224,242,425 as of the reporting date, December 31, 2013. Alongside the former sole shareholder, Monterey Holdings I S.à r.l., which remains the majority shareholder of Deutsche Annington with an 84.4 % stake, a free float of 15.6 % is held mainly by institutional investors (including 5.4 % held by the Norwegian Norges Bank).

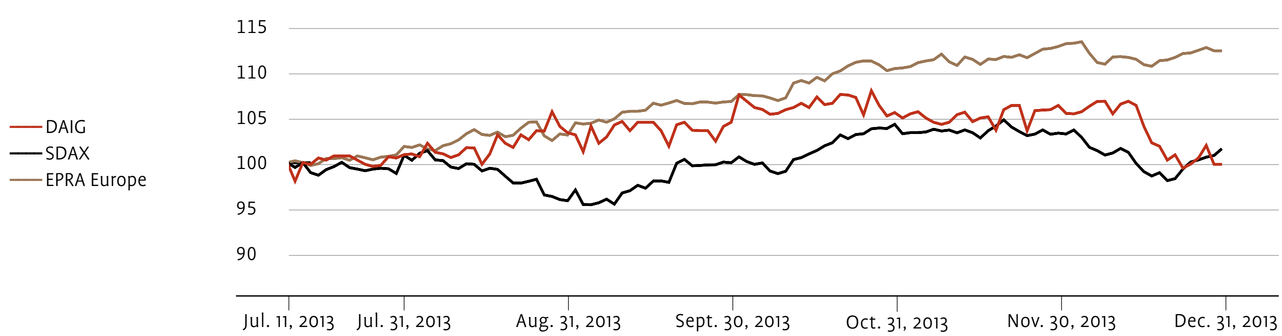
SHAREHOLDER STRUCTURE
as at Dec.31, 2013



Development of the share

Expressed in numbers, the shares were allotted at a price of € 16.50. After its opening price on July 11 of € 17.10, the share increased in value by 9.1 % to € 18.00 as at December 31, 2013. This is a clear outperformance of the industry index EPRA Europe, which rose by 2.4 % in the same period. Market capitalisation amounted to € 4.04 billion as at December 31, 2013.

DEVELOPMENT OF THE SHARE PRICE
in %



Dividend policy

For the past financial year, the governing bodies propose for the first time the distribution of a dividend of € 0.70 per share to the Annual General Meeting. That is some 70 % of FFO 1 and a dividend yield of 3.9 % as at the reporting date.

Provided the development of business is stable, Deutsche Annington intends to increase the dividend and pay out some 70 % of FFO 1, which is some 4 % of EPRA NAV for the 2014 financial year.

CORPORATE GOVERNANCE

Fundamental information

Corporate governance is the responsible management and supervision of a company. The Management Board and the Supervisory Board are committed to the principles of corporate governance. The principles are the basis for the sustainable success of the company and therefore guidelines for conduct in the company's daily management and business.

Good corporate governance strengthens the trust of our shareholders, suppliers, customers, employees and also the general public in DAIG. It increases the company's transparency and strengthens our Group's credibility. With balanced corporate governance, the Management Board and the Supervisory Board want to safeguard DAIG's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

Corporate governance declaration in accordance with Section 289a of the German Commercial Code (HGB)
The full declaration on corporate governance, also containing the corporate governance report, is to be found on the website at www.deutsche-annington.com. The declaration reproduced on the website is an integral part of the audited combined management report.

Declaration of conformity with the German Corporate Governance Code by the Management Board and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG):

"The Management Board and the Supervisory Board declare compliance with the recommendations of the "Government Commission German Corporate Governance Code" in the version dated May 13, 2013 announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette and furthermore declare their intention to continue complying with the recommendations."

The declarations on the German Corporate Governance Code to be made by DAIG in accordance with Section 161 of the German Stock Corporation Act (AktG) are available to shareholders and interested parties on the company's website (www.deutsche-annington.com).

Standards of corporate governance
Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for DAIG embracing all areas of the business. Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law.

The Code of Conduct provides the ethical and legal framework within which we act and want to maintain a successful course for the company. The focus is on dealing fairly with each other but also in particular on dealing fairly with our tenants, suppliers, customers and investors. The Code of Conduct specifies how we assume our ethical and legal responsibility as a company and is the expression of our company values.

Information on the company's governing constitution
The designation DAIG comprises Deutsche Annington Immobilien SE and its Group companies. DAIG is a European company (SE) in accordance with the German Stock Corporation Act, the SE Act and the SE Regulation. Its head office is in Düsseldorf. It has three governing bodies: the Annual General Meeting of Shareholders, the Supervisory Board and the Management Board. The duties and authorities of those bodies derive from the SE Regulation (SE-VO), the German Stock Corporation Act and the Articles of Association. Shareholders, as the owners of the company, exercise their rights at the Annual General Meeting.

The Annual General Meeting decides in particular on the appropriation of profit, the ratification of the acts of the members of the Management Board and of the Supervisory Board, the appointment of the external auditor, amendments to the Articles of Association as well as specific capital measures and elects the shareholders' representatives to the Supervisory Board.

According to the two-tier governance system, Deutsche Annington Immobilien SE has a Management Board and a Supervisory Board. In the two-tier governance system, the management of business and the monitoring of business are strictly separated. The duties and responsibilities of these two bodies are clearly specified by law in the German Stock Corporation Act.

In accordance with the governing laws, in particular the SE Regulation and the German SE Employee Participation Act (SEBG), the Supervisory Board is only made up of representatives of the shareholders. The highest representative body of the employees is the Group works council. In addition, an SE works council has been formed.

The Management Board and Supervisory Board of a company listed in Germany are obliged by law (Section 161 of the German Stock Corporation Act) to report once a year whether the officially published and relevant recommendations issued by Government Commission German Corporate Governance Code, as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or will not be applied and if not, why.

The Management Board reports in its declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to Section 289a of the German Commercial Code (HGB) and No. 3.10 of the German Corporate Governance Code (DCGK).

The Management Board

The Management Board members are jointly accountable for independently managing the company in the company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take account of the interests of the shareholders, the employees and other stakeholders.

The Management Board, which must be made up of at least two members, is appointed by the Supervisory Board, whereby the term of office must not exceed six years. The Management Board is monitored and advised by the Supervisory Board. It has adopted rules of procedure and resolved the allocation of duties in consultation with the Supervisory Board. The Management Board has a chairman who coordinates the work of the Management Board and represents it in dealings with the Supervisory Board. The chairman of the Management Board has the right to veto Management Board resolutions.

The members of the Management Board are Rolf Buch (chairman) as well as Klaus Freiberg and Dr A. Stefan Kirsten. Rolf Buch joined the Management Board as chairman on April 1, 2013. Robert Nicolas Barr was appointed an interim Management Board member from September 2012 to May 2013. Further information is to be found in the 2013 Annual Report on page 175ff.

The Management Board develops the company's strategy, coordinates it with the Supervisory Board and implements it. The Management Board ensures that all statutory provisions and the company's internal policies are complied with. The Management Board also ensures appropriate risk management and risk controlling in the company.

It submits the corporate planning for the coming year to the Supervisory Board as well as the mid-term and strategic planning. The Management Board informs the Supervisory Board without delay of important events which are essential for the assessment of the situation and development or for the management of the company as well as of any shortcomings which occur in the monitoring systems.

The Management Board requires the approval of the Supervisory Board for certain, important transactions. Transactions and measures which require Supervisory Board approval are submitted to the Supervisory Board in good time.

The Management Board informs the Supervisory Board and reports to it regularly, in due time and comprehensively in line with the principles of diligent and faithful accounting in accordance with the law and the reporting duties specified by the Supervisory Board.

The Management Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Management Board members accordingly. The Management Board members are subject to a comprehensive non-competition obligation. Management Board members may only take up sideline activities, in particular supervisory board mandates outside the Group, with the approval of the Supervisory Board.

Important transactions between the company, on the one hand, and the Management Board members as well as persons they are close to or companies they have a personal association with, on the other hand, require the approval of the Supervisory Board. Reference is made to such relations in the Remuneration Report.

The Supervisory Board

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the company. The Supervisory Board performs its work in accordance with the legal provisions, the Articles of Association, its rules of procedure and its resolutions. It consists of nine members, who are each elected for terms of four financial years. The Supervisory Board continuously oversees the management and advises the Management Board.

The Supervisory Board examines the annual financial statements, the management report and the proposal for the appropriation of profit as well as the consolidated financial statements and the Group management report on the basis of the report prepared by the Audit Committee. The Supervisory Board reports in writing to the shareholders at the Annual General Meeting on the result of its examination.

The chairman of the Supervisory Board is an independent member. The same applies to the chairmen of the committees which the Supervisory Board has set up (see p. 38f).

The chairman of the Supervisory Board chairs the meetings and coordinates communications. The members of the Supervisory Board have generally the same rights and obligations. Supervisory Board resolutions are above all passed in the Supervisory Board meetings but also, if necessary, using the written procedure or by other communication means. At least three meetings are held every half-year. In addition, if necessary and on the basis of the rules of procedure of the Supervisory Board, a meeting of the Supervisory Board or its committees can be convened at any time on the request of a member or the Management Board. In the 2013 financial year, the Supervisory Board had twelve meetings, including telephone conferences.

The Supervisory Board must be composed in such a way that its members as a group have the knowledge, ability and specialist experience required to properly complete its tasks. Each Supervisory Board member shall ensure that he/she has enough time to carry out his/her mandate. As a rule, nominations for election to the Supervisory Board should only be for persons who have not yet reached the age of 75 at the time of the election.

At least one independent member of the Supervisory Board must have expertise in the fields of accounting or auditing (Section 100, para. 5 of the German Stock Corporation Act).

A Supervisory Board member, who is also a member of the Management Board of a listed company, shall, in addition to the Supervisory Board mandate in the company, not accept more than two other supervisory board mandates in listed companies or in supervisory bodies of companies which make similar requirements and which do not belong to the Group of the company for which he/she is on the Management Board. Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the company.

The Supervisory Board shall include what it considers an adequate number of independent members. A Supervisory Board member is not to be considered independent in particular if he/she has personal or business relations with the company, its bodies, a controlling shareholder or a company associated with the latter which may cause a substantial and not merely temporary conflict of interests.

The aforementioned rules are to be taken into account when making proposals to the shareholders at the Annual General Meeting for the elections of Supervisory Board members. Account is also to be taken of diversity. Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.

Cooperation between the Management Board and the Supervisory Board

The Management Board develops the strategy of the company in cooperation with the Supervisory Board and discusses the current status of its implementation with the Supervisory Board at regular intervals. Furthermore, the Management Board regularly informs the Supervisory Board in written or verbal reports of topics including the development of business and the situation of the company. In this way, the Supervisory Board receives detailed documents from the Management Board without delay and regularly on the economic development and the company's current situation as well as half-yearly a risk management report which deals with the most important risks for the business of DAIG. On the basis of these reports, the Supervisory Board monitors the company's management by the Management Board.

Supervisory Board committees

The Supervisory Board sets up an Executive and Nomination Committee, an Audit Committee and a Finance Committee from among its members. Further committees are set up as required. Committees are made up of at least four members of the Supervisory Board. The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, they pass resolutions on behalf of the Supervisory Board. The basis for committee work was the transfer of tasks and responsibilities within the scope of the legal provisions.

The **Executive and Nomination Committee** is made up of the chairman of the Supervisory Board, his deputy and two other members to be elected by the Supervisory Board. The chairman of the Supervisory Board is the chairman of the Executive and Nomination Committee. The tasks of this committee are in particular to prepare the appointment of Management Board members, to advise on the remuneration system, to assign responsibilities and to decide in cases of legal transactions with Management Board members and conflicts of interest.

The Supervisory Board appoints one of the members of the **Audit Committee** as the chairman of the Audit Committee. When electing the committee members, the Supervisory Board shall ensure that the chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. The Committee chairman should be independent and not be a former member of the Management Board whose appointment ended less than two years before his appointment as chairman of the Audit Committee. The chairman of the Supervisory Board shall not be the chairman of the Audit Committee.

The Audit Committee handles, in particular, the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and the internal audit system, the audit of the annual financial statements, here in particular the independence of the auditor, the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement, and – unless another committee is entrusted therewith – compliance. The Audit Committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if applicable, the consolidated financial statements), and the agreements with the auditor (in particular the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement). The Audit Committee takes suitable action to determine and monitor the independence of the auditor. In place of the Supervisory Board, the Audit Committee adopts resolutions on the approval of the contracts with the auditor on additional consultancy services, insofar as, according to the Articles of Association or the rules of procedure for the Management Board, these contracts require approval.

The **Finance Committee** prepares the resolutions of the Supervisory Board on the following matters:

a) financing and investment principles, including the capital structure of the Group companies and dividend payments;
b) principles of the acquisition and sale policies, including the acquisition of individual shareholdings of strategic importance.

In place of the Supervisory Board, the Finance Committee adopts resolutions in particular on general guidelines and principles for the implementation of this strategy, including the handling of currency risks, interest, liquidity and other financial risks and the handling of credit risks and the implementation of the external financing principles as well as on important transactions regarding the sale of real estate, the granting of securities, the acquisition and establishment of subsidiaries as well as on the contracting of loans.

Avoidance of conflicts of interest

In the financial year, there were no conflicts of interest of Management Board or Supervisory Board members which are to be reported immediately to the Supervisory Board.

Transparency

Shareholders can obtain full and timely information about our company on our website and can access current as well as historical company data. Among other information, Deutsche Annington regularly posts all financial reports, important information on the company's governing bodies, its corporate governance documentation, information requiring ad-hoc disclosure, press releases as well as directors' dealings notifiable pursuant to Section 15a of the German Securities Trading Act (WpHG). Our shareholders and the interested public are also able to watch a live broadcast of the entire Annual General Meeting of the Shareholders of DAIG SE on the Internet. Our shareholders can exercise their voting rights at the meeting or instruct a proxy of their choice or one of the proxies provided for that purpose by the company. Our shareholders are also able to participate in the Annual General Meeting online on the Internet or to vote by postal ballot. The details are in the invitation to the Annual General Meeting. All of the documentation relating to the Annual General Meeting is posted in good time on the Deutsche Annington website and available to every shareholder.

Accounting and financial statement auditing

The Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the annual financial statements and consolidated financial statements. We prepare the annual financial statements of DAIG SE in accordance with the German Commercial Code (HGB) and the consolidated financial statements in accordance with all International Financial Reporting Standards (IFRS) to be applied in the EU. In addition, we prepare a combined management report and Group management report, as required by the German Commercial Code. The Management Board is responsible for financial accounting. The Supervisory Board examines and adopts or approves the annual financial statements, the consolidated financial statements, and the combined management report and Group management report.

In addition to our annual financial statements, we also prepare quarterly reports for the first, second, and third quarters. Our quarterly reports comply with the German Securities Trading Act and are discussed with the Audit Committee of the Supervisory Board before they are published. Under German stock corporation and commercial law, there are special requirements for internal risk management that apply to DAIG. Therefore, our risk management system covers risk inventory, analysis, handling and elimination. In accordance with Section 317, para. 4 of the German Commercial Code applicable to listed companies, KPMG assesses in its audit the risk early warning system as part of the risk management system.

Furthermore, we maintain throughout the Group standard documentation of all our internal control mechanisms and continually evaluate their effectiveness. Our auditor has not reported any material weaknesses in the accounting-related internal control system detected in its audit to the Management Board and the Supervisory Board.

In the combined management report, we provide comprehensive information on the main features of the internal control and risk management system with regard to the accounting process and the Group accounting process in accordance with our reporting duties pursuant to Sections 289, para. 5, and 315, para. 2, No. 5 of the German Commercial Code.

Report on Economic Position

DEVELOPMENT OF THE ECONOMY AND THE INDUSTRY

Economy and industry environment

Overall economic environment continues to stabilise in 2013
In **Germany,** the expansion of aggregate economic production continued in 2013, temporarily interrupted by the deepening of the sovereign debt crisis in the eurozone. However, the expected economic upturn still did not materialise. The Institute for the World Economy (IfW) determined growth for the past year of 0.4 % (2012: 0.7 %). However, the driving forces have changed: whilst momentum came largely from foreign trade in the recovery phase after the financial and economic crises, in 2013 the domestic economy was the main driver. A low unemployment rate, higher wages and salaries and low interest rates boosted private consumption and acted as a motor for housing construction. By contrast, foreign trade growth weakened in 2013: due to comparatively weak demand from the eurozone, German exports grew less than world trade.

The labour market is continuing to enjoy a positive development. With 41.78 million people in work (+0.6 %), the number of people employed reached a record high for the seventh year in succession. This increase resulted from the growth in the number of people liable to pay social security contributions. The unemployment rate fell from 5.3 % in 2012 to 5.2 % in 2013.

In the **external economic environment,** the climate is also slowly brightening: the US economy continued to show a positive development despite the fiscal brake and the temporary government shutdown. In the UK, debt reduction in the private sector continued and the Japanese economy also picked up again. In the middle of the year, the eurozone's economy also managed to shake off the recession that had lasted for over a year – this is, however, a development which was greatly favoured by a less restrictive fiscal policy and by the implementation of the OMT (Outright Monetary Transactions) programme of the European Central Bank (ECB). Overall, the economy of the monetary union remains in a poor state: the situation is still characterised by a high degree of heterogeneity among the individual member states. Above all, the economies of Spain, Portugal, Greece and Italy remain prone to turbulence in the financial markets due to high private and public-sector debt. According to IfW calculations, GDP in the eurozone in 2013 decreased by 0.4 % (2012: -0.7 %). The global economy grew by 2.9 % in 2013 (2012: 3.1 %).

Housing market

Moderate rise in rents
The upward trend in residential rents also continued in 2013. According to information from the German Association of Real Estate Consultants, Agents, Managers and Experts (IVD), the **rents in new contracts** for apartments in Germany rose moderately nationwide for housing of all standards and ages in 2013. For example, the increase for apartments of an average standard built from 1949 onwards was 3.1 %. In the ten largest cities the rate of increase was slightly above the national average at 5.37 % (built from 1949 onwards) and 4.87 % (built up to 1948). According to IVD, rents therefore did not rise as much as perceived by the general public.

According to the residential rent index determined in surveys by the Hamburg research and consultancy company, F+B, rents under existing rental contracts had risen by 1 % by mid-2013 compared with the prior-year period.

Moderate rises in rents are also to be observed in the new-build segment. According to IVD, new-build rents (average standard) increased by 3.7 %.

According to IVD experts, the rising rents are a result of the shortage of apartments. The reason for this is the low level of new-build activity in the last ten years. The rise in rents is stimulating new builds and energy-saving modernisation, as evidenced by the number of building permits which has been increasing for years. If the government limits rent rises, e.g. “a ceiling on rent increases” currently under discussion, there is a risk, according to IVD, that investors will invest their capital elsewhere and fewer houses will be built. Ultimately, tenants and those looking for apartments would suffer. According to experts of CBRE, the real estate service provider, and the consulting company, empirica, a “ceiling on rent increases” would mainly affect apartments in the higher-rent segment and would benefit high-income tenants in particular. Low-paid workers would still have problems finding affordable housing.

Further fall in vacancy rate

The vacancy rate in the properties owned by housing companies represented by the German Association of German Housing and Real Estate Companies (GdW) was 4.7 % at the end of 2012 and therefore 0.3 percentage points lower than at the end of 2011 (5.0 %). In the new states (formerly East Germany), the vacancy rate fell again by 0.3 percentage points from 8.0 % to 7.7 %. In the old states, it decreased by 0.2 percentage points from 2.7 % to 2.5 %. Overall for 2013, GdW is expecting a decline in the vacancy rate of 0.1 percentage points to 7.6 % in the new states and 0.1 percentage points to 2.4 % in the old states.

According to the experts of CBRE and empirica, the reduction in the reserves of vacant properties has partially eased the tension in the housing markets recently. These reserves have now been largely used up in the growth regions.

Purchase prices for residential properties increase

The rise in purchase prices for owner-occupier apartments seen in recent years also continued in 2013. According to calculations of IVD, the square metre prices for existing owner-occupier apartments of an average standard increased on a national average by 4.4 % compared with the previous year.

There are regional differences in the price rises. Whilst prices in cities with more than 500,000 inhabitants rose by 7.9 % (average standard), prices increased by 5.3 % in cities with between 250,000 and 500,000 inhabitants. The price curve is slowly levelling off in cities. However, in smaller towns, where the development of prices previously lagged behind that in the metropolises, prices are still catching up.

The price increase for new-build apartments (average standard) was 4.9 % on a national average. According to IVD, the difference in prices between new-build and existing apartments of average standard is up to 45 %.

According to IVD, the prices for single-family houses increased by 3.4 % (average standard) compared with the prior year, the prices and growth in prices rising in line with the number of inhabitants in the towns and cities.

An evaluation of the F+B residential index showed that the prices for apartment buildings had increased by 1.8 % by mid-2013 compared with the prior-year period.

High purchase prices and strong demand make the search for a dream property difficult, according to 52 % of Germans, who were surveyed as part of a study by the mortgage broker, Interhyp. 51 % of those surveyed also feared that they would not obtain financing and 38 % of them doubted that they would find a property that met their requirements.

Demand for German housing portfolios remains high

According to experts, roughly € 8.21 billion (CBRE) or € 8.8 billion (Savills) was invested in German housing portfolios in the first three months of 2013 – not including IPOs. According to CBRE, there was a decline of 5 % compared with the prior-year period but this reflects tougher competition for good investment products. By contrast, Savills registered a rise of 14 % in the first nine months compared with the prior-year period. The differences are due to different counting methods.

Given the investment activity in the first nine months, the well-filled investment pipeline and the continued strong demand from the major buyer groups, both groups of experts are expecting the result for the entire year 2013 to be above the already very good year 2012. For 2013, CBRE estimates a transaction volume of € 11.5 billion compared with € 11.25 billion in 2012. In 2013, Savills anticipates an annual turnover of some € 12 billion compared with € 10.7 billion in the prior year.

On the buyer side, German institutional investors dominated in the first nine months of 2013 with a share of roughly three quarters (Savills) or four fifths (CBRE) of the total volume, followed by foreign investors above all from Austria and Switzerland. According to Savills, property stock corporations invested a total of € 2.9 billion in this period. The second-largest buyer group comprises insurance companies and pension funds. They invested € 1.2 billion.

The research experts of Patrizia Immobilien AG believe that residential property investments yield comparatively high returns at an acceptable risk given the debt crisis and the lack of high-return alternatives. As a "safe haven", Germany remains a desirable investment destination.

More building permits and low construction loan interest rates

According to information published by the Federal Statistical Office, building permits were issued for 202,100 apartments between January and September 2013. That is an overall increase of 13.5 % compared with the prior-year period. The number of building permits for new-build apartments in multi-family buildings showed a particularly sharp rise (25.1 %). The experts of the Landesbausparkassen (LBS) are expecting a total of some 270,000 housing construction permits for the whole of 2013. 300,000 permits could even be possible for 2014. According to LBS, the growing supply of new builds has still not eased the price situation. However, the German Association of German Housing and Real Estate Companies (GdW) warns that putting a ceiling on rent increases and the limit on the right to raise rents after modernisation currently under discussion would stifle the new-build trend.

According to experts of Deutsche Bank Research (DB Research), the interest rates for housing construction loans fell to an average of 2.7 % in the first half of 2013. In a long-term comparison, home ownership therefore remains affordable. The low interest rates coupled with higher disposable incomes are counteracting the effect of rising house prices.

Germany's population has increased in recent years

According to provisional results of the Federal Statistical Office, net migration in Germany amounted to some 369,000 in 2012. That is the highest figure since 1995. As in the previous year, the high rise in immigration more than offset the drop in the birth rate. Germany's population increased by 196,000 (+0.2 %) in 2012 compared with the previous year and totalled 80.5 million inhabitants at the end of the year. In the first half of 2013, net migration remained at a high level, as in previous years.

According to the estimates of the GdW, the recent population growth will, however, not halt the demographic change in Germany over the country as a whole. According to GdW, geographical differences will be exacerbated to the extent that, in future, regions where the population is shrinking will account for an increasingly higher proportion of Germany's total area. In the prospering centres, the housing market situation will worsen due to population growth.

ECONOMIC DEVELOPMENT OF THE GROUP

Overall development of business

The Deutsche Annington Immobilien Group developed positively overall in the 2013 financial year. In our core segment Rental, we further increased sustainable operational earnings and further improved the quality and value of our housing stocks in the reporting year thanks to high investments. We also pushed ahead with our active portfolio management in the 2013 financial year. As a result, our property sales are well up on the prior year.

These efforts are also reflected in the increased value of our real estate assets in the 2013 financial year. Overall, we therefore also further increased the value of our company.

RESULTS OF OPERATIONS

The following primary KPIs reflect the development of the results of operations of the Deutsche Annington Immobilien Group.

KEY PERFORMANCE INDICATORS OF DEUTSCHE ANNINGTON

€ million	2013	2012
Income from property management	1,067.6	1,064.9
thereof rental income	728.0	729.0
Adjusted EBITDA Rental	442.7	437.3
Income from disposal of properties	353.5	304.9
Adjusted EBITDA Sales	27.7	36.7
EBITDA IFRS	431.0	450.2
Adjusted EBITDA	470.4	474.0
FFO 1	223.5	169.9
FFO 2 (incl. profit from property sales)	251.2	206.6
AFFO	203.5	146.2
Number of employees	2,935	2,407
Number of units sold (recorded sales)	6,720	4,819
Sold individually	2,576	2,784
Other sales	4,144	2,035
Vacancy rate (%)	3.5	3.9
Monthly in-place rent (€/m²) (like-for-like)*	5.40	5.30
Number of residential units in portfolio	175,258	181,954

* 2012 monthly in-place rent not like-for-like € 5.28/m²

Rental

In the Rental segment, we improved **adjusted EBITDA** in 2013 by € 5.4 million to € 442.7 million. With more or less stable rental income, we increased our property maintenance spend and, at the same time, reduced expenses for the management of our residential units.

ADJUSTED EBITDA RENTAL

€ million	2013	2012
Rental income	728.0	729.0
Maintenance expenses	-136.5	-127.3
Property management costs	-148.8	-164.4
Adjusted EBITDA Rental	**442.7**	**437.3**

Despite the smaller number of residential properties as a result of property sales, **rental income** in 2013 totalled € 728.0 million, which is only slightly below the prior-year figure of € 729.0 million. The main reason for this was that the monthly in-place rent for the units rented as at the end of 2013 increased to € 5.40/m². If the effects of changes in the portfolio on the monthly in-place rent are taken into account, this increase was 2.3 %, like-for-like 1.9 %. Furthermore, rental income was positively impacted by the development of the vacancy rate, which we reduced significantly from 3.9 % at the end of 2012 to 3.5 % at the end of 2013.

Maintenance expenses for the past year totalled € 136.5 million and were therefore € 9.2 million higher than in the previous year despite the reduction in our housing stocks due to sales. Including capitalised maintenance of € 21.1 million as well as value-enhancing modernisation work of € 70.8 million, we invested a total of € 228.4 million in modernisation and maintenance work in our properties in 2013 (2012: € 216.7 million).

MAINTENANCE AND MODERNISATION

€ million	2013	2012
Maintenance expenses	136.5	127.3
Capitalised maintenance*	21.1	23.7
Modernisation work	70.8	65.7
Total cost of modernisation and maintenance work	**228.4**	**216.7**
thereof sales of own craftsmen’s organisation	123.8	54.3
thereof bought-in services	104.6	162.4

* 2013 including intra-Group profits of € 1.1 million

Related to square metres of living area, this is an increase in the modernisation and maintenance expenses of 8.3 % from € 18.43 in 2012 to € 19.95 in 2013.

Property management costs cover all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, we also include other income from property management which is offset by costs, such as income from condominium administration for other owners or public-sector rent supplements.

In the 2013 financial year, we pushed ahead with our initiatives to optimise the business model and therefore reduced our **property management** costs. Compared with the 2012 financial year, they fell by € 15.6 million or 9.5 % to € 148.8 million. The expansion of our craftsmen’s and caretaker organisations had a crucial positive effect. Furthermore, optimisations in receivables management as well as in service charge and ancillary cost billing contributed to this reduction in costs.

Related to the number of residential units, this represents a reduction in the property management costs of some 7 % from € 892 to € 830 per unit. For us, this metric is an important indicator of our property management efficiency. To further support the reduction in property management costs, the Management Board and the works council agreed a reorganisation and pre-retirement part-time work programme in 2013.

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 OF PRIVATISE PORTFOLIO SEGMENT

€ million	2013	2012
Number of units sold	2,576	2,784
Income from disposal of properties	223.4	233.5
Fair value of properties sold*	-178.8	-191.0
Adjusted profit from disposal of properties	**44.6**	**42.5**
Fair value step-up (%)	24.9	22.2

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

In the Privatise portfolio segment, the number of units sold fell slightly compared with the prior year. Consequently, income from the disposal of properties decreased slightly from € 233.5 million to € 223.4 million. This reduced sales volume was accompanied by a much improved sales margin, expressed in the fair value step-up, which rose from 22.2 % in 2012 to 24.9 %. Thanks to this improved margin, in 2013 we even managed to slightly increase the sales result adjusted for period effects.

SALES OF NON-CORE PORTFOLIO SEGMENT

€ million	2013	2012
Number of units sold	4,144	2,035
Income from disposal of properties	130.1	71.4
Fair value of properties sold*	-131.7	-59.7
Adjusted profit/loss from disposal of properties	**-1.6**	**11.7**
Fair value step-up (%)	-1.2	19.5

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

In the Non-Core portfolio segment, we optimised our portfolio by selling properties which do not fit in with our strategy in the medium to 169

. We sold 4,144 residential units, which is 29 % of the housing stocks assigned to this segment and represents a doubling of sales performance compared with the 2012 financial year. A major step in this portfolio optimisation was the sale of a residential portfolio of 2,114 units in North Rhine-Westphalia, which, at € 56.2 million, is reflected in the increase in proceeds from sales. Accordingly, the average step-up and the adjusted income from the disposal of properties fell significantly year-on-year.

The Sales segment developed as follows in 2013 compared with 2012:

ADJUSTED EBITDA SALES

€ million	2013	2012
Income from disposal of properties	353.5	304.9
Carrying amount of properties sold	-325.8	-270.4
Revaluation of assets held for sale*	24.3	17.1
Profit on disposal of properties (IFRS)	**52.0**	**51.6**
Revaluation (realised) of assets held for sale*	-24.3	-17.1
Revaluation from disposal of assets held for sale*	15.3	19.7
Adjusted profit from disposal of properties	**43.0**	**54.2**
Selling costs	-15.3	-17.5
Adjusted EBITDA Sales	**27.7**	**36.7**

* For the first time in the interim management report for the first half of 2013, EBITDA Sales was adjusted for these period effects. 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.

The selling costs fell from € 17.5 million to € 15.3 million in 2013 despite the higher sales volume. Adjusted EBITDA Sales decreased from € 36.7 million to € 27.7 million as a result of the portfolio sale in the Non-Core segment described above.

Non-recurring items

To show the development of operating performance and to ensure comparability with prior periods, we determine, as mentioned above, adjusted EBITDA for both the Rental and the Sales segments. The sum of these two KPIs gives the **adjusted EBITDA** of the Group. The adjustments made include special effects which do not relate to the period, are non-recurring or do not relate to the object of the company. These special effects 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 table gives a detailed list of the non-recurring items:

NON-RECURRING ITEMS

€ million	2013	2012
Business model optimisation/Development of new fields of business	4.8	7.5
Acquisition costs	2.3	0.0
Refinancing and equity measures	20.4	10.5
Severance payments/Pre-retirement, part-time work arrangements	20.9	3.2
Total non-recurring items	**48.4**	**21.2**

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.

Adjusted EBITDA decreased slightly to € 470.4 million in 2013, compared with € 474.0 million in 2012. If these adjustments for non-recurring items and effects not relating to the period in the Sales segment are excluded, this gives **EBITDA IFRS,** which fell from € 450.2 million in 2012 to € 431.0 million in 2013.

FFO

We increased our primary key performance indicator for sustained operating performance, **FFO 1,** by € 54 million or 32 % to € 223.5 million year-on-year. This rise is due, in particular, to much improved current interest expense as a result of our refinancing measures in 2013 as well as improved adjusted EBITDA Rental. The € 6.4 million increase in tax expenses, above all due to the improved earnings situation, had an opposite effect. Related to the number of our shares as at December 31, 2013, FFO 1 is € 1 per share. On the basis of FFO 1 of € 223.5 million, it is planned to distribute a dividend of € 0.70 per share to the shareholders; that is some € 157 million and some 70 % of FFO 1.

The table shows the reconciliation of key financial performance indicators:

FUNDS FROM OPERATIONS (FFO)

€ million	2013	2012
Profit for the period	**484.2**	**172.2**
Interest expense/income	288.3	433.9
Income taxes	205.4	43.6
Depreciation	6.8	6.1
Income from fair value adjustments of investment properties	-553.7	-205.6
= EBITDA IFRS	**431.0**	**450.2**
Non-recurring items	48.4	21.2
Total period adjustments from assets held for sale	-9.0	2.6
= Adjusted EBITDA	**470.4**	**474.0**
Adjusted EBITDA Sales	-27.7	-36.7
= Adjusted EBITDA Rental	**442.7**	**437.3**
Interest expense FFO*	-210.7	-265.3
Current income taxes	-8.5	-2.1
= FFO 1	**223.5**	**169.9**
Capitalised maintenance	-20.0	-23.7
= AFFO	**203.5**	**146.2**
FFO 2 (FFO 1 incl. profit from property sales)	**251.2**	**206.6**
FFO 1 per share in €**	1.00	0.85
FFO 2 per share in €** (FFO 1 incl. profit from property sales)	1.12	1.03
AFFO per share in €**	0.91	0.73

* The net cash interest “Interest expense FFO” of the prior year has been adjusted for interest accretion of € 6.2 million.
** based on the shares qualifying for a dividend on the reporting date Dec. 31, 2013: 224,242,425, Dec. 31, 2012: 200,000,000

The **net interest result** improved by € 145 million to € 288 million, including some € 55 million from the improvement in direct financing costs while the rest of the reduction of some € 90 million is attributable to the costs incurred in the prior year for the restructuring of the GRAND CMBS securitisation. By contrast, the financial year was impacted by prepayment penalties and valuation effects of the derivatives. The reduction of direct financing costs ultimately results from the implementation of the financing strategy and optimised equity and debt capital financing, which is evident in the refinancing of the GRAND CMBS securitisation and the reduction of the loan volume through equity and new debt capital. The average loan costs improved from about 4.4 % to about 3.3 % and the average maturity of loans is 8.4 years.

RECONCILIATION OF NET INTEREST RESULT TO NET CASH INTEREST

€ million	2013	2012
Income from non-current loans	1.9	1.9
Interest income	9.3	7.4
Interest expense	-299.6	-443.2
Net interest result*	**-288.4**	**-433.9**
Adjustments:		
Transaction costs	9.6	57.1
Prepayment penalties and commitment interest	27.5	2.1
Initial measurement effect of GRAND refinancing	0.0	83.1
Effects from the valuation of loans	4.6	6.7
Derivatives	22.2	1.5
Interest accretion to provisions/EK02	8.6	19.6
Accrued interest	-10.9	-6.2
Other effects	5.2	-1.5
Net cash interest	**-221.6**	**-271.5**
Accrued interest adjustment	10.9	6.2
Interest expense FFO**	**-210.7**	**-265.3**

* Excluding income from other investments
** The net cash interest “Interest expense FFO” of the prior year has been adjusted for accrued interest of € 6.2 million.

Taxes

Income taxes rose by € 162 million compared with the prior year, largely as a result of the significant increase in the valuation of the investment properties. Current income taxes increased from € 2.1 million to € 8.5 million owing to greatly improved profit before tax compared with 2012, which was impacted by expenses for the restructuring of the GRAND CMBS securitisation. The tax rate for the 2013 financial year is 29.8 % compared with the expected Group tax rate of 32.6 %. The tax rate of 20.2 %, which applied in 2012, results from the higher influence of non-taxable effects in relation to the profit before tax and from non-recurring effects from the utilisation of tax loss carryforwards under new profit-and-loss transfer agreements.

Net profit for the period

The profit for the period increased in 2013 year-on-year by € 312.0 million to € 484.2 million. The main driver was the sharp increase in the income from fair value adjustments of investment properties.

ASSETS POSITION

Asset and capital structure

The equity of the Deutsche Annington Immobilien Group increased in the 2013 financial year by € 1,140.6 million from € 2,677.4 million to € 3,818.0 million. The main drivers of this increase were the contribution of the "S" Notes of € 239 million by the then sole shareholder Monterey in the spring, the net capital increase of € 386 million as part of the IPO as well as the contribution from the profit for the period of € 484.2 million.

Within financial liabilities, the GRAND CMBS securitisation was repaid in full on July 18, 2013. The funds necessary were provided by placing unsecured bonds of € 2.5 billion and raising structured and secured loans of € 1.7 billion. This gave DAIG a flexible and balanced maturity profile. The borrowings are underpinned by the corporate credit rating BBB long-term and A2 short-term with a stable outlook granted by S&P.

The non-current liabilities also include pension obligations of € 291 million, lease obligations of € 88 million as well as residual pollution provisions of € 24 million and non-current provisions for personnel expenses under pre-retirement part-time work arrangements totalling € 11 million.

Current liabilities included current payment obligations for capital repayments and interest on loans as well as liabilities from current operating activities.

GROUP BALANCE SHEET STRUCTURE

	Dec. 31, 2013		Dec. 31, 2012	
	€ million	%	€ million	%
Non-current assets	10,352.6	93.3	9,946.8	93.8
Current assets	740.2	6.7	661.5	6.2
TOTAL ASSETS	**11,092.8**	**100.0**	**10,608.3**	**100.0**
Equity	3,818.0	34.4	2,677.4	25.2
Non-current liabilities	6,830.7	61.6	6,940.5	65.5
Current liabilities	444.1	4.0	990.4	9.3
TOTAL EQUITY AND LIABILITIES	**11,092.8**	**100.0**	**10,608.3**	**100.0**

The equity ratio rose from 25.2 % as at the 2012 reporting date to 34.4 % as at December 31, 2013. At € 10,266.4 million (2012: € 9,843.6 million), the Group's main non-current assets are investment properties. The total real estate assets including properties used by the Group and assets held for sale are € 10,324.5 million (GAV or gross asset value).

Cash and cash equivalents totalled € 548 million at the end of 2013 as a result of cash inflows from the IPO and the bond placements; of this figure, € 49.1 million are cash-restricted.

Fair values

The fair values of Deutsche Annington are reviewed every quarter and updated to reflect the current market situation. The residential real estate market in Germany again enjoyed a positive development in 2013. This market development and the optimisation of the portfolio through investment, rent increases and a reduction of voids led in 2013 to an increase in the value of our housing stock of **6.8 %** compared with 2012.

The results of the internal property valuation are confirmed by an independent report of the external property appraiser CBRE GmbH.

Continuous determination of the fair values creates a transparent valuation of the company's properties.

Calculating and showing the fair values provides a control parameter inside the company and also helps to make the development of the value of our assets transparent to people outside the company.

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

The valuation methodology used by the DAIG is based on the discounted cash flow (DCF) methodology. Under the DCF methodology, the fair values are derived from the income and costs associated with a property. Under the DCF methodology, the expected future income and costs of a property are forecast over a period of 10 years and then discounted to the date of valuation as the net present value. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. They are derived for each location from the latest rent indices and rent tables (e.g. IVD and IDN ImmoDaten GmbH) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Prognos, empirica, Bertelsmann Stiftung inter alia). The range of sustained rentability thus derived for "Residential", the type of use characteristic of the portfolio, is from 0.6 % to 10.8 % for the individual locations and is on average 3.1 %.

On the cost side, maintenance expenses and administrative costs are taken into account in accordance with the II. Berechnungsverordnung and inflated in the reporting period (II. BV; German Regulation on Calculations for Residential Buildings in Accordance with the Second Housing Construction Law, stipulating how economic viability calculations for accommodation are to be performed). Modernisation measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents. The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential area. Different cost approaches were used to those for residential properties, and the capitalised interest rates were adjusted to reflect the market specifics.

The recognition and valuation of investment properties are explained in detail in the Notes to the consolidated financial statements.

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. € 10,326.7 million as at December 31, 2013 (2012: € 9,982.0 million). This led overall to net income from fair value adjustments of € 553.7 million.

The fair values for each real estate portfolio segment are as follows.

	Units		Fair value (€ million)	
	2013	2012	2013	2012
Operate	78,764	77,560	4,604.7	4,228.2
Upgrade Buildings	43,476	46,409	2,469.2	2,444.0
Optimise Apartments	21,363	19,744	1,446.8	1,209.4
Rental Only	**143,603**	**143,713**	**8,520.7**	**7,881.6**
Privatise	20,536	23,214	1,350.7	1,529.4
Non-Core	11,119	15,027	404.6	519.6
Total	**175,258**	**181,954**	**10,276.0**	**9,930.6**

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

Net asset value

The EPRA net asset value (EPRA NAV) of the Deutsche Annington Immobilien Group increased by € 1,333.3 million or by 39 % from € 3,448.9 million to € 4,782.2 million in the reporting period in line with equity due to the increase in the value of the real estate assets but also as a result of the capital measures performed. 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	Dec. 31, 2013	Dec. 31, 2012
Equity attributable to DAIG shareholders	**3,805.5**	**2,666.4**
Fair value of derivative financial instruments*	54.7	67.1
Deferred taxes	922.0	715.4
NAV	**4,782.2**	**3,448.9**
NAV per share in €**	**21.33**	**17.24**

* adjusted for effects from cross currency swaps
** based on the number of shares on the reporting date Dec. 31, 2013: 224,242,425; Dec. 31, 2012: 200,000,000

MANAGEMENT REPORT

Over a period of five years, DAIG created value and increased NAV and GAV every year:

€ million	NAV	GAV
2013	4,782.2	10,324.5
2012	3,448.9	9,981.9
2011	2,968.0	9,936.1
2010	2,670.5	9,605.4
2009	2,543.3	9,685.9

FINANCING POSITION

The paramount goal of the financing strategy is to serve the Group and therefore the operational business and to provide the necessary financing and the necessary liquidity at all times on the most advantageous conditions. Financing decisions are taken centrally and implemented centrally by the Treasury department. The Group therefore presents one face to the financial markets for financing and liquidity management. The Treasury is divided into a front, middle and back office, with the middle office handling central operational risk management for financial transactions.

The main cash inflows from operating activities were from rental income and sales proceeds. The Group's liquidity is allocated by central liquidity management (cash pooling) as required in order to optimise the financial result.

When procuring funds on the international financial markets, DAIG benefits from the corporate credit rating granted by S&P of BBB long term and A2 short term with a stable outlook. An important goal of the financial strategy is to maintain this investment grade rating and therefore sustained access to the capital markets.

To increase flexibility, a tap issue for up to € 4 billion was placed under an EMTN programme (European Medium Term Notes Programme) to cover mid-term and long-term funding requirements. Current account credit lines are used on a case-by-case basis to cover short-term liquidity requirements.

In addition, in the 2013 financial year, net cash inflows were generated from equity increases. Cash inflows from loans were ultimately used to repay the GRAND CMBS Notes.

Cash flow

STATEMENT OF CASH FLOW

€ million	2013	2012
Cash flow from operating activities	259.6	385.5
Cash flow from investing activities	171.3	194.5
Cash flow from financing activities	-353.2	-388.4
Net changes in cash and cash equivalents	**77.7**	**191.6**
Cash and cash equivalents at the beginning of the period	470.1	278.5
Cash and cash equivalents at the end of the period	**547.8**	**470.1**

Cash flow from **operating activities** is considerably influenced by the non-recurring items in 2013 in connection with the IPO and the refinancing of loans. One major item is the cash outflow for the repayment of the EK02 liability; in addition, tax payments increased by € 17.5 million year-on-year. The changes in working capital led to positive cash flows of € 4.4 million compared with cash outflows of € 2.2 million in 2012.

Cash flow from **investing activities** decreased in the reporting period by € 23.2 million to € 171.3 million. Whilst the cash outflows for investments in real estate stocks totalled € 94.9 million and were thus at the level of the prior year, income from disposal of properties fell by some € 14 million. At € 8.3 million, investments in intangible assets and in other property, plant and equipment increased by € 1.5 million year-on-year, whilst at € 3.2 million, interest received was € 5.6 million below the prior-year figure.

Cash flow from **financing activities** reflects the refinancing of the GRAND CMBS securitisation as well as the repayment of a further portfolio loan and the raising of new equity and debt capital through the capital increase as part of the IPO, the placement of the bonds as well as financing through new structured and secured loans. It also includes transaction costs in connection with equity and debt capital financing.

Funding

Funding in the reporting period was dominated by three major subjects: the initial listing on the Frankfurt stock exchange and the related net cash inflows from the capital increase of some € 380 million as well as the realignment of financing in accordance with the newly formulated financing strategy through the issue of unsecured and non-subordinated bonds, which ultimately served to refinance the GRAND CMBS Notes. The main prerequisite for this was the granting of a BBB long-term corporate credit rating to Deutsche Annington Immobilien SE by S&P on June 10, 2013. Prerequisites for this were in turn the successful listing on July 11 in the Prime Standard segment of the Frankfurt stock exchange and the related net issue proceeds from the capital increase.

At the beginning of the financial year, Group financing built on the restructuring of the GRAND CMBS Notes completed in December 2012. In six refinancing transactions with various banks and insurance companies, DAIG managed to successfully contract a total volume of some € 1.7 billion through secured loans for individual portfolios from the GRAND securitisation.

Securities in the form of pledge agreements and land charges were provided for all loans. In no case is there any cross-collateralisation with other loans. The loans are subject to normal market covenants which are to be regularly reviewed.

Furthermore, we used part of the net proceeds (€ 218.6 million) from the IPO on July 22, 2013 for early repayment of the portfolio financing of Deutsche Annington WOGE Vier GmbH & Co. KG, Düsseldorf.

As part of its financing strategy, DAIG established Deutsche Annington Finance B.V., Amsterdam, (Finance B.V.), a wholly owned subsidiary of DAIG, whose purpose is to procure funds on the international debt capital markets by issuing unsecured, non-subordinated bonds. The funds subsequently procured were then lent to the DAIG to ultimately permit the refinancing of the GRAND CMBS securitisation, which frees the DAIG from all restrictions which are connected with a CMBS financing. It is standard international practice to use a Dutch financing company.

On July 25, 2013 the first issue of corporate bonds with an aggregate notional volume of € 1.3 billion was placed. The first issue consisted of two tranches: a three-year tranche with a volume of € 700.0 million and a coupon of 2.125 % as well as a six-year tranche with a volume of € 600.0 million and a coupon of 3.125 %.

The placement of a US-dollar bond in two tranches: a four-year tranche with a volume of US-$ 750 million and a coupon of 3.2 % and a ten-year tranche with a volume of US-$ 250 million and a coupon of 5.0 % followed on October 2, 2013. At the same time, the currency risk was hedged in full by contracting appropriate interest-currency derivatives (cross currency swaps). Due to the interest rate differences between the US dollar and the euro, this also resulted in a reduction in the financing costs compared with the US-dollar coupon so that the interest rate is 2.97 % on the four-year tranche and 4.68 % on the ten-year tranche.

On October 8, a further bond was placed under the € 4.0 billion EMTN Programme (European Medium Term Note Programme) with a volume of € 500 million, a term of eight years and a coupon of 3.625 %.

Finance B.V. is supported by an unconditional and unlimited guarantee provided by DAIG. Finance B.V. is included in DAIG's control and risk management system and is controlled and monitored by the middle office of DAIG's Treasury department, which looks after in particular the main business risks of Finance B.V.: the interest risk, the liquidity risk, the counterparty risk and to a certain extent the currency risk. DAIG's Treasury department is also responsible for appropriate hedging of the above-mentioned risks.

In order to support the procurement of funds in North America – through the first bond ever placed in the USA by a European residential real estate company and with which the DAIG has secured access to the North American debt capital markets – swaps were purchased to hedge the associated interest/currency risk.

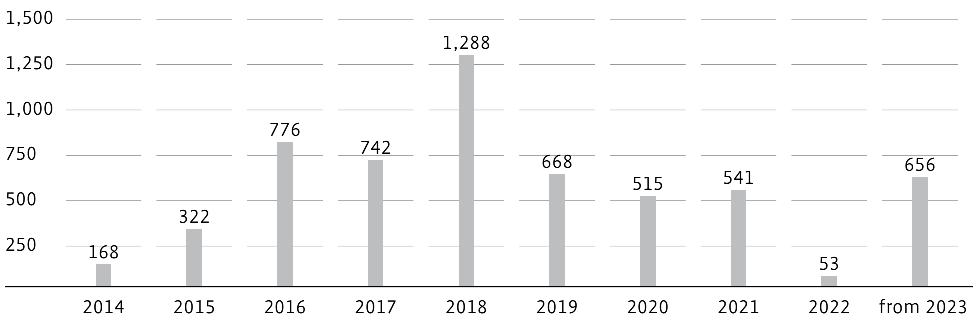
In connection with the issue of unsecured bonds by Deutsche Annington Finance B.V., we have committed to the observance of the following normal market covenants:

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

As at December 31, 2013, these financial covenants had been fulfilled as expected. Any failure to meet to financial covenants agreed could have a negative impact on the liquidity status.

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 new financing of Deutsche Annington led to the following maturity structure as at December 31, 2013:

MATURITY STRUCTURE
as at Dec. 31, 2013 in € million



For more detailed information, we refer to the relevant explanations in the Notes to the consolidated financial statements under note [32] Other financial liabilities.

SUBSEQUENT EVENTS

- > **Acquisition of the real estate business of the DeWAG Group**
- > **Integration of the real estate business of the Vitus Group**
- > **Capital increase from authorised capital**
- > **Non-cash capital increase from authorised capital**
- > **Creation of new authorised capital**
- > **Hybrid bond**

Approval to acquire the real estate business of the DeWAG Group
On February 28, 2014, the Management Board resolved, with the approval of the Supervisory Board, to acquire a real estate business managed by the DeWAG Group by purchasing the relevant approx. 94 % of the shares on the basis of a submitted contract ready for signature. The object of the purchase contract is the relevant real-estate-holding property companies in addition to selected holding companies. The expected completion of the acquisition is April 1, 2014. The agreed purchase price, taking debt into account, is approx. € 970 million. The sellers of the DeWAG Group are holding companies under Luxembourg and Dutch law which are advised by international real estate funds.

DeWAG is a real estate management company operating throughout Germany with housing stocks of more than 11,000 units. The majority of these stocks are in the metropolises of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg. The portfolio comprises almost exclusively properties used for residential purposes, which are being 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. DeWAG's professional property management is characterised by its aspiration to continuously optimise the quality of life and housing for the tenants in its estates and to generate a corresponding higher value as a return for the owners.

Therefore, the DeWAG Group is an excellent supplement to the DAIG strategy.

Approval to integrate the real estate business of the Vitus Group
On February 28, 2014, the Management Board further resolved, with the approval of the Supervisory Board, to integrate the real estate business of the Vitus Group. The object of the Contribution and Investment Agreement is the relevant real-estate-holding property companies of the Vitus Group. The expected completion of the transaction is October 1, 2014. The agreed consideration, taking debt into account, is approx. € 1.4 billion.

With over 30,000 apartments of its own, the Vitus Group is one of the leading housing companies in northern and western Germany. The properties are located in the Rhine-Ruhr conurbation as well as in the cities of Bremen, Kiel and Wuppertal.

The business model is based on the sustainable improvement of earnings by optimising the core portfolio and acquiring properties in areas with economic development potential and is aimed at maintaining and enhancing value. This business model therefore addresses the main interests of the tenants and, at the same time, the owners' interest in receiving a good return. This is a particularly holistic business approach which goes beyond pure letting and administration of properties by providing numerous service offerings, combined with local tenant and district support to create a residential environment worth living in based on standardised core business processes geared to optimisation and efficiency increases.

Therefore, the Vitus Group is another excellent supplement to the DAIG strategy.

To finance the approved transactions, the Supervisory Board has approved the following flanking financing options.

Capital increases from authorised capital

Capital increase 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, a capital increase against cash contributions of 16,000,000 no-par value registered shares to the exclusion of the subscription rights of the shareholders from the existing authorised capital.

The new no-par value registered shares, each with a proportionate amount of the share capital of € 1.00, are to be offered for sale to institutional investors in an accelerated book-building process to be performed in the near future. The new shares are fully entitled to a dividend with effect from January 1, 2013. On the basis of the proposed appropriation of profit amounting to € 0.70 per share, the newly created shares account for a further dividend volume of € 11,200,000.

The company intends to use the issue proceeds of the transaction in particular to partly finance the acquisition of the DeWAG Group and the Vitus Group.

Non-cash capital increase granting new shares as part of the total consideration to be paid in connection with the Vitus integration
On February 28, 2014, the Management Board of Deutsche Annington Immobilien SE also resolved, with the Supervisory Board's approval, a non-cash capital increase against the granting of approx. 11,780,000 new shares from the existing authorised capital to the exclusion of the subscription rights of the shareholders. The shares will be created in order to settle parts of the total compensation in new shares on completion of the integration of the real estate business of the Vitus Group. It is planned to complete this transaction and thus the entry in the commercial register of the new no-par value registered shares to be issued in this connection in the 4th quarter 2014.

The new shares are to be admitted for trading on the stock exchange on the basis of a stock exchange prospectus still to be prepared and thus included in the existing listing in the sub-segment of the regulated market with additional obligations arising from admission (Prime Standard) on the Frankfurt Stock Exchange.

With the equity transactions announced, DAIG intends to maintain a sound and strong financing structure for planned acquisitions.

Creation of further authorised capital

On February 28, 2014, the Management and Supervisory Boards resolved, in principle, against the background of the planned partial use of the existing authorised capital, to propose a motion to the Annual General Meeting for the creation of further new authorised capital 2014 with the possibility of excluding the subscription right of the shareholders and for the corresponding inclusion of a new Article 5a in the Articles of Association.

On June 30, 2013, the Annual General Meeting had authorised the Management Board, with the Supervisory Board's approval, to increase the company's share capital by up to a total of € 111,111,111 through one or more issuances on or before June 29, 2018 by issuing up to 111,111,111 new no-par value registered shares against contributions in cash and/or in kind and, under certain circumstances, to the exclusion of the subscription right of the shareholders (authorised capital) and had passed an appropriate amendment to Article 5 of the Articles of Association. Against the background of the partial use of the authorised capital, an admissible amount of further authorised capital is to be created (authorised capital 2014), the possibilities of excluding the subscription right, which are provided for the existing and still applicable authorised capital, also being provided for the authorised capital 2014. The amount of the authorised capital 2014 is to be the difference between (i) the EUR amount to which the authorisation under the existing authorised capital after performance of the capital increase against cash contributions resolved on February 28, 2014 is reduced, and (ii) 50 % of the EUR share capital figure of Deutsche Annington Immobilien SE increased on the basis of the aforementioned performance of the capital increase. The authorisation under the new authorised capital 2014 is to apply for a period of max. five years (Section 202 AktG).

Issuance of a hybrid bond

On February 28, 2014, the Management Board resolved, with the Supervisory Board's approval, to issue a subordinated, long-term bond (hybrid bond) in the amount of € 600 million to € 750 million for the partial financing of the planned acquisitions. The hybrid bond will be issued through Deutsche Annington Finance B.V. As part of placement in a private placement procedure, the hybrid bonds will only be offered for purchase to institutional investors.

To generate further financing volumes, the Supervisory Board has also issued the authorisation to place, through Deutsche Annington Finance B.V., further bonds on the international financial markets from the tap issue of the EMTN programme.

STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

The net assets, financial position and results of operations of the Group are highly positive particularly given the successful refinancing, the resulting balanced maturity profile and the financing flexibility gained through the rating-backed bond financings with a view to both organic and external growth. Steady improvements to the property management processes promote an improved cost structure.

NON-FINANCIAL INFLUENCING FACTORS

In addition to the financial and operational non-financial performance indicators explained in the section on the management system, customer satisfaction and our employees are relevant for the Deutsche Annington Group as further non-financial performance factors.

Customer Satisfaction

The economic success of a company is closely linked with the satisfaction of its customers. We have understood this fact and therefore implement a wide variety of measures to improve our services in the interest of our tenants.

Customer satisfaction survey

Our customer satisfaction survey is an important indicator for gearing improvement potential closely to our tenants' needs. This survey helps us to create a measurable and sound analysis basis for aligning our strategy.

Every month, we conduct a survey on how we keep our service promises. The survey covers such subjects as the quality of services and punctuality. We contact some 400 customers through a reputable independent market research institute. We ask equal numbers of potential tenants, new customers, existing tenants as well as customers who have recently reported a fault in need of repair. The results are evaluated by our service provider and sent to the company in anonymised form.

In addition to the business operations survey, which focuses on everyday subjects connected with rental accommodation, since 2012 we have also been conducting a strategic customer satisfaction survey. This deals with overarching aspects such as image, loyalty, overall satisfaction and also subjects connected with customer care or maintenance and conversion measures. Using the strategic surveys, we determine our customer satisfaction index and the customer commitment index. These indices give us important information on the statistical satisfaction of our customers and their loyalty to our company.

Therefore, the surveys cover all main elements of our relationship with customers: from the first contact when they are interested in an apartment to reports of necessary repair work and their perception of the company as a whole, we would like to know how our customers rate us as a company and our services. We take this feedback as an opportunity to review and sustainably optimise internal processes.

The company attaches great importance to customer satisfaction and therefore the survey results have a direct influence on the variable remuneration of all employees of Deutsche Annington. This link underscores the close relationship between customer and staff satisfaction, which, from the company's viewpoint, are mutually dependent.

Organisational management through efficient and fully integrated management platform

Deutsche Annington steers its processes with a balanced combination of central and decentralised responsibilities.

The close interaction of the departments in the **Local Customer Service** – New Rentals, Property Management, Technology and Caretaking – permits high flexibility and fast response times in the on-site handling of customers' inquiries. Special service levels have been defined for written and telephone customer inquiries which the **Central Customer Service** receives. Our customers receive a binding reply from us within an average of five to ten working days.

All necessary management and support functions are pooled in the **Corporate** unit. Deutsche Annington Immobilien SE performs the function of the management holding company for the Group.

All in all, we managed to deal with our customers' wishes even faster and more reliably in 2013 and have greater local presence with our own employees. This concept is supplemented by our own caretaker and craftsmen's organisations.

Closer to the customer with our own caretakers and craftsmen

In 2011, we started to build up our own caretaker organisation: parallel to this, together with a joint venture partner, we established craftsmen's organisations which operate under the names Deutsche TGS West GmbH and Deutsche TGS GmbH.

We used the 2013 financial year to further gear the new caretaker organisation to the new processes and enlarge it. Our caretakers, who have already been trained in a large number of property-specific areas, are competent on-site partners for our customers. Every month, some 750 on-site service hours are held throughout Germany. At the same time, they make sure that our residential estates are clean and tidy. We offer this service for some 140,000 apartments.

Thanks to our craftsmen's organisations, we can perform work in our residential properties such as painting, plumbing, heating and masonry work with our own people.

In 2013, our own craftsmen's organisations performed more than 195,000 minor repairs in our housing stocks and renovated some 5,000 vacant apartments. At the end of 2013, 1,200 employees worked at ten locations throughout Germany and were responsible for about 175,000 residential units.

Senior-friendly apartment conversions
The demographic change can already be seen today in the Deutsche Annington tenant structure: some 36 % of our customers are over 60. Many people want to live for as long as possible in their own four walls and in their neighbourhood – and we have prepared ourselves accordingly. We are continuously converting some of our apartments to meet the needs of the elderly. Our aim is to safeguard the quality of housing and life for our customers in the long term. Therefore, our concept of senior-friendly accommodation would not be complete without close cooperation with politicians, welfare associations and local service providers.

Debt counselling offer for customers with rent arrears
We employ some 110 social managers throughout Germany who give our tenants expert advice if they are in arrears with their rent. The aim of this measure is to work together with these tenants and develop sustainable solutions to their debt problems. In 2013, we avoided more than 450 evictions and safeguarded over 1,600 rental contracts in the long term thanks to this approach.

Energy management leads to lower costs for tenants
Major ancillary cost items are gas, electricity and oil where prices on the open market have been steadily rising for years. These higher prices are a significant extra financial burden on our tenants. To keep the costs for our customers as low as possible, we have set up an energy management unit which focuses on negotiating pan-regional framework agreements. The aim is to secure long-term beneficial conditions for our customers. The prices in existing framework agreements are regularly reviewed.

Modern fibre-optic technology installed in apartments
At the end of 2011, Deutsche Annington entered into a strategic partnership with Deutsche Telekom in order to equip our housing stocks throughout Germany with modern fibre-optic technology and provide the tenants with a TV signal.

In 2013, the first 43,000 apartments were switched over to a TV signal provided by the Group subsidiary, Deutsche Multimedia Service GmbH. Some 7,300 of these units are already connected to the cutting-edge, fibre-optic network of Deutsche Telekom. With the new offering, we are giving our customers access to the latest telecommunications infrastructure and, at the same time, increasing the attractiveness of our apartments.

Customers benefit from certified ancillary cost bills

In 2013, the quality of ancillary cost and service charge bills was again attested by the Geislinger Konvention quality seal and ISO 9001:2008 certification by TÜV Rheinland. The certifications verify the efficiency of our processes as well as the high quality of our ancillary cost and service charge bills.

In the last three years, the number of customer complaints about our ancillary cost bills has more than halved. At the same time, the justified customer objections were cut to 3 %, partly as a result of optimised billing preparation.

Socially responsible partner

The Deutsche Annington Immobilien Group has grown from the merger and integration of various housing companies. When we acquire companies, existing and negotiated social clauses to protect the tenants are a priority for the company.

We are also committed to the development of urban districts and conclude individual estate agreements. Our Group is party to numerous regional cooperation agreements throughout Germany. We maintain a constructive dialogue with political representatives and tenants' associations.

We help our tenants in difficult situations. Through our two non-profit foundations, we offer help in cases of social hardship and to people in need. Furthermore, we encourage a strong community spirit among our tenants by supporting selected projects, such as tenants' festivals as well as local initiatives and clubs. Through sponsoring in various areas, we also back cultural activities as well as social projects for children and young people.

EMPLOYEES

As at December 31, 2013, the Deutsche Annington Immobilien Group employed 2,935 people. This figure included 781 women, which is 26.6 % of the total workforce. 271 employees had part-time jobs. Furthermore, 117 people were doing an apprenticeship in our company as at the reporting date.

A balanced staff structure is important to us. The average age of employees in our Group is 41.1; the average number of years of service is 5.6.

Qualifications

An important part of our HR strategy is to recruit, keep and advance qualified employees by offering them further training opportunities and, at the same time, create added value for our customers. As the market environment becomes more demanding and changes, further training measures also help to prepare our employees in the best possible way to meet the challenges of the market. The training offerings range from targeted individual programmes to specialised training programmes.

DAIG offers its employees the opportunity to obtain a Chamber of Industry and Commerce qualification as a "Residential Real Estate Caretaker". This opportunity is unique in the industry and aroused great interest among our caretakers. As at December 31, 2013, 132 employees had already taken part in and successfully completed the training for the certificate. The programme will be further expanded in 2014.

Further elements of our career advancement offering are part-time studies, e.g. for a Bachelor or Masters in Real Estate Management at the EBZ business school.

Vocational training

The company attaches great importance to vocational training. We aim to offer targeted individual advancement programmes and long-term prospects.

In 2013, all 19 apprentices in their third and final year passed their exams in the individual apprenticeship occupations.

The Chamber of Industry and Commerce also gave an award to five apprentices of Deutsche Annington who obtained the best mark "excellent" in their final exams. Special mention should be made of the outstanding performance of one female real estate administration apprentice whose final exam result made her one of the two best real estate administration clerks in North Rhine-Westphalia and who received a further "Best of NRW" award.

In 2013, Deutsche Annington was conferred the "Vocational Training Ace" award for its commitment to vocational training as one of Germany's best vocational training enterprises.

> Strong vocational training initiative 2013

With 43 apprentices between 17 and 35 years of age, one of the largest apprentice intakes in the history of Deutsche Annington and also one of the most varied started in 2013: most of the job starters began an apprenticeship in real estate administration. Seven of them are studying for a degree parallel to their apprenticeship. Furthermore, Deutsche Annington trains people as office communications clerks and IT specialists; one young lady is serving an HR services apprenticeship.

Since 2013, the Deutsche Annington Immobilien Group has widened its commitment to vocational training to include trade apprenticeships. The fast-growing subsidiaries, Deutsche TGS and Deutsche TGS West, were able to offer ten young people apprenticeships in plant engineering with specialisation in sanitary equipment, heating and air-conditioning technology as well as in electronics with specialisation in energy and building technology. The programme will be further expanded starting in the 2014 apprenticeship intake year.

> Young talent advancement programmes

In view of the demographic change and the increasing complexity of professional challenges, the early identification and recruiting of people with high potential is very important. Targeted qualification programmes already safeguard succession planning today.

> Graduate trainee programmes

Our graduate trainee programmes, which are aimed at internal and external university graduates, are a fundamental part of talent and succession management and geared to their long-term deployment in an expert or management function.

The 18-month programme offers the trainees the opportunity to get to know the different interfaces of Deutsche Annington and, above all, our core business in a structured manner in five to six work assignments.

This year, Absolventa again awarded our trainee programme the seal of quality “Charta karrierefördernde und faire Trainee-Programme”, which is given to career-advancing and fair trainee programmes.

> International placements

In cooperation with AIESEC, the world’s largest student organisation, we successfully took on university placement students from abroad in 2013. As part of a six to twelve-month placement, we offer high-calibre students the opportunity to develop their social and professional skills and to build up an international network. We are engaged as a partner of the committee in AIESEC Bochum.

ECONOMIC DEVELOPMENT OF DEUTSCHE ANNINGTON IMMOBILIEN SE

(Reporting on the basis of the German Commercial Code (HGB))

Fundamental Information

Deutsche Annington Immobilien SE (“DAIG”) was established as Deutsche Annington Immobilien GmbH with its head office in Frankfurt am Main on June 17, 1998. Today, together with its subsidiaries, it forms the Deutsche Annington Immobilien SE Group and is Germany’s leading residential property management company with some 175,000 residential units.

The DAIG annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) taking into account the supplementary regulations of the German Stock Corporation Act (AktG) as well as the applicable transitional regulations of the German Accounting Law Modernisation Act (BilMoG) and have been audited by the auditor.

The company assumes the function of the management holding in the Group of Deutsche Annington Immobilien SE. In this function, it is responsible for determining and pursuing the overall strategy and implementing the company’s goals and performs property management, financing, service and coordination tasks for the Group.

Furthermore, it is responsible for the management, control and monitoring system as well as risk management. To carry out these management functions, DAIG has established service companies to pool certain functions, such as the central and local customer service units. By pooling the corporate functions, DAIG achieves harmonisation, standardisation and economies of scale objectives and therefore the other Group companies do not need to perform such functions themselves.

The preceding reporting for the Group of Deutsche Annington Immobilien SE therefore also expresses the company's position.

The description of the company's net assets, financial position and results of operations is based largely on and influenced by the Group reporting. The company's risk profile is largely the same as the Group's.

The single-entity and consolidated financial statements as well as the combined management report are published in the Federal Gazette (Bundesanzeiger).

Development of Business in 2013

In June 2013, Deutsche Annington Immobilien SE applied for admission of its no-par value registered shares in Germany and Luxembourg on the basis of a stock exchange prospectus in accordance with the German Securities Prospectus Act (Wertpapierprospektgesetz (WpPG)). On July 2, 2013, the shares were admitted to trading on the Prime Standard of the regulated market by Frankfurt stock exchange. The German Securities Code (WKN) is: A1ML7J; the ticker symbol: ANN. The company is therefore subject to the rules of the German Securities Trading Act (Wertpapierhandelsgesetz (WpHG)). On July 11, 2013, the share of Deutsche Annington Immobilien SE was first listed in the Prime Standard segment of the regulated market of the Frankfurt stock exchange. The IPO resulted in gross proceeds of € 400 million. The successful IPO and the related net issue proceeds from the capital increase were the prerequisites for the granting of a BBB long-term corporate credit rating by Standard & Poor's.

Monterey Holdings I S.à r.l., Luxembourg ("Monterey"), was, until the stock exchange listing on July 11, 2013, the sole owner of the shares in our company.

Employees of Deutsche Annington Immobilien SE

At the end of 2013, 149 people were in the employ of Deutsche Annington Immobilien SE (2012: 185). Furthermore, 59 seconded employees (2012: 43 employees) work in the company under personnel supply contracts signed with subsidiaries of Deutsche Annington Immobilien SE.

Results of Operations, Net Assets and Financial Position

Results of operations of Deutsche Annington Immobilien SE

The company regularly generates income from the charging of the services it provides and from the transfer of profits and assumption of losses. Profit-and-loss transfer agreements exist mainly with the service companies which themselves generate income by charging the real estate companies for the services they have provided. Furthermore, DAIG SE can generate income from dividend distributions of its Group companies.

The expenses are largely personnel expenses and non-personnel costs incurred in the performance of its management function.

The financial result is governed by the Group financing.

INCOME STATEMENT

€ million	2013	2012	Delta
Income from onward-charging and services	97.1	130.7	-33.6
Other income	4.9	5.9	-1.0
Personnel expenses	-33.2	-44.4	11.2
Other administrative expenses	-101.8	-90.0	-11.8
Loss (profit) before financial result and tax	**-33.0**	**2.2**	**-35.2**
Income from profit transfer	28.7	36.8	-8.1
Income from investments	3.8	4.0	-0.2
Interest and similar income	45.5	1.2	44.3
Expense from the assumption of losses	-2.1	-1.7	-0.4
Interest and similar expense	-44.5	-32.5	-12.0
Loss (profit) before tax	**-1.6**	**10.0**	**-11.6**
Tax	-0.2	-0.4	0.2
Net loss (profit) for the year	**-1.8**	**9.6**	**-11.4**

The income from onward-charging and services fell by some € 34 million in 2013 as the prior-year onward-charging figure contained the considerable expenses from the restructuring of the GRAND securitisation in 2012.

Personnel expenses decreased by € 11.2 million, which is largely due to the smaller number of employees. The number of employees working for DAIG SE fell in 2013 from 185 to 149. The other administrative costs increased by € 11.8 million.

The profit before financial result and tax decreased in the financial year by € 35.2 million to a loss of € 33.0 million. By contrast, the financial result improved by € 23.6 million owing to the changes in Group financing.

In the reporting year, no dividends from subsidiaries were received.

The company therefore closed the financial year with a net loss of € 1.8 million compared with net income of € 9.6 million in 2012.

Net assets of Deutsche Annington Immobilien SE

The change in the financial assets mainly results from the repayment of a loan.

Assets € million	Dec. 31, 2013	Dec. 31, 2012	Equity and liabilities € million	Dec. 31, 2013	Dec. 31, 2012
Financial assets	1,612.3	1,611.4	Equity	1,863.9	1,226.5
Other assets	0.4	0.8	Provisions	77.8	102.9
Receivables from companies	764.7	193.7	Liabilities from companies	851.1	537.5
Other receivables and assets	9.3	4.3	Other liabilities	2.5	13.9
Cash and cash equivalents	408.6	70.6			
Total assets	**2,795.3**	**1,880.8**	**Total equity and liabilities**	**2,795.3**	**1,880.8**

Cash and cash equivalents increased in 2013 as a result of the extension of Group financing and thus of cash pooling following the GRAND refinancing and the absence of cash restrictions previously in place in this connection. Furthermore, the amount is influenced by cash inflows from the placement of the bonds and the positive cash flow from the operating companies, which, through the Group financing and cash pooling, are both reflected in the amount reported by DAIG SE. The increase in amounts receivable from and payable to affiliated companies therefore also results from the GRAND refinancing and the Group financing optimised in cash pooling.

The increase in equity in 2013 of some € 637 million results almost exclusively from the capital increase as part of the IPO as well as from the non-cash contribution in the form of the "S" Notes by Monterey Holdings I S.à r.l., Luxembourg. In the 2013 financial year, parts of the capital reserves were accordingly converted into share capital. The share capital as at December 31, 2013 amounted to € 224.2 million, the capital reserves to € 1,444.0 million. Equity also contains profit carried forward from the prior year amounting to € 174.1 million.

Financial position of Deutsche Annington Immobilien SE

The financial position is governed by the previously described finance strategy as well as, on the operations side, by the degree of Group financing and cash management. The company generates cash flows by charging services. Cash outflows result from personnel expenses and administrative costs.

DAIG SE only has appreciable cash flows from investing activities when acquisitions are made.

Cash inflows from financing activities result from income from investments and interest income as well as from additions to equity. Furthermore, there are cash outflows for interest payments. Interest expenses and interest income are closely connected with the Group financing.

The company received equity of some € 380 million in 2013 as a result of the cash capital increase.

Expenses which were incurred on behalf of the former sole shareholder in connection with the IPO were reimbursed before the end of the reporting year.

FORECAST REPORT

The company's net assets, financial position and results of operations are determined solely by the ability of the Group companies to generate profits. Accordingly, we refer at this point to the Group forecast report.

The result for the 2014 financial year will again be influenced by the income received from the service companies on the basis of profit-and-loss transfer agreements. The results of operations of DAIG SE will also be governed by the extent to which profits of the Group companies are distributed to DAIG SE under the inter-Group dividend policy.

It is generally planned for DAIG SE to distribute 70 % of the Group's performance indicator, FFO 1, to the shareholders as a dividend.

Further Statutory Disclosures

DECLARATION BY THE MANAGEMENT BOARD IN ACCORDANCE WITH SECTION 312, PARA. 3 AKTG

In accordance with Section 17, para. 2, AktG, Deutsche Annington Immobilien SE is a dependent company of Monterey and therefore obliged to prepare a dependent company report in accordance with Section 312 AktG. The final declaration of this dependent company report is reproduced in this Management Report.

"The Management Board declares that our company received appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies under the circumstances known to us at the time the transactions were made or the measures implemented or omitted and the company has not been disadvantaged by the implementation or omission of any measures."

REMUNERATION REPORT

The remuneration report describes the principles of the remuneration system for members of the Management Board of Deutsche Annington Immobilien SE (DAIG) and explains the structure as well as the income received by each Management Board member. Furthermore, the remuneration report contains information on the principles and the amount of remuneration for the members of the Supervisory Board.

The remuneration report takes account of the applicable regulations of the German Commercial Code (HGB), the German Accounting Standard (DRS 17), the laws on disclosure and appropriateness of Management Board remuneration (VorstAG, VorstOG) as well as the principles of the German Corporate Governance Code (DCGK).

The general shareholders' meeting of DAIG passed a resolution on May 10, 2012 in accordance with Section 286, para. 5 HGB that the information in accordance with Section 285, No. 9a, sentences 5 to 8 HGB and Section 314, para. 1, No. 6 HGB, in particular information on the total remuneration of each individual Management Board member, is not to be disclosed for the years 2012 to 2016. For the 2013 reporting year, DAIG is meeting the requirements of the German Corporate Governance Code in spite of the resolution of the general shareholders' meeting and is presenting the remuneration components of the individual Management Board members on a voluntary basis. For the prior year 2012, only total figures for the remuneration of the Management Board members are disclosed in accordance with the resolution of the general shareholders' meeting and in view of the lack of comparability; these 2012 figures are split into non-performance-based and performance-based components.

Management Board

Remuneration system

The remuneration system and the amount of remuneration of the Management Board are determined by the Supervisory Board on the proposal of the Executive and Nomination Committee.

Criteria for determining the appropriateness of remuneration are both the tasks of the individual member of the Management Board, his personal performance, the economic situation, the performance and outlook of the company as well as the common level of remuneration, taking into account peer companies and the remuneration structure in place in other areas of the company. Furthermore, we compare ourselves with other listed companies of a similar size. The remuneration structure is oriented towards sustainable growth of the company.

In addition to basic remuneration, the members of the Management Board receive variable short-term as well as variable long-term remuneration which takes account of both positive and negative developments. The variable remuneration is capped. Furthermore, the members of the Management Board receive benefits in kind in the form of insurance premiums, the private use of communication means and company vehicles. In one case, instead of the provision of benefits in kind in the form of insurance premiums, the rent is paid by the company.

Fixed remuneration and fringe benefits

The fixed basic remuneration is paid to the Management Board members in twelve equal monthly amounts. In addition to their fixed remuneration, the Management Board members are given the opportunity to pay an annual pension contribution of 20 % of the fixed remuneration into a deferred compensation scheme. Alternatively, the amount is paid out as cash remuneration.

The fringe benefits comprise a risk life insurance and 50 % of the health insurance contributions up to a maximum of the relevant employer contributions to the statutory health and nursing care insurance funds. Guaranteed remuneration in the event of illness is for twelve months, but no longer than until the end of the Management Board member's service contract. In the event of death, DAIG continues to pay the salary to the surviving dependants for up to six months.

The members of the Management Board are provided with a company car as well as communication means which they have the right to use for private purposes. Travel expenses are reimbursed in line with the DAIG Travel Expense Policy.

Bonus

The variable short-term remuneration is based on success criteria set in advance by the Supervisory Board as well as personal targets. The variable short-term remuneration is capped at € 700,000 for Rolf Buch as the chairman of the Management Board, at € 440,000 for Klaus Freiberg and at € 400,000 for Dr A. Stefan Kirsten. The success criteria state that 40 % of the variable short-term remuneration depends on the achievement of the AFFO Group target and 15 % on the achievement of the EBITDA Group target for sales and a further 15 % is in connection with the improvement of the customer satisfaction index determined by an independent third party. 30 % of the variable short-term remuneration is related to the achievement of the personal targets agreed with the Supervisory Board.

The members of the Management Board receive their bonus one month after the adoption of the annual financial statements of DAIG. It is paid out in cash.

Original LTIP

Until the IPO, there was a Long-Term Incentive Plan (LTIP) for which the triggering event was the successful IPO (original LTIP).

The payments to Klaus Freiberg and Dr A. Stefan Kirsten under the original LTIP, which constitutes a cash-settled long-term incentive plan, were reimbursed by the former sole shareholder, Monterey Holdings I S.à r.l., Luxembourg. The same applies to the payments to the former chairman of the Management Board, Wijnand Donkers, subject to the fulfilment of the triggering conditions.

On June 28, 2013, the replacement of the previous LTIP agreements was resolved subject to the condition precedent of an IPO. The condition precedent occurred with the completion of the IPO on July 11, 2013.

Accordingly, the Management Board members were paid one-off remuneration of € 6.2 million at the time of the initial listing in settlement of all claims arising out of the previous LTIP. Of this figure, € 2,285,299.50 was paid to Rolf Buch, € 1,721,082.00 to Klaus Freiberg and € 2,190,474.00 to Dr A. Stefan Kirsten. Furthermore, the Management Board members received a one-off compensatory payment totalling € 300,000.00. Of this figure, Rolf Buch received € 200,000.00 and Klaus Freiberg and Dr A. Stefan Kirsten € 50,000.00 each.

In this connection, the individual Management Board members had undertaken to purchase 171,424 shares at the subscription price (€ 16.50 per share) when the IPO took place; these shares have full dividend and voting right entitlements but their disposal is restricted until the end of the respective Management Board member's employment contract (restricted shares).

The pro-rata income tax totalling € 271,463.74 (Rolf Buch: € 123,899.04, Klaus Freiberg: € 75,036.59; Dr A. Stefan Kirsten: € 72,528.11) was paid by the company as a fringe benefit.

New LTIP

Under the new LTIP, the Management Board members are granted a total of 931,030 notional shares (SARs = stock appreciation rights). The plan will run for a period of five years (five annual tranches) with a cliff vesting of 20 % per calendar year of the total number of notional shares granted. Over the five-year period, Rolf Buch receives 400,000 of these notional shares with a fair value of € 6,022,720.00 and Klaus Freiberg und Dr A. Stefan Kirsten each receive 265,515 of these notional shares, in each case with a fair value of € 3,997,806.25. In this context, the fair value corresponds to the actuarial fair value of the remuneration expected over the total five-year period. These notional shares will be converted into payout amounts for each annual tranche on the basis of a formula laid down in the LTIP agreement. Therefore, this new LTIP qualifies as a cash-settled share-based plan in accordance with IFRS 2.

Payout of the amounts of the vested tranches will be triggered as soon as and if the previous sole shareholder reduces its shareholding to below 30 %, the subsequently vested tranches will become due on July 11 of the following years, but at the latest on September 30, 2019 (long-stop date) all amounts will become due. In deviation from the above, the shares of Rolf Buch will not vest on the respective anniversary days of the initial listing but in each case on February 28 of the following years. If there is a change of control over the company before the investors in funds advised by Terra Firma have reduced the direct or indirect investment in the company to less than 50 %, all notional shares will fully vest and all claims connected therewith will become due.

The cash-settled amounts are determined from the product of the number of notional shares per tranche, the market value of the share, taking into account dividend payments in the period between the IPO and the payout date, and the level of performance target achievement for the relevant measurement period. This level of performance target achievement results from the sum of the NAV percentage, the TSR percentage and the AFFO percentage divided by three (NAV = EPRA net asset value, TSR = total shareholder return, AFFO = adjusted funds from operations). The possible performance target achievement may be between 90 % and 110 %. The following table shows the performance target achievement parameters as well as the factors influencing them:

Performance target achievement parameters	Factors influencing the parameters
NAV	NAV increase per share in relation to the comparator group defined in the LTIP agreement
TSR	Increase in the market closing price adjusted for dividend payments (generally the stock market price) in relation to the comparator group defined in the LTIP agreement
AFFO	AFFO from the last financial statements against the AFFO target for the same period in the medium-term plan

Cash-effective remuneration 2013

On the basis of the remuneration structure described above, the individual Management Board members received the following remuneration for the 2013 financial year:

Cash-effective remuneration components in €	Rolf Buch CEO	Klaus Freiberg COO	Dr A. Stefan Kirsten CFO	Total
Fixed remuneration	750,000.00	550,000.00	518,000.00	**1,818,000.00**
Deferred compensation	-	110,000.00	-	**110,000.00**
Fringe benefits	30,908.90	20,400.00	35,021.64	**86,330.54**
Bonus (2012)	-	375,000.00	400,000.00	**775,000.00**
One-off payment	200,000.00	50,000.00	50,000.00	**300,000.00**
Total	**980,908.90**	**1,105,400.00**	**1,003,021.64**	**3,089,330.54**

The fixed remuneration after deferred compensation for Rolf Buch amounted to € 750,000.00 and that for Dr A. Stefan Kirsten to € 518,000.00. Klaus Freiberg received fixed remuneration amounting to € 550,000.00.

Rolf Buch and Dr A. Stefan Kirsten are paying their 20 % contractual share of € 150,000.00 and € 103,600.00 respectively, based on their fixed remuneration, into the deferred compensation scheme. Klaus Freiberg has opted for a cash payout for his entitlement of € 110,000.00. This results in a pension obligation for Rolf Buch of € 191,008.00 in accordance with HGB and € 272,689.00 in accordance with IFRS (DBO) as well as a pension obligation for Dr A. Stefan Kirsten of € 404,762.00 in accordance with HGB and € 560,144.00 in accordance with IFRS (DBO).

The other fringe benefits for Rolf Buch amount to € 30,908.90, those for Klaus Freiberg to € 20,400.00 and those for Dr A. Stefan Kirsten to € 35,021.64.

For the 2013 financial year, a provision was established for the short-term variable remuneration for Rolf Buch of € 583,333.33, for Klaus Freiberg of € 440,000.00 and for Dr A. Stefan Kirsten of € 400,000.00.

Robert Nicolas Barr received no remuneration for his service on the Management Board.

The Management Board members have not received any loans from the company.

Moreover, the Management Board members do not receive any additional remuneration for mandates held at Group companies.

Should the Management Board members be held liable for financial losses while executing their duties, this liability risk is, in principle, covered by the D&O insurance for Management Board members of the company. DAIG follows the statutory requirements which provide for a deductible of 10 % of any claim up to an amount of one-and-a-half times the fixed annual remuneration for all claims in one financial year.

Total remuneration of the Management Board

The total remuneration of the Management Board in the 2013 calendar year in accordance with Section 285, No. 9a), sentence 1 HGB and Section 314, para. 1, No. 6 HGB is shown in the Notes to the consolidated financial statements under note [46] Remuneration.

Payments in the event of premature termination of Management Board duties

Payments to a Management Board member on premature termination of his contract, including fringe benefits, are contractually regulated to not exceed the value of two years' remuneration and are paid for no more than the remaining term of the employment contract (severance pay cap).

Payments in the event of premature termination of a Management Board member's contract due to a change of control are limited to 150 % of the severance pay cap.

Former Management Board members

In 2013, the total remuneration of former Management Board members amounted to € 7,284,402.00 (under the original LTIP) (2012: € 3.0 million). The figure according to IAS 24.17d amounts to € 740,750.00 (2012: € 3.0 million). The pension obligations (DBO) to former members of the Management Board and their surviving dependants amount to € 10.7 million (2012: € 12.0 million).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined by the shareholders at the Annual General Meeting and is regulated in Article 13 of the Articles of Association of DAIG.

By resolution of the Annual General Meeting on June 9, 2013, the system of Supervisory Board remuneration was changed.

Each member of the Supervisory Board receives annual fixed basic remuneration of € 100,000.00. The chairman of the Supervisory Board receives double this amount, a deputy chairman one-and-half times this amount.

The members of the Audit Committee receive additional annual fixed remuneration of € 40,000.00; the Audit Committee chairman receives double this amount. Supervisory Board members who are members of one or more other Supervisory Board Committees that have acted at least once a year receive additional annual remuneration of € 20,000.00 per committee; in the case of the committee chairman € 40,000.00.

The sum total of all aforementioned remunerations plus remunerations for membership in Supervisory Boards and comparable supervisory bodies of Group companies must not exceed an amount of € 300,000.00 per calendar year and Supervisory Board member.

The company reimburses the Supervisory Board members for appropriate expenses incurred due to the exercising of their office. VAT is reimbursed by the company to the extent that the Supervisory Board members are eligible to separately invoice VAT and have exercised such right.

The total remuneration of the Supervisory Board including attendance fees for their work in the 2013 financial year amounts to € 639,316.67 (2012: € 194,041.64) as at December 31, 2013.

The remuneration of the Supervisory Board of DAIG breaks down as follows for each member – on a pro-rata basis according to the length of service on the Supervisory Board:

€	Fixed remuneration 2013	Remuneration for Committee work 2013	Total remuneration 2013
Dr Wulf H. Bernotat [2, 3, 6] (since June 18, 2013) Chairman	116,666.67	58,333.33	175,000.00
Guy Hands (until June 18, 2013) Chairman	-	-	-
Robert Nicolas Barr [2, 4, 6] (from May 21, 2013; mandate dormant until May 20, 2013) Deputy Chairman	-	-	-
Arjan Breure [4, 6]	-	-	-
Fraser Duncan [2]	90,983.33	23,333.33	114,316.67
Prof. Dr Edgar Ernst [1] (since June 18, 2013)	58,333.33	46,666.67	105,000.00
Neil Hasson (until June 18, 2013)	-	-	-
Hildegard Müller [4] (since June 18, 2013)	58,333.33	11,666.67	70,000.00
Tim Pryce (since June 18, 2013)	-	-	-
Prof. Dr Klaus Rauscher	93,333.33	-	93,333.33
Clara-Christina Streit [5] (since June 18, 2013)	58,333.33	23,333.33	81,666.67
Total	**475,983.3**	**163,333.3**	**639,316.67**

[1] Chairman of the Audit Committee
[2] Member of the Audit Committee
[3] Chairman of the Executive and Nomination Committee
[4] Member of the Executive and Nomination Committee
[5] Chairman of the Finance Committee
[6] Member of the Finance Committee

The Supervisory Board members Robert Nicolas Barr, Arjan Breure and Tim Pryce waived their respective remuneration for the 2013 financial year.

The inclusion of prior-year figures has been dispensed with in this report owing to the changes to the remuneration structure in 2013 and thus the lack of comparability.

All remuneration is payable after the expiry of each financial year. Supervisory Board members who are Supervisory Board members or members of a committee of the Supervisory Board for only part of a financial year receive corresponding pro-rata remuneration rounded to the full month.

Furthermore, DAIG has taken out a liability insurance (D&O insurance) for the members of the Supervisory Board. DAIG is therefore following the statutory requirements which provide for a deductible of 10 % of any claim up to an amount of one-and-a-half times the fixed annual remuneration for all claims in one financial year.

The Supervisory Board members have not been granted any loans by the company.

Opportunities and Risks

STRUCTURE AND INSTRUMENTS OF THE RISK MANAGEMENT SYSTEM

Accounting-related internal control and risk management system

The Management Board of DAIG is responsible for the preparation of the annual financial statements, the consolidated financial statements and the combined management report. This includes responsibility for the set-up and maintenance of a suitable accounting-related internal control and risk management system.

The aim of the accounting-related internal control and risk management system is to ensure correct and timely financial reporting pursuant to the relevant regulations. The accounting-related internal control and risk management system is embedded in the overarching Group-wide risk management system.

Organisationally, preparation of the financial statements is in the area of responsibility of the CFO and in particular of the Accounting department. Therefore, the Accounting department exercises the authority to lay down guidelines for the application of relevant accounting standards as well as for the content and timing of the steps in the financial statements preparation process.

From the organisational and systems side, the preparation of the financial statements for all companies included in the consolidated financial statements as well as the preparation of the consolidated financial statements themselves are performed in the central shared service centre of the Accounting department, which ensures consistent and continual application of accounting policies in a uniform financial statement preparation process. Furthermore, through the shared service centre it is ensured that both content and organisational changes in the requirements are incorporated in the financial statement preparation process.

The financial statements of all companies included in the consolidated financial statements are located in a computerised SAP environment with a uniform system configuration and are thus subject to uniform charts of account, accounting guidelines, processes and process controls. The requirement of separation of functions and the four-eyes principle is taken appropriate account of with preventive and also subsequent checks. Finally, the relevant financial statement data of the individual companies are made available to the SAP consolidation module via an integrated, automated interface with comprehensive validation rules for further processing and preparation of the consolidated financial statements. A comprehensive authorisation concept is in place granting access to the financial statements in line with the respective job profile of the employee.

The prepared consolidated financial statements and the single financial statements of the companies included then constitute the authoritative source of data for internal analysis and external communications.

The system and control environment is regularly reviewed for effectiveness by the Internal Audit department; the audit comments then trigger an improvement process.

Following the preparation of the financial statements, the annual financial statements and the consolidated financial statements as well as the combined management report are presented to the Audit Committee of the Supervisory Board for examination, which then makes a recommendation to adopt or approve. This examination may include the auditor's presence at the committee meeting and is subject to the auditor's report. The Audit Committee is continually involved in the establishment and refinement of the accounting-related internal control and risk management system. The Internal Audit department also reports to the Audit Committee.

FURTHER FEATURES OF RISK MANAGEMENT

Risk strategy

DAIG's risk management is governed by the company's business strategy. In the interests of the customers, employees and investors, the Management Board of Deutsche Annington pursues a conservative risk strategy designed for safety. Every employee must act in a risk-conscious manner, i.e. he must always have clarity about the risk situation in his area of responsibility and handle any risks identified in a responsible manner. Unreasonably high risks are always to be avoided. DAIG ensures that suitable measures are taken to avoid, reduce or transfer risks or that there is a conscious acceptance of the risks.

Responsibility

The Management Board has overall responsibility for risk management and determines the risk strategy. It decides on the organisational structures and workflows of risk management and provision of resources. It approves the documented risk management findings and takes account of them in steering the company. The Audit Committee of the Supervisory Board monitors the effectiveness of the risk management system. The senior managers are appointed as risk officers and, in this role, assume responsibility for the identification, assessment, documentation and communication of all material risks in their area of responsibility.

Risk management

DAIG has established an appropriate and effective risk management system. It not only ensures the continued existence of the company but also makes a sustainable contribution to the achievement of the company's goals. The Management Board is able at all times to identify and assess material risks within the company and in the company's environment in good time as well as to take appropriate counteraction. The Management Board of Deutsche Annington Immobilien SE currently sees no risks which might jeopardise the company's existence.

Compliance

Compliance describes the lawful action of the company, its bodies and employees. For the Management Board, compliance with the statutory requirements and the observance of internal guidelines are the basis of corporate management and culture. Compliance is to ensure the integrity of employees, customers and suppliers and avoid possible negative consequences for the company.

The management and monitoring of Deutsche Annington is based on the relevant statutory requirements, the Articles of Association and the rules of procedure for the Supervisory Board and the Management Board. They form the basis for the company's internal rules and guidelines, which are covered by central guideline management. These rules and guidelines lay down clear organisational and monitoring structures with specified responsibilities and appropriately installed checks. The legally compliant behaviour of all employees in the business processes is ensured by suitable control procedures and supervision by the managers. This is supplemented by the Code of Conduct of Deutsche Annington, which is based on ethical values and legal requirements and reinforces the personal responsibility of the employees. An external ombudsman is available to all employees as a person of trust in questions of compliance. At present, we are not aware of any violations of laws or rules by employees.

Risk management process

The risk management system of Deutsche Annington ensures the early identification, assessment, control and monitoring of all material risks. Thus potential risks which might impair the value and/or the development of the company are identified at an early stage.

Responsibility for concrete risk control in daily business lies in each case with the person bearing operational responsibility. As part of a systematic process, the operational units and central departments regularly identify all strategic, operational, financial and legal risks. The potentially adverse effects and the probability of occurrence are evaluated before action (gross) and after action (net) for each risk and documented in a Group-wide risk register. The planning horizon is three years. Based on the probability of occurrence and the amount of damage arising from the gross and net risk assessment, a risk value is established for each risk and the risks are prioritised accordingly. The ten risks with the highest risk values form the top 10 risks.

The risk management system and the risk register are continuously updated and refined as well as adjusted to reflect changes in the company. The effectiveness of our risk management system is examined in regular audits.

Risk management is documented regularly in a half-yearly risk report which is made available to all decision-makers. The Audit Committee of the Supervisory Board is informed twice a year at its regular meetings about the risk situation in a separate risk report. The risk management system is described in a risk reporting policy which is regularly updated.

This reporting system ensures that both managers and supervisory bodies are kept continually and comprehensively informed and provides relevant operational early warning indicators. In this way, misguided operational developments can be recognised in good time and counteraction taken at an early stage. Should significant risks occur unexpectedly, they are reported direct to the Management Board.

The risk manager coordinates the recording, assessment, documentation and communication of the risks within the DAIG as part of the risk management process. He triggers the periodic risk management process, consolidates the risk reports of the risk officers and prepares the report for the Management Board and the Supervisory Board. The Internal Audit department monitors the risk management function as part of its auditing remit.

The risk early warning system is based on detailed reporting on the operational and financial key performance indicators from Controlling. Analyses are made of the business performance compared with the plans approved by the Supervisory Board and the previous year. Furthermore, a forecast is prepared regularly which takes appropriate account of the effect of any potential risks and opportunities on the development of business. Reporting includes detailed monthly controlling reports as well as monthly reports by the Management Board to the Supervisory Board. The direct operational business is described in daily and weekly performance figure reports.

Explanation of main individual risks
The risks of DAIG have been assigned to the following five risk categories:

> Economic environment and market-related risks
> Regulatory and legal risks
> Risks related to DAIG's business
> Financial risks
> Other risks

For the reporting period, the Management Board has specified the following particularly relevant risks out of all the risks identified:

No.	Risk	Risk category	Potential impact* (gross)
1	Damaged reputation and inadequate customer satisfaction	Economic environment and market-related risks	high
2	Wrong/uneconomic investment decisions on real estate acquisitions	Risks related to business	high
3	Incorrect determination of the fair value of our properties	Risks related to business	high
4	Incorrect decisions/wrong risk propensity with regard to significant investment decisions (not real estate acquisitions)	Risks related to business	high
5	Inadequate IT security – unauthorised external and internal access	Risks related to business	moderate
6	Negative government influence	Regulatory and legal risks	moderate
7	Inadequate monitoring of existing contract restrictions	Risks related to business	low
8	Safeguarding of public safety	Risks related to business	low
9	Adverse changes to tenancy law	Regulatory and legal risks	low
10	Selling price of properties lower than the minimum price stipulated in loan agreements	Risks related to business	low

* Potential impact: high > € 250 million, moderate > € 25 million, low > € 5 million

Economic environment and market-related risks

The continuing uncertainty regarding the development of the global economy, which is a result of the ongoing sovereign debt crises in many parts of the world and in particular in Europe, may lead to economic instability, limited access to debt and equity financing as well as possible defaults by DAIG's counterparties.

Deutsche Annington is dependent on the development of the German economy and the demand for residential properties, although a deterioration in the general economic situation generally increases the demand in our segment for affordable accommodation. Demand depends to a high degree on the expected development of interest rates. The current macroeconomic environment is characterised by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. Any rise in interest rates could have adverse effects on the German real estate market and on Deutsche Annington. Should the interest rates rise considerably in the years to come or the banks become less inclined to grant loans for the acquisition of properties, this may have a negative effect on demand for residential properties.

The demand for accommodation is also governed by the demographic change (the shrinking and ageing of the population) and by the trend towards more one-person households. However, overall, the number of households will still continue to increase until 2030 although the prospects for the German conurbations differ from region to region. We respond to the risk of lower market demand with a regionally specific portfolio strategy. With the targeted sale of non-core housing stocks which do not fit into our core portfolio, we are withdrawing from regions where the demand is low. At the same time, we concentrate in our acquisition efforts on regions which people appear to be migrating to.

The reputation **(risk 1)** of a company is of crucial importance for establishing business connections. A bad reputation may make it more difficult to let our residential units and lead to delays in payment or the termination of rental contracts by our tenants. Furthermore, on the financing side, there is the risk that even the raising of capital could be impaired by this. Therefore, a very high potential amount of damage has been assigned to this risk with respect to a planning horizon of three years. Deutsche Annington takes reputation and customer satisfaction very seriously and counteracts this risk with a large number of measures. For example, the satisfaction of the customers is measured and monitored using the performance indicator CSI in order to identify potential problems at an early stage. Improvements to the process workflows and quality initiatives increase customer satisfaction. Active public relations work helps to communicate the efforts made to improve customer satisfaction and increase Deutsche Annington's reputation.

Regulatory and legal risks

We closely follow planned amendments to laws as our business activities are above all subject to tax, environmental, tenancy and building law. Any adverse changes in the legal environment, such as mandatory environmental modernisation requirements restrictions regarding modernisation measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to the business activities of Deutsche Annington. We have assigned this risk a potentially very high damage impact.

DAIG's ability to increase rents is limited by German tenancy law **(risk 9).** This provides for substantial tenant protection and restricts the possibilities to evict tenants. Moreover, there are current political efforts to further restrict rent increases **(risk 6).** These two risks have been assessed as potentially having low to moderate damage impact.

DAIG is subject to the general tax environment in Germany. The Group's tax burden may increase as a consequence of future tax treatment of dividend payments, current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof. The extent of risk in this connection depends on the relevant legislation and may vary between low and moderate.

DAIG is involved in litigation resulting from normal business activities. They are in particular tenancy law and sales disputes. None of the legal disputes will have any material effects on the net assets, financial position or results of operations of the Deutsche Annington Immobilien Group.

Risks related to DAIG's business
Deutsche Annington faces risks in connection with possible acquisitions and investments **(risk 2).** These risks include unexpected cases of liability, greater indebtedness, higher interest expenses and challenges with respect to integrating acquisitions and achieving anticipated synergies. Furthermore, portfolios or real estate companies that may be acquired in the future may not develop as favourably as expected. By applying complex, quality-assured investment models during the investment decision process, we counter the risk of uneconomic real-estate acquisitions. These models not only take the purchase price and the financing cost into consideration but also regional scenarios for regular maintenance and the development of rents. The extent of any risks which manifest themselves may be high even though comprehensive professional due diligence is performed when acquisitions are made.

The **internal determination of the fair values** of our housing stocks is subject to assumptions which may deviate from our current expectations. Should the estimate of the micro-location of the buildings and the quality of the macro-location deteriorate, the fair value of our entire real-estate portfolio would also decrease **(risk 3).** Changes in the value of our investment properties are recorded in the income statement as appreciation or depreciation in value and therefore have a direct impact on the earnings situation of our company. The associated risk of error is assessed as high.

By optimising sales processes, improving the apartment hand-over inspections and continually upgrading the properties we offer to suit the tenants' needs, we have further reduced our voids and thus the **vacancy risk.** Before renting out a property, we check the credit standing and assess the disposable income and the social circumstances of the potential tenant to minimise our **rent default risk.** We are interested in as long a tenancy as possible. These risks are assessed as low.

The **computer systems** of Deutsche Annington are exposed to general IT security risks, in particular the risk of unauthorised access from outside and within the company **(risk 5).** There is the risk that the computer systems may not work properly or may be impaired as a result of such interference or other manipulations. This risk is assessed as moderate.

There is the risk that the management may make **wrong investment decisions** as a result of insufficient information or lack of knowledge of the facts **(risk 4).** Deutsche Annington counters this risk with clear instructions for action and rules governing powers and responsibilities. Responsibility for the business is decentralised to permit better local decision-making. Nevertheless, the risk of incorrect management decisions is assessed as high.

Some contracts on the acquisition of properties contain restrictions **(risk 7)** on **rent increases** and selling programmes and/or require minimum investments in maintenance. Any violation of these requirements could lead to significant contract penalties. The risk is assessed as low.

The **technical safety** of our housing stocks entails not only monetary risks but potentially also risks to the health and safety of our tenants and employees **(risk 8).** By conducting regular physical inspections of our housing stocks and responding quickly to information received from our tenants, defects and faults can be identified and rectified at an early stage. Deutsche Annington attaches particular importance to the prompt rectification of any faults which may have an effect on safety, regardless of the cost. The risk is assessed as low.

Financial risks

To limit the financial risks, we continuously monitor the financial markets and are also in constant contact with many different market players. Furthermore, we continually monitor all financing options available on the capital and banking markets. We expect to be able to **refinance** the necessary volumes by making use of all **financing instruments** in the future, too. Our external loans are normally subject to loan conditions customary on the market (covenants) which restrict the sale of properties or prescribe minimum selling prices **(risk 10).** Some of our borrowings are loans granted by promotional banks, which limit rent increases and thus our business options. Here, we pay strict attention to compliance with all covenants but use any scope available to us. Failed financing carries a potentially high risk.

As part of the financial risks, we are also exposed to a **liquidity risk.** Our liquidity management is based on daily cash management of our bank accounts, a weekly financial flexibility status and rolling liquidity planning on a monthly basis, allowing for the relevant restrictions. The regular positive cash flows from our core business do not indicate any particular liquidity risk in the forecast period.

Overall, as of the reporting date, the Deutsche Annington Immobilien Group has sufficient liquid funds and potential financing options to guarantee the Deutsche Annington Immobilien Group's ability to pay at all times.

In the normal course of business, the Deutsche Annington Immobilien Group is exposed to **interest-rate risks.** The liabilities with variable interest rates expose the Group to a cash-effective interest rate risk. The company uses derivative financial instruments in order to limit or eliminate these risks. The purpose of these financial instruments is to hedge interest rate risks in connection with existing loans and they may never be used for speculation. For a description of the derivative financial instruments, we refer to the Notes to the consolidated financial statements, note [38] (Derivative financial instruments). Nevertheless, interest rates involve a high risk potential.

Other risks

Deutsche Annington could be exposed to risks from residual pollution, including mining damage, soil conditions, wartime ordnance and contaminants in building materials as well as possible building code violations. Moreover, Deutsche Annington is the owner and/or property manager of a large number of buildings in the Ruhr area which are situated in the area of near-surface mine workings where the overburden layers are only thin, predominantly in the Essen/Bochum/Dortmund region. These mine workings may represent risks of damage to the surface and/or structures (e.g. traffic routes, buildings etc.). Deutsche Annington counters this economic and liability risk by having inspections of all houses in the area of near-surface mining works systematically conducted by external experts. On the basis of the inspection findings and the opinions of external experts, the properties classified as subject to risks are examined for mining damage, which is immediately rectified where necessary. Proof of stability and public safety is then confirmed in an expertise. Therefore, the related risk is low to moderate.

OVERALL ASSESSMENT OF THE RISK SITUATION

The Deutsche Annington Immobilien Group combats all material risks with suitable measures and effective controls. As far as possible, risks to the building stocks as well as from the operational business are covered by appropriate insurance. The adequacy of the insurance cover is continuously checked by an external specialist company.

The Management Board of Deutsche Annington sees, from today's point of view, no risks which the company cannot suitably combat or which may jeopardise the company's existence.

MAIN OPPORTUNITIES

Opportunities arising from societal trends

The demand for affordable accommodation is largely determined by demographic factors and the economic climate. According to the Federal Statistical Office, the trend in Germany is towards increasingly smaller households. One to two-person households have made up the largest group for more than three decades now, and their share is continually increasing. Both younger and increasingly also older people live alone. The number of two-person households is also growing whereas the number of households with more than two people is steadily declining. The Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) is expecting the development to vary greatly from region to region. Whilst the number of households in the old German states will increase until 2030, a decrease is to be expected in the new German states (former East Germany). According to the Regional Planning Forecast 2030 of BBSR, which was published in 2012, the population will decrease slightly in the period up to 2030 but the number of private households will continue to rise.

The Federal Statistical Office estimates that Germany's population increased again in 2013. This is the third year in succession that the population increased compared with the previous year. The reason for this is the repeated high positive net migration which more than compensated for the birth deficit (difference between births and deaths). The main reason for the positive net migration is, according to the Leibniz-Informationszentrum Wirtschaft (ZBW), the unusual economic situation in Europe which is leading to a sharp rise in unemployment in some parts of Europe and resulting in migration movements. Therefore, Germany should increasingly benefit from high positive net migration in the years to come.

In view of these trends, demand and market opportunities for existing small and medium-sized apartments may increase. With 86 % of its entire real estate portfolio consisting of one to three-room apartments and 96 % located in the old German states including Berlin, Deutsche Annington could profit from this rising demand.

In addition, the continued strained situation on the housing market in certain metropolitan areas may lead to government decisions to extend housing or rent subsidies. This may have positive effects on the business activities of Deutsche Annington in some regions.

The internal determination of the fair values of our residential properties not only takes account of building-specific parameters but also location features in the valuation. In view of the above-mentioned possible rising demand with the supply of affordable accommodation remaining the same, the assumptions we are currently making for determining the fair values could be exceeded in the positive sense and lead to a higher fair value of our residential real estate. This would have a direct positive impact on the results of operations of our company.

Strategic opportunities arising from the business

Today, we already provide a considerable part of the repair and maintenance services for our residential properties with our own craftsmen's organisation. We intend to extend the scope of these services to all kinds of technical work including the modernisation of buildings and apartments and thus bring added value from these services to DAIG.

Nowadays, we already supply about 43,000 households direct with a cable TV signal, which we buy from Deutsche Telekom. We expect to extend this business in the coming years and also provide broadband data access. Moreover, there might be potential for additional added value and other housing-related services which provide benefit for our customers such as heat and power generation and metering directly on site.

DAIG manages its housing stocks throughout Germany using standardised systems and processes. The acquisition of further residential real estate portfolios offers the opportunity to generate additional value through economies of scale on the property management side by reducing the costs per residential unit. Therefore, we watch the market very closely for acquisition portfolios and assess them on the basis of our strict success criteria.

We also see the targeted acquisition of single or multiple buildings as an opportunity to improve the nature and quality of whole residential districts and thus increase the appeal of our apartments for our customers and the value of our residential properties.

DAIG's financing depends on the conditions on the capital market which are very favourable at the moment due to the low interest rates. Nevertheless, we always strive to further improve the financing costs while maintaining our credit rating performance indicators and the desired financing structure. Even though a further fall in interest rates currently appears unlikely, such a development would open up opportunities to further reduce our financing costs.

Forecast Report

FURTHER COURSE OF THE GROUP

Expected Development of the Overall Economic Environment

Overall economic outlook

The outlook for the economy brightened further at the turn of 2013/2014. Factors which had a significant negative impact on the global economy in the past two years are becoming less important: in the USA, the consolidation process is progressing and, in the eurozone, confidence in the continued existence of the currency area is growing. With the increasing confidence of consumers and business, the expansive monetary policy will, according to the Kiel Institute for the World Economy (IfW), gradually have a stronger effect. Fiscal policy will, by and large, be less restrictive than in the past years.

The economic data in Germany also indicate expansion: after moderate growth in the past year, economic activity in 2014 and 2015 will pick up perceptibly. The IfW is expecting growth rates of 1.7 % and 2.5 %, respectively. In its January forecast, the ifo Institute is also anticipating growth of 1.9 %. As the economic upturn continues, the volume of, in some cases postponed, replacement and expansion investments should increase significantly. The extremely favourable financing environment will also further stimulate housing construction and support the emerging real estate boom. Given the better economy abroad, exports will pick up considerably. No appreciable effects on production are expected to come from foreign trade.

Encouraged by a favourable situation on the labour market, private households will significantly expand their consumer spending. Despite a good employment situation, the number of unemployed will remain at just under three million.

Housing market

According to IVD, Germany's residential real estate markets will remain stable in 2014 and offer good opportunities for buyers and sellers. An average price increase above the inflation rate is expected for owner-occupier housing. Whilst prices in cities are likely to further stabilise, the price curve in smaller towns will rise more sharply. This applies particularly to towns with a good demographic forecast.

The housing markets are not expected to overheat although the demand for housing will tend to increase compared with previous years. The main driver of the real estate markets remains low interest rates: Thanks to the good economic situation and growing employment, more Germans can afford to buy their own home and are therefore keeping demand high. With incomes rising slightly and interest rates remaining very low, the affordability of owner-occupier housing will, according to the IVD forecast, also remain good in the coming year.

The number of new building permits granted also shows a positive trend for 2014 – but on a modest level. IVD believes that the introduction of a rent ceiling announced by the German coalition government will have a negative impact on the construction of rental apartments: the researchers of the German Institute for Economic Research (DIW) also estimate that the planned ceiling on rents will considerably dampen the incentive for investors to create new rental housing. Under the current conditions, the shortage of housing will continue to worsen in future.

EXPECTED DEVELOPMENT OF BUSINESS

Comparison of the forecast made in 2012 with the results for 2013

We achieved the figures we forecast in the 2012 Group management report for adjusted EBITDA, the FFO metrics, the profit for the year and the values of our properties.

The results for 2013 confirm our previous forecast for the company. In both business segments, we succeeded in implementing our strategy and achieving our objectives. Overall, we recorded an FFO 1 of € 223.5 million and therefore slightly exceeded the forecast target of € 210 to € 220 million.

In the Rental segment, we increased the monthly in-place rent by some 2.3 % to € 5.40/m² as at the end of December 2013 (end of December 2012: € 5.28/m²). The expected increase of 1.8 to 2.0 % was therefore exceeded. As planned, we further reduced the vacancy rate of 3.9 % at the end of 2012. At the end of December 2013, it was 3.5 %. At € 728 million, rental income in 2013 was, as expected, slightly lower than the figure for the previous year of € 729.0 million.

Expenditure on maintenance and modernisation measures totalled € 228 million and was slightly higher than the prior-year figure of € 217 million. Per square metre of living area in our residential properties, the expenditure for these measures was € 19.95 and therefore comparable with the prior-year figure (€ 18.43/m²).

In 2013, we again came one step closer to our goal of high customer satisfaction. The measures implemented to improve customer care, the neighbourhoods and our residential properties also had an effect on the customer satisfaction index (CSI), which we managed to increase by 11 % in the 2013 financial year.

In the Sales segment, we continued, as planned, with the selective sale of residential units in 2013. With 2,576 units privatised, we are above the expected level of over 2,000 units. At 4,144 units, our sales in the Non-Core segment were well above the planned annual sales volume of some 2,000 units as, thanks to the additional sale of a housing portfolio, we were able to significantly accelerate the planned portfolio optimisation process.

Overall, we increased the value of the company in 2013, as planned. NAV rose from € 3,449 million at the end of 2012 to € 4,782 million at the end of 2013.

Forecast for the 2014 financial year

Our forecast for 2014 is based on the corporate planning derived from the controlling and planning instruments. Appropriate account has been taken of potential risks and potential opportunities for the future development of all business units so that this forecast reflects a realistic expectation.

Nevertheless, risks and opportunities remain regarding the future development of the Group; they will be described in the report on opportunities and risks.

The corporate planning for 2014 is based on the above-mentioned assumptions on the development of the overall economy and on the development of the real estate market in Germany.

Overall, in the coming financial year, we want to further expand Deutsche Annington's leading position in the market for affordable accommodation in Germany. To achieve this, in 2014 we will further adapt the company's organisational structure to our customers' needs and optimise our cost structure.

In the Rental segment, we will further improve the quality of our housing stocks in 2014. For the next five years, we have identified additional investment potential for the modernisation of buildings and housing units involving more than € 800 million. We plan to invest some € 150 million in 2014 and thus more than double the investment volume compared with the previous year. The focus will be on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. We are expecting our spend on maintenance measures including capitalised maintenance to be approx. € 160 million.

We are expecting an increase from 2.3 % to 2.6 % in the monthly in-place rent per square metre like-for-like in 2014. Furthermore, we believe that the vacancy rate at the end of 2014 will be more or less at the year-end level for 2013 of 3.5 %. Nevertheless, due to the apartment sales made in 2013 and expected in 2014, we forecast that rental income will be slightly less than the rental income of € 728 million generated in 2013. In 2014, we are again striving to achieve a further improvement in customer satisfaction and consequently an increase in the customer satisfaction index (CSI) of up to 5 %.

Compared with the sustainable interest expense level of € 211 million excluding non-recurring items in 2013, we anticipate that there will be a considerable improvement in interest expense in 2014. This improvement will be the result of the repayment of the GRAND securitisation and the resulting interest level secured under the new financing structure as well as the reduction of our loan-to-value ratio over the course of 2013. Overall, we are expecting a clear increase in FFO 1 to between € 250 and € 265 million in 2014. In this forecast, we have not taken account of any tactical (small acquisitions) or of any major acquisitions of further housing stocks.

In the Sales segment, we will continue the selective sale of residential units. We expect the number of units sold in the Privatise segment to be significantly lower than the figure for 2013 and the step-up will also be slightly down on the prior-year figure. In the Non-Core sales segment, we will continue to sell buildings with a step-up comparable to 2013 as the opportunity presents itself.

Overall, in 2014 we are expecting the net asset value to increase compared with 2013 and be roughly at the level of the expected increase in the monthly in-place rent in 2014.

Düsseldorf, February 28, 2014

Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

CONSOLIDATED FINANCIAL STATEMENTS

As at the reporting date, the Group had a stable financial and asset position. With total assets rising slightly, the equity ratio increased from 25.2 % to 34.4 %. Total real estate assets including properties used by the Group and assets held for sale are € 10.32 billion. Cash and cash equivalents totalled € 548 million at the end of the year and result from the cash inflows from the IPO and the bond placements.

Consolidated Income Statement

January 1 to December 31

€ million	Notes	2013	2012 Restated*
Income from property letting		1,048.3	1,046.5
Other income from property management		19.3	18.4
Income from property management	6	**1,067.6**	**1,064.9**
Income from sale of properties		353.5	304.9
Carrying amount of properties sold		-325.8	-270.4
Changes in value of assets held for sale		24.3	17.1
Profit on disposal of properties	7	**52.0**	**51.6**
Net income from fair value adjustments of investment properties	8	**553.7**	**205.6**
Capitalised internal modernisation expenses	9	42.0	9.9
Cost of materials	10	-502.8	-523.3
Personnel expenses	11	-172.1	-116.2
Depreciation and amortisation	12	-6.8	-6.1
Other operating income	13	45.8	43.5
Other operating expenses	14	-104.2	-83.2
Financial income	15	14.0	12.3
Financial expenses	16	-299.6	-443.2
Profit before tax		**689.6**	**215.8**
Income tax	17	-205.4	-43.6
Profit for the period		**484.2**	**172.2**
Attributable to: DAIG shareholders		480.2	171.4
Non-controlling interests		4.0	0.8
Earnings per share (basic and diluted) in €	18	**2.26**	**0.86**

Consolidated Statement of Comprehensive Income

January 1 to December 31

€ million	2013	2012 Restated*
Profit for the period	**484.2**	**172.2**
Cash flow hedges		
Change in unrealised gains/losses, net	-16.7	-34.6
Net realised gains/losses	42.1	26.5
Tax effect	-5.5	2.4
Available-for-sale financial assets		
Changes in the period	-0.1	-
Taxes on changes in the period	0.0	-
Items which will be recognised in profit or loss in the future	**19.8**	**-5.7**
Actuarial gains/losses from pensions and similar obligations		
Change in actuarial gains/losses, net	23.6	-69.3
Tax effect	-7.2	22.1
Items which will not be recognised in profit or loss in the future	**16.4**	**-47.2**
Other comprehensive income	36.2	-52.9
Total comprehensive income	**520.4**	**119.3**
Attributable to: DAIG shareholders	516.4	118.4
Non-controlling interests	4.0	0.9

Also see the corresponding explanations in the Notes.
* see note [5] a) Changes in accounting policies

Consolidated Balance Sheet

€ million	Notes	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Intangible assets	19	3.8	5.2
Property, plant and equipment	20	20.7	16.2
Investment properties	21	10,266.4	9,843.6
Financial assets	22	42.5	44.6
Other assets	23	16.1	28.3
Income tax receivables		0.1	0.1
Deferred tax assets		3.0	8.8
Total non-current assets		**10,352.6**	**9,946.8**
Inventories	25	2.5	0.9
Trade receivables	26	103.5	20.3
Other financial assets	22	2.1	2.1
Other assets	23	26.3	26.5
Income tax receivables	24	12.1	12.8
Cash and cash equivalents	27	547.8	470.1
Assets held for sale	28	45.9	128.8
Total current assets		**740.2**	**661.5**
Total assets		**11,092.8**	**10,608.3**
EQUITY AND LIABILITIES			
Subscribed capital		224.2	0.1
Capital reserves		1,430.1	1,052.3
Retained earnings		2,178.5	1,661.1
Other reserves		-27.3	-47.1
Total equity attributable to DAIG shareholders		**3,805.5**	**2,666.4**
Non-controlling interests		12.5	11.0
Total equity	29	**3,818.0**	**2,677.4**
Provisions	30	342.6	358.2
Trade payables	31	0.3	0.3
Other financial liabilities	32	5,553.0	5,766.7
Income tax liabilities	33	0.0	86.3
Other liabilities	34	9.8	4.8
Deferred tax liabilities		925.0	724.2
Total non-current liabilities		**6,830.7**	**6,940.5**
Provisions	30	148.6	185.5
Trade payables	31	47.6	46.0
Other financial liabilities	32	212.1	683.8
Income tax liabilities	33	0.0	26.5
Other liabilities	34	35.8	48.6
Total current liabilities		**444.1**	**990.4**
Total liabilities		**7,274.8**	**7,930.9**
Total equity and liabilities		**11,092.8**	**10,608.3**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

January 1 to December 31

€ million	Notes	2013	2012 Restated*
Profit for the period		484.2	172.2
Net income from fair value adjustments of investment properties	8	-553.7	-205.6
Revaluation of assets held for sale	7	-24.3	-17.1
Depreciation and amortisation	12	6.8	6.1
Interest expenses/income		288.3	433.9
Income taxes		205.4	43.6
Results from disposals of investment properties		-27.6	-27.0
Results from disposals of other non-current assets		0.9	-
		380.0	**406.1**
Other expenses/earnings not affecting net income		0.8	-0.5
Changes in inventories		-1.7	11.9
Changes in receivables and other assets		-0.3	22.8
Changes in provisions		-2.9	-32.3
Changes in liabilities		9.3	-4.6
Payments of tax liabilities (EK02)	33	-114.7	-24.5
Income tax paid		-10.9	6.6
Cash flow from operating activities		**259.6**	**385.5**
Proceeds from disposals of investment properties		270.3	284.5
Proceeds from disposals of intangible assets and property, plant and equipment	19, 20	0.2	-
Proceeds received from disposals of financial assets	22	0.9	0.1
Acquisition of investment properties	21	-94.9	-91.0
Acquisition of intangible assets and property, plant and equipment	19, 20	-8.3	-6.8
Acquisition of shares in consolidated companies (net of cash acquired)		-0.1	-0.9
Acquisition of financial assets	22	-	-0.2
Interest received		3.2	8.8
Cash flow from investing activities		**171.3**	**194.5**
Premium from listing	29	375.8	-
Capital contributions	29	24.2	334.1
Cash paid to non-controlling shareholders	29	-5.1	-1.9
Cash proceeds from issuing loans and notes	32	6,525.0	4,469.6
Cash repayments of financial liabilities	32	-6,876.3	-4,874.6
Acquisition of shares in consolidated companies		0.0	-5.0
Transaction costs*		-123.9	-28.2
Payment of transaction costs in connection with the issue of shares		-20.6	-
Prepayment penalty and commitment interest		-27.5	-2.1
Interest paid		-224.8	-280.3
Cash flow from financing activities		**-353.2**	**-388.4**
Net increase in cash and cash equivalents		**77.7**	**191.6**
Cash and cash equivalents at beginning of the period		470.1	278.5
Cash and cash equivalents at the end of the period**	27	**547.8**	**470.1**

* The transaction costs in 2013 include one-off payments of € 36.6 million for the adjustment of derivative financial instruments as part of the GRAND restructuring.
** thereof restricted cash € 49.1 million (2012: € 363.2 million)

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	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 shareholders	Non-controlling interests	Total equity
As at Jan. 1, 2012	**0.1**	**718.2**	**1,539.3**	**-41.4**	**0.1**	**-41.3**	**2,216.3**	**13.5**	**2,229.8**
Profit for the period			171.4				171.4	0.8	172.2
Other comprehensive income									
Changes in the period			-47.2	-26.3	0.0	-26.3	-73.5	0.1	-73.4
Reclassification adjustments recognised in income				20.5		20.5	20.5		20.5
Total comprehensive income			124.2	-5.8	0.0	-5.8	118.4	0.9	119.3
Shareholder's capital contributions		334.1					334.1		334.1
Change in scope of consolidation								1.0	1.0
Acquisition of non-controlling interests (without change of control)			-1.5				-1.5	-3.5	-5.0
Changes recognised directly in equity			-0.9				-0.9	-0.9	-1.8
As at Dec. 31 ,2012	**0.1**	**1,052.3**	**1,661.1**	**-47.2**	**0.1**	**-47.1**	**2,666.4**	**11.0**	**2,677.4**
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			480.2				480.2	4.0	484.2
Other comprehensive income									
Changes in the period			16.4	-11.7	-0.1	-11.8	4.6	0.0	4.6
Reclassification adjustments recognised in income				31.6		31.6	31.6		31.6
Total comprehensive income			496.6	19.9	-0.1	19.8	516.4	4.0	520.4
Shareholders' capital contributions	24.2	239.1					263.3		263.3
Capital increase from company funds	199.9	-199.9							
Premium from listing		375.8					375.8		375.8
Transaction costs from listing		-13.9					-13.9		-13.9
Changes recognised directly in equity			-2.5				-2.5	2.5	0.0
Distribution								-5.0	-5.0
Withdrawal from capital reserve		-23.3	23.3						
As at Dec. 31, 2013	**224.2**	**1,430.1**	**2,178.5**	**-27.3**	**0.0**	**-27.3**	**3,805.5**	**12.5**	**3,818.0**

Also see note [29] in the Notes.

Notes

ACCOUNTING POLICIES

1 GENERAL INTRODUCTION

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. The parent company of DAIG is Monterey Holdings I S.à r.l., Luxembourg. 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 IPO of Deutsche Annington Immobilien SE took place on July 11, 2013 with the initial listing of the share in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange. Following the IPO, Monterey Holdings I S.à r.l., Luxembourg, holds 84.4 % of the shares in Deutsche Annington Immobilien SE and 15.6 % of the shares are free float (including 5.4 % held by Norges Bank, Norway).

With the completion of the stock exchange listing and the resulting net proceeds of € 380 million, DAIG was granted a corporate credit rating of BBB long-term and A2 short-term with a stable outlook by the rating agency, Standard & Poor's.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU as at and for the year ended December 31, 2013. Allowance has also been made for the supplementary provisions in accordance with Section 315a, para. 1 HGB.

The consolidated financial statements have been prepared on a cost basis except for investment properties, assets held for sale, derivative financial instruments, available-for-sale financial instruments and financial liabilities arising from binding share purchase offers to minority shareholders. They are measured at their fair value or, in the case of financial liabilities arising from binding share price offers, at the minimum purchase price if it is higher than the fair value. The income statement has been prepared using the nature of expense method.

These consolidated financial statements are presented in euro, which is the Group's functional currency. Unless stated otherwise, all figures are shown in million euros (€ million).

On February 28, 2014, the Management Board drew up the consolidated financial statements of Deutsche Annington Immobilien SE.

2 CONSOLIDATION PRINCIPLES

Entities that are under the control of Deutsche Annington Immobilien SE are included in the consolidated financial statements as subsidiaries. Control is exercised when Deutsche Annington Immobilien SE is able to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Any potential voting rights are taken into account when assessing control, if they are exercisable or convertible at any time. Subsidiaries are included in the consolidated financial statements from the date on which Deutsche Annington Immobilien SE obtains control until the day control ceases.

Business combinations are accounted for using the acquisition method. All hidden reserves and charges of the company acquired are disclosed as part of the remeasurement. Non-current assets (or disposal groups) classified as held for sale are recognised at fair value less costs to sell. Any excess of the cost of a business combination over DAIG's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

If DAIG's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the values of the assets and liabilities as well as the costs of acquisition are reassessed and any remaining excess is recognised as income in the income statement.

The shares in the net assets of subsidiaries that are not attributable to DAIG are shown as a separate component of equity under non-controlling interests (referred to in the following as minority interests).

Further share purchases after control has been obtained, e.g. the acquisition of minority interests, are accounted for as equity transactions. Any premiums or discounts on those purchases are recognised directly in equity.

For the term during which DAIG has granted put options to minority shareholders to purchase their shares in subsidiaries, such minority interests are recognised as financial liabilities and not as a separate component of equity.

The effects of the business transactions between the entities included in the DAIG consolidated financial statements are eliminated. The financial statements of Deutsche Annington Immobilien SE and all subsidiaries are prepared according to uniform accounting policies.

3 SCOPE OF CONSOLIDATION

In addition to Deutsche Annington Immobilien SE, 101 domestic companies (2012: 131) and 3 foreign companies (2012: 2) have been included in the consolidated financial statements of DAIG as at and for the year ended December 31, 2013.

For all subsidiaries included in the consolidated financial statements, the reporting date is December 31.

The list of DAIG shareholdings is appended to the notes to the consolidated financial statements as an integral part thereof.

The main changes as at December 31, 2013 result from 13 mergers (2012: 3) and 25 legal mergers (2012: 1).

4 CURRENCY TRANSLATION

In the separate financial statements of Deutsche Annington Immobilien SE and the subsidiaries included in the consolidated financial statements, foreign currency transactions are translated into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing on the balance-sheet date. Non-monetary items that are measured in terms of historical cost are recorded on the balance-sheet date at the exchange rate on the date when they were first recognised. Non-monetary items that are measured at fair value are translated using the exchange rate on the date when the fair value was determined. Any resulting translation gains and losses are recorded in the income statement.

5 ACCOUNTING POLICIES

a) Changes in accounting policies

In the 2013 financial year, DAIG retrospectively restated the prior-year figures in accordance with IAS 8 for the following cases:

Owing to the extended business of the Group's own craftsmen's organisation, the capitalised internal modernisation expenses are shown in a separate item for the first time in 2013 in order to achieve better presentation of the results of operations. These expenses had previously been deducted from the original expenses. If the item capitalised internal modernisation expenses had not been shown separately in 2013, this would have led in the financial year to € 12.6 million lower personnel expenses, € 22.7 million lower costs of material as well as € 6.7 million lower other operating expenses.

The prior-year figures have been adjusted as follows:

€ million	2012	Adjustments 2012	2012 restated
Capitalised internal modernisation expenses	-	9.9	9.9
Cost of materials	-519.5	-3.8	-523.3
Personnel expenses	-112.1	-4.1	-116.2
Other operating expenses	-81.2	-2.0	-83.2

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

b) Adjustment of discount factor estimate

The pension provisions were calculated using the projected unit credit method and a discount rate of 3.30 %. As at September 30, 2013, the interest rate was determined on the basis of the Global RATE:Link index, as recommended by the pension actuary Towers Watson. The method is based on a selection of AA-rated corporate bonds in accordance with data published by Bloomberg. The extrapolation for maturities for which reliable bonds are no longer available on the market is performed by constant retention of the calculated 30-year interest rate. The changeover to determining the interest rate using the Global RATE:Link index resulted in a pension obligation which was € 12.2 million lower.

c) Recognition of income and expenses

Income from property management includes income from the letting of investment properties and trading properties which is recognised, net of discounts, over the duration of the contracts when the remuneration is contractually fixed or can be reliably determined and collection of the related receivable is probable.

In the DAIG financial statements, the corresponding income for all the services for ancillary costs performed by the end of the year is also recognised in the year in which the service is performed.

Income from property sales is recognised as soon as the material risks and rewards of ownership have been transferred to the buyer and DAIG has no substantive further obligations. If DAIG only retains insignificant risks of ownership, the proceeds are recognised at the time of sale and a provision is recognised for the probable risk.

Expenses are recognised when they arise or at the time they are incurred. Interest is recognised as income or expense in the period in which it is incurred using the effective interest method.

d) Intangible assets

Acquired intangible assets are capitalised at amortised cost and internally generated intangible assets at amortised cost provided that the requirements of IAS 38 for the capitalisation of internally generated intangible assets are met. All intangible assets of DAIG have definite useful lives and are amortised on a straight-line basis over their estimated useful lives. Software and licences are amortised on the basis of a useful life of three years. Customer bases are amortised on a straight-line basis over ten years.

e) Property, plant and equipment

Items of property, plant and equipment are carried at amortised cost less accumulated depreciation and are depreciated over their respective estimated useful lives on a straight-line basis.

Subsequent costs of replacing part of an item of property, plant and equipment are capitalised provided it is probable that future economic benefits associated with the item will flow to DAIG and the cost can be measured reliably.

Real estate used by the company itself is depreciated over 50 years; equipment, fixtures, furniture and office equipment are depreciated over periods of between three and 13 years.

f) Investment properties

When DAIG acquires real-estate properties, whether through a business combination or separately, the intended use determines whether those properties are classified as investment properties, trading properties or as owner-occupied properties.

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation or both and are not owner-occupied or held for sale in the ordinary course of business. Investment properties include undeveloped land, land and land rights including buildings and land with inheritable rights of third parties. Properties which are capitalised under a finance lease in accordance with IAS 17 “Leases” and are covered by the definition of investment properties are also classified as investment properties.

Investment properties are measured initially at cost. Related transaction costs, such as fees for legal services or real-estate transfer taxes, are included in the initial measurement. Property held under a finance lease is recognised at the lower of the fair value of the property and the present value of the minimum lease payments upon initial recognition.

After initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

From the beginning of the 2013 financial year, DAIG refined the valuation methodology it uses and applies the discounted cash flow (DCF) methodology. Under the DCF methodology, the expected future income and expenses associated with each property are generally forecast over a 10-year period. For a more detailed description of the determination of the fair values of investment properties, see note [21] Investment properties.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner-occupation. The properties’ deemed cost for subsequent accounting corresponds to the fair value at the date of reclassification.

g) Leases

Finance leases
Leases where substantially all risks and rewards incidental to ownership are transferred to the lessee are accounted for as finance leases.

DAIG as a lessee under a finance lease
The leased asset and a corresponding liability are recognised at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequently, the leased asset is accounted for in accordance with the standards applicable to that asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Operating leases
All leases where not substantially all risks and rewards incidental to ownership are transferred are accounted for as operating leases.

DAIG as a lessor under an operating lease
Lease payments are recognised in income on a straight-line basis over the lease term.

DAIG as a lessee under an operating lease
Lease payments are recognised as an expense on a straight-line basis over the lease term.

h) Impairment of intangible assets and property, plant and equipment
In accordance with IAS 36 “Impairment of Assets”, intangible assets as well as property, plant and equipment are tested for impairment whenever there is an indication of an impairment. An impairment loss is recognised when an asset’s recoverable amount is less than its carrying amount. If the recoverable amount cannot be determined for the individual asset, the impairment test is conducted on the cash-generating unit to which the asset belongs. Impairment losses are recorded as expenses in the income statement.

An impairment loss recognised for prior periods is reversed if there has been a change in the estimates used to determine the asset’s (or the cash-generating unit’s) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or the cash-generating unit) is increased to the newly estimated recoverable amount. The carrying amount is limited to the amount that would have been determined if no impairment loss had been recorded in prior years for the asset (or the cash-generating unit).

i) Non-derivative financial assets

Receivables and loans are first accounted for as incurred, other non-derivative financial assets at the trade date. The trade date is the date on which DAIG becomes a contracting party of the financial instrument. All financial instruments are initially measured at fair value, taking account of transaction costs. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and DAIG neither retains control nor retains substantially all the risks and rewards of ownership of the financial asset.

DAIG determines whether there is an objective indication of an impairment at the level of the individual financial instruments if they are material, and, for financial instruments for which no impairments have been identified at the level of the individual financial instruments or such impairments are immaterial, grouped according to risk profile. Impairments are identified for individual financial instruments when the counterparty has defaulted or breached a contract or there are indications of risks of impairments due to a rating downgrade and general information (loss event). For groups of financial instruments with similar risks, historical default probabilities in relation to the time overdue are taken (loss event). An impairment is calculated after the occurrence of a loss event as the difference between the carrying amount and the value of the discounted estimated future cash flow. The original effective interest rate is taken as the discount rate. Impairment losses are recognised in profit or loss and posted directly in the carrying amount of the financial instrument. Any interest income on impaired financial instruments is still recognised. If there are indications that the amount of the impairment loss will be smaller, this reduction is credited to the financial instrument through profit or loss to the extent that the sum does not exceed the amortised cost which would have been recognised if the impairment had not occurred.

In the case of available-for-sale financial assets, impairments are reclassified from other comprehensive income to the income statement. Reversals are recognised in accordance with IAS 39.67f.

Available-for-sale financial assets

In principle, available-for-sale financial assets are subsequently measured at fair value. In exceptional cases, subsequent measurement is at cost of acquisition if the fair value cannot be determined. Changes in the fair value are, if not an impairment loss, recognised within other comprehensive income. The fair value of available-for-sale financial assets is based on quoted market prices at the reporting date. When an available-for-sale financial asset is derecognised, the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss. Interest on interest-bearing financial instruments of this category is calculated using the effective interest method. Dividends on equity instruments in this category are shown in the income statement.

Held-to-maturity investments
Financial instruments of this category are subsequently measured at amortised cost using the effective interest method.

Loans and receivables
Loans and receivables are stated at amortised cost using the effective interest method.

j) Inventories
According to IAS 18.8, sentence 1, any ancillary costs not yet charged are primarily measured at acquisition cost. Any own administrator fees contained in the ancillary costs are recognised at production cost. All discernible risks are allowed for by write-downs.

In the consolidated balance sheet, the ancillary costs to be billed are offset against the corresponding advance payments received and only the amount by which the advance payments received exceeds the work in progress is shown.

k) Cash and cash equivalents
Cash and cash equivalents include cash on hand, cheques, deposits in bank accounts with an original term of up to three months as well as marketable securities.

l) Assets held for sale
The carrying amount of non-current assets for which a sale is planned is recovered principally through a sale transaction rather than through their continuing use. Therefore, in accordance with IFRS 5, these assets must be classified as held for sale if the criteria set out below are satisfied.

To be classified as held for sale, the assets must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset, an active programme to locate a buyer and complete the plan has been initiated, the asset is being actively marketed for sale at a reasonable price, and a sale is expected to be completed within one year of the date on which the asset is classified as held for sale.

DAIG accounts for investment properties as assets held for sale when notarised purchase contracts have been signed at the balance-sheet date but transfer of ownership will, under the contract, not take place until the subsequent period. Initially they are recognised at the contractually agreed selling price and subsequently at fair value, if the latter is lower.

m) Income and expense recognised directly in other comprehensive income

This equity line item includes changes in other comprehensive income not affecting net income except those resulting from capital transactions with equity holders (e.g. capital increases or dividend distributions). DAIG includes under this item unrealised gains and losses from the fair value measurement of available-for-sale assets and derivative financial instruments which are designated as cash flow hedges as well as actuarial gains and losses from defined benefit pension commitments.

n) Taxes

Current income tax

Income taxes for the current and prior periods are recognised as current income tax liabilities to the extent that they have not yet been paid.

Obligations to pay lump-sum tax on the previously untaxed EK02 amounts (see note [33] Income tax liabilities) were measured at their present value to make appropriate allowance for the interest-free nature of the obligation.

Deferred taxes

Deferred tax assets and liabilities are recognised using the liability method under the temporary concept, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. A deferred tax asset is recognised for temporary differences and on loss carryforwards to the extent that it is sufficiently probable that future taxable profits will be available against which the temporary difference or loss carryforward can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance-sheet date. If necessary, the carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

For investment properties which are measured at fair value, the assumption that the carrying amounts of the investment properties are realised on their sale was not disproved.

Deferred taxes are measured at tax rates that have been enacted or substantially enacted and that are expected to apply to the period when the tax asset is realised or the liability is settled. The combined tax rate of corporate income tax and trade tax of 33.15 % for 2013 was used to calculate domestic deferred taxes.

Deferred tax assets and liabilities are offset against each other only if DAIG has a legally enforceable right to set off the recognised amounts, when the same tax authority is involved and when the realisation period is the same. In accordance with the regulations of IAS 12 “Income Taxes”, deferred tax assets and liabilities are not discounted.

o) Earnings per share

The undiluted earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of registered shares in circulation within the reporting period. The diluted earnings per share are obtained by adjusting the profit for the period and the number of outstanding shares on the basis of the assumption that convertible instruments will be converted, options or warrants will be exercised or ordinary shares will be issued under certain conditions.

p) Provisions

Provisions for pensions and similar obligations

The values of the pension obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method according to IAS 19R “Employee Benefits” whereby current pensions and vested pension rights at the balance-sheet date as well as future increases in salaries and pensions are included in the valuation. An actuarial valuation is performed at every balance-sheet date.

The amount shown in the balance sheet is the present value of the defined benefit obligation (DBO) after offsetting against the fair value of the plan assets.

Actuarial gains and losses are accounted for in full in the period in which they occur and recognised in the retained earnings as a component of other comprehensive income and not in profit or loss. The actuarial gains and losses are also no longer recognised in profit or loss in subsequent periods.

Service cost is shown in personnel expenses. The service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the reporting period.

The interest expense on the annual costs is recorded in the financial result. Interest expense is the increase during a period in the present value of a defined benefit obligation which arises due to the fact that the benefit obligation is one period closer to being discharged.

Reinsurance policies that qualify as plan assets have been taken out to cover the pension obligations towards particular persons. Where the value of those reinsurance policies exceeds the related pension obligations, the excess is recognised as an asset and shown under other assets.

Other provisions

Other provisions are recognised when there is a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Non-current provisions are discounted if the resulting effect is material. The carrying amount of discounted provisions increases in each period to reflect the passage of time and the unwinding of the discount is recognised within interest expense. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for restructuring expenses are recognised when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the lower of the present value of the fulfilment obligation and the cost of terminating the contract, i.e. a possible indemnity or fine for breach or non-fulfilment of contract.

Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

Due to the change in the definition of termination benefits, when IAS 19 (revised 2011) is applied, the top-up amount no longer fulfils the requirements for termination benefits. The top-up amount is basically to be classified as other long-term employee benefits which are to be accrued over the employees' service periods.

The assets of the insolvency policy to secure fulfilment shortfalls arising from pre-retirement part-time work contracts are offset against the amounts for fulfilment shortfalls contained in the provisions for pre-retirement part-time work arrangements.

q) Non-derivative financial liabilities

DAIG recognises non-derivative financial liabilities on the trade date. Initial measurement is at fair value. Financial liabilities are derecognised when DAIG's obligations specified in the contract expire or are discharged or cancelled.

Loans bearing no interest or interest below market rates in return for occupancy rights at rents below the prevailing market rates are recorded at present value.

Liabilities from finance leases are initially recognised at the fair value of the leased object or the lower present value of the minimum lease payments.

With the exception of cash flow hedges and financial liabilities arising from binding share purchase offers to minority shareholders, financial liabilities are shown at amortised cost using the effective interest method.

Debt discounts and debt issue costs are directly allocated to financial liabilities.

r) Derivative financial instruments and hedge accounting

All derivative financial instruments are initially recognised on the trade date. Initial measurement is at fair value. The fair values of the derivative financial instruments are calculated using standard market valuation methods for such instruments on the basis of the market data available on the valuation date.

With derivatives that are not designated as a hedging instrument, changes in the fair value are recorded in profit or loss.

Financial liabilities arising from binding share purchase offers to minority shareholders are measured at fair value. The fair value of the put options for shares held by minority shareholders is, in principle, determined by the value of the respective company; if a contractually agreed minimum purchase price is higher than this amount, this purchase price is recognised.

With derivatives designated as hedging instruments, the recognition of changes in the fair value depends on the type of hedge:

With a fair value hedge, the changes in the fair value of the derivative financial instruments and of the underlying hedged items attributable to the hedged risk are recognised in the income statement.

With a cash flow hedge, the changes in fair value of the derivative hedging instrument are initially recognised in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to the income statement at the same time the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognised in net interest.

In order to measure interest rate swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions. The contract conditions refer to the EURIBOR reference rates (3M and 6M EURIBOR). Discounting is based on market interest rate data as at the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the interest rate swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

To measure the cross currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the US-$ forward rates (development of exchange rates expected by the market). Discounting is based on market interest rate data as at the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the cross currency swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

s) Share-based payment

Share-based payments in accordance with IFRS 2 are equity-settled share-based payment transactions as well as cash-settled share-based payment transactions.

According to IFRS 2, the obligations arising from share-based payments are calculated using standard valuation methods based on option pricing models.

Equity-settled share-based payments are recognised at the grant date at the fair value of the equity instruments vested by that date. The fair value of the obligation is therefore recognised as personnel expenses pro rata temporis over the vesting period.

The cash-settled, share-based obligations are shown under other provisions and remeasured at fair value at each balance-sheet date. The expenses are also recognised over the vesting period (see notes [30] Provisions and [44] Related party transactions).

As part of the IPO, a new Long-Term Incentive Plan agreement was concluded for the Management Board members. This regulates the replacement of the previous LTIP agreements as well as the modalities of the newly granted, cash-settled LTIP on the basis of notional shares.

t) Government grants

The DAIG companies receive grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans.

Government grants are recognised when there is reasonable assurance that the relevant conditions will be fulfilled and that the grants will be given.

In the 2013 financial year, DAIG received and deducted investment grants totalling € 1.0 million (2012: € 0.0 million) from the capitalised acquisition cost.

Government grants which do not relate to investments are regularly recognised as income in the periods in which the relevant expenses are incurred.

Expenses subsidies granted in the form of rent, interest and other expenses subsidies are recorded as income in the periods in which the expenses are incurred and shown within other income from property management.

The low-interest loans are grants from public authorities which – insofar as the company received them as part of a business combination – are recorded at present value. The difference between nominal value and present value is recognised in income over the maturity term of the corresponding loans.

New expenses loans or low-interest loans are initially recognised at their present value within financial liabilities on the basis of the market interest rate at the time the loans are taken out. The difference between the nominal value and the present value of the loan is recognised as deferred income. Reversal is, in principle, through profit or loss in line with the length of the fixed-interest rate period of the relevant loans. In cases where the low-interest loans are issued as part of capitalised modernisation measures, the difference between the nominal amount and the present value of the loan is deducted from the capitalised acquisition cost. In subsequent measurements, the loans are measured at amortised cost. In the 2013 financial year, DAIG was granted a low-interest loan of € 4.6 million (2012: € 0.0 million).

u) Contingent liabilities

A contingent liability is a possible obligation towards third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events for which an outflow of resources is not probable or the amount of which cannot be estimated with sufficient reliability. According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", contingent liabilities are not recognised.

v) Estimates, assumptions, options and management judgment

To a certain extent, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance-sheet date as well as reported amounts of income and expenses during the reporting period. The actual amounts may differ from the estimates as the business environment may develop differently than assumed. In this case, the assumptions and, where necessary, the carrying amounts of the assets or liabilities affected are prospectively adjusted accordingly.

Assumptions and estimates are reviewed on an ongoing basis and are based on experience and other factors, including expectations regarding future events which appear reasonable under the given circumstances.

The estimates and assumptions which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities mainly relate to the determination of the fair value of investment properties.

The best evidence of fair value of investment properties is current prices in an active market for comparable properties. If, however, such information is not available, DAIG uses standard valuation techniques.

A detailed description of both the income capitalisation method used to value the portfolio up to and including the 2012 financial year and the discounted cash flow (DCF) method used since the beginning of 2013 is to be found in note [21] Investment properties.

For the first time at the beginning of 2013, the DAIG real estate portfolio was valued by the external appraiser, CBRE GmbH, using the DCF methodology. DAIG integrated the valuation results of CBRE GmbH in its interim report for the quarterly financial statements as at March 31, 2013. In the determination of fair value of investment properties, CBRE used the DCF valuation method and made certain assumptions and estimates in line with the approaches generally accepted and used in the market. On a comparable basis to the previously applied income capitalisation method, using the market assessment of CBRE, DAIG's net income from fair value adjustments in the first three months of 2013 would have been approximately € 42.0 million lower. An estimate of the effects of these changes on further reporting periods is not practicable.

As at December 31, 2013, DAIG determined the fair values in an internal valuation which was confirmed by an independent report of the external property appraiser CBRE GmbH. The overall positive development of the market and the optimisation of the portfolio through investment, rent increases and the reduction of voids led to net income from fair value adjustments of € 553.7 million as at December 31, 2013.

In accordance with IAS 40 in conjunction with IFRS 13, the respective market values of the investment properties owned by DAIG are determined for accounting purposes on an annual basis with a quarterly update as of the relevant reporting date. Changes in certain market conditions such as prevailing rent levels and vacancy rates may affect the valuation of investment properties. Any changes in the fair value of the investment portfolio are recognised as gains or losses in the Group's income statement and can substantially affect DAIG's results of operations.

When determining the volume of current and deferred taxes, the Group takes into account the effects of uncertain tax items and whether additional taxes and interest may be due. This assessment is made on the basis of estimates and assumptions and may contain a number of judgments about future events. New information may become available which causes the Group to change its judgments regarding the appropriateness of existing tax liabilities; such changes to tax liabilities will affect the tax expense in the period in which such a change is made.

Furthermore, in preparing consolidated financial statements, DAIG needs to estimate its income tax obligations. This involves estimating the tax exposure as well as assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. Estimates are required in determining the provision for income taxes because, during the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain.

Deferred tax assets are recognised to the extent that it can be demonstrated that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance-sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Estimates are required in determining the amounts of deferred tax assets and whether those assets can be utilised.

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

> Upon initial recognition, the management must determine whether real estate properties are classified as investment properties, trading properties or owner-occupied properties. The classification determines the subsequent measurement of those assets.

> DAIG measures investment properties at fair value. If management had opted to use the cost model as permitted under IAS 40, the carrying amounts of the investment properties as well as the corresponding income and expense items in the income statement would differ significantly.

> The criteria for assessing in which category a financial asset is to be classified may involve discretionary judgments.

> DAIG accounts for ancillary costs using the principal method since DAIG, as the landlord, bears responsibility for performing the service as well as the credit risk. With the principal method, income and expenses are not netted.

These estimates and assumptions mainly relate to the uniform definition of useful lives, the assumptions made on the value of land and buildings, the recognition and measurement of provisions as well as the realisation of future tax benefits.

w) Changes in accounting policies due to new Standards and Interpretations

The application of numerous new Standards, Interpretations and Amendments to existing Standards became mandatory for the 2013 financial year.

The following new or amended Standards and Interpretations became mandatory for the first time in the 2013 financial year and have no significant effects on the DAIG consolidated financial statements:

> Amendments to IAS 1 "Presentation of Financial Statements": Presentation of other comprehensive income

> Amendments to IAS 12 "Income Taxes": Treatment of temporary tax differences in connection with the use of the fair value model in IAS 40

> Amendments to IFRS 7 “Financial Instruments: Disclosures”: Additional disclosure requirements for netted financial instruments as well as financial instruments which are subject to master netting arrangements or similar agreements

As part of the annual improvement project (2009-2011), changes were made to five Standards. The changes have no material effects on the DAIG consolidated financial statements.

IAS 19 (revised 2011) “Employee Benefits”

As DAIG already recognised actuarial gains and losses in the prior periods in other comprehensive income, this change has no material effects on the consolidated financial statements as at December 31, 2013.

The revised IAS 19 replaces the expected return on plan assets and the interest cost on the pension obligation with a uniform net interest component.

Furthermore, the amended definition of termination benefits has an effect on accounting for top-up amounts to which DAIG has committed under pre-retirement part-time work arrangements.

IFRS 13 “Fair Value Measurement”

The new IFRS 13 defines uniform guidelines for measuring fair value and also the necessary disclosures in notes for fair value measurement. The new standard leads to extended disclosure in the DAIG notes.

x) New Standards and Interpretations not yet applied

Application of the following Standards, Interpretations and Amendments to existing Standards was not yet mandatory for the 2013 financial year. DAIG did not choose to apply them in advance, either. Their application will be mandatory for the financial years following the dates stated in the following table:

Relevant new Standards, Interpretations and Amendments to existing Standards and Interpretations		Effective date for DAIG
Improvements and Supplements to IFRS 2010-2012		Jan. 1, 2015 *
Improvements and Supplements to IFRS 2011-2013		Jan. 1, 2015 *
Amendments to Standards		
IAS 19	“Employee Benefits”	Jan. 1, 2015 *
IAS 27	“Separate Financial Statements”	Jan. 1, 2014
IAS 28	“Investments in Associates and Joint Ventures”	Jan. 1, 2014
IAS 32	“Financial Instruments: Presentation”	Jan. 1, 2014
IAS 36	“Impairment of Assets”	Jan. 1, 2014
IAS 39	“Financial Instruments: Recognition and Measurement”	Jan. 1, 2014
New Standards		
IFRS 9	“Financial Instruments: Classification and Measurement”	open *
IFRS 10	“Consolidated Financial Statements”	Jan. 1, 2014
IFRS 11	“Joint Arrangements”	Jan. 1, 2014
IFRS 12	“Disclosure of Interests in Other Entities”	Jan. 1, 2014
New Interpretations		
IFRIC 21	“Levies”	Jan. 1, 2014 *

* not yet endorsed

IAS 19 “Employee Benefits”

The amendment to IAS 19 clarifies the accounting treatment of contributions from employees or third parties set out in the formal terms of a pension plan when they are linked to service. These contributions from employees or third parties may be recognised as a reduction in service cost in the same period in which they are payable if, and only if, they are linked solely to the employee’s service rendered in that period. This is in particular possible for contributions which are calculated according to a fixed percentage of salary which is not dependent on the number of years of service rendered by the employee. The amended Standard is mandatory for financial years beginning on or after July 1, 2014; earlier application is permitted. The amendment to IAS 19 will not have any material effect on the DAIG consolidated financial statements.

IAS 36 “Impairment of Assets”

The adoption of IFRS 13 “Fair Value Measurement” led to a consequential amendment in IAS 36 so that information on impaired assets has to be given. Accordingly, disclosures have to be made for all cash-generating units if they contain a substantial portion of goodwill, regardless of whether they are impaired or not. With the amendment now made to IAS 36, this requirement is restricted only to those cases where there is actually an impairment in the current period. Furthermore, the amendments clarify the disclosure requirements in the event that an asset is impaired and the recoverable amount has been determined on the basis of its fair value less costs of disposal. The amendments are mandatory for financial years beginning on or after January 1, 2014; earlier application is permitted provided IFRS 13 is already applied. The amendment to the Standard is likely to lead to extended disclosures for DAIG.

IAS 39 “Financial Instruments: Recognition and Measurement”

Through the amendment to IAS 39, a novation of a hedging instrument to a central counterparty as a result of laws or regulations does, under certain circumstances, not lead to a reversal of a hedging relationship. Thus the hedging relationship can now be continued under certain circumstances, even with novations as a result of the introduction of laws. The amendments are mandatory for financial years beginning on or after January 1, 2014; earlier application is permitted. The amendment to IAS 39 will not have any effect on the DAIG consolidated financial statements.

IFRIC 21 “Levies”

This Interpretation deals with the accounting treatment of levies which are imposed by a government and which are not covered by the scope of another IFRS. It clarifies how and in particular when such obligations are to be recognised as liabilities in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. According to this interpretation, an obligation to pay such levies is to be recognised in the financial statements as soon as the obligating event which triggers the payment obligation according to the legislation on which the levy is based occurs. The Interpretation enters into force for reporting years beginning on or after January 1, 2014. DAIG is examining the effects of the new Interpretation.

Standards and Interpretations not described in detail are not expected to have any effect on the DAIG consolidated financial statements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

6 INCOME FROM PROPERTY MANAGEMENT

€ million	2013	2012
Rental income	728.0	729.0
Ancillary costs	320.3	317.5
Income from property letting	**1,048.3**	**1,046.5**
Other income from property management	19.3	18.4
Income from property management	**1,067.6**	**1,064.9**

7 PROFIT ON DISPOSAL OF PROPERTIES

€ million	2013	2012
Income from disposal of investment properties	145.5	144.1
Carrying amount of investment properties sold	-117.9	-117.0
Profit on disposal of investment properties	**27.6**	**27.1**
Income from sale of trading properties	-	20.0
Carrying amount of trading properties sold	-	-12.6
Profit on disposal of trading properties	**-**	**7.4**
Income from sale of assets held for sale	208.0	140.8
Retirement carrying amount of assets held for sale	-207.9	-140.8
Revaluation of assets held for sale	24.3	17.1
Profit on disposal of assets held for sale	**24.4**	**17.1**
	52.0	**51.6**

The fair value adjustment of investment properties for which a purchase contract had been signed but for which transfer of ownership had not yet taken place led to a gain of € 24.3 million as at December 31, 2013 (2012: € 17.1 million). After value adjustment, these properties were transferred to “Assets held for sale”.

The total profit on disposal of property does not take account of transaction costs, mainly for own personnel, sales commissions as well as other sales-related costs in the line items personnel expenses, cost of materials and other operating expenses.

8 NET INCOME FROM FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

Investment properties are measured according to the fair value model. That means that the carrying amount of investment properties is the fair value of those properties. Any gains or losses from a change in fair value are recognised in the income statement. The measurement of the investment properties led to a net valuation gain as at December 31, 2013 of € 553.7 million (2012: € 205.6 million).

Further explanations on the measurement of investment properties are given under note [21] Investment properties.

9 CAPITALISED INTERNAL MODERNISATION EXPENSES

The capitalised internal modernisation expenses for the financial year amount to € 42.0 million (2012: € 9.9 million) and relate to the expenses of the Group's own craftsmen's organisation contained in the capitalised modernisation expenses as well as the management costs for major modernisation projects.

10 COST OF MATERIALS

€ million	2013	2012 Restated*
Expenses for ancillary costs	324.9	337.8
Expenses for maintenance	119.7	119.0
Other cost of purchased goods and services	58.2	66.5
	502.8	**523.3**

* see note [5] a) Changes in accounting policies

11 PERSONNEL EXPENSES

€ million	2013	2012 Restated*
Wages and salaries	147.4	96.8
Social security, pensions and other employee benefits	24.7	19.4
	172.1	**116.2**

* see note [5] a) Changes in accounting policies

The personnel expenses contain expenses for severance payments amounting to € 10.2 million (2012: € 2.9 million). Personnel expenses also include additions to provisions of € 11.1 million (2012: € 0.6 million) for pre-retirement part-time work arrangements.

The personnel expenses include personnel costs for the company's own craftsmen's organisation for maintenance work.

In 2013, the personnel expenses included € 7.1 million (2012: € 1.7 million) for the Long-Term Incentive Plan (LTIP) (see note [30] Provisions).

In the financial year, employers' contributions to statutory pension insurances totalling € 10.5 million (2012: € 8.4 million) were paid.

As at December 31, 2013, 2,935 people (2012: 2,407) were employed at DAIG. On an annual average, 2,738 people (2012: 1,819) were employed. As at December 31, 2013, 117 apprentices (2012: 85) were employed at DAIG.

12 DEPRECIATION AND AMORTISATION

Amortisation of intangible assets totalled € 3.0 million (2012: € 3.2 million). Of this figure, capitalised customer bases accounted for € 1.6 million (2012: € 1.6 million), self-developed software for € 1.0 million (2012: € 1.3 million) and concessions, industrial rights, licences and similar rights for € 0.4 million (2012: € 0.3 million). Depreciation and impairments of property, plant and equipment amounted to € 3.8 million in 2013 (2012: € 2.9 million) (see note [20] Property, plant and equipment). Of this figure, impairments of real estate used by the company itself accounted for € 0.3 million (2012: € 0.1 million).

13 OTHER OPERATING INCOME

€ million	2013	2012
Compensation paid and cost reimbursements	23.5	22.2
Dunning and debt collection fees	5.3	2.0
Reversal of provisions	3.3	9.1
Reversal of impairment losses	0.7	0.5
Other	13.0	9.7
	45.8	**43.5**

Income from compensation paid and cost reimbursements includes € 14.4 million in compensation paid by insurance companies (2012: € 14.5 million).

14 OTHER OPERATING EXPENSES

€ million	2013	2012 Restated*
Consultants' and auditors' fees	15.0	10.3
Vehicle and travelling costs	13.0	8.3
Impairment losses on doubtful accounts	10.9	18.2
Rents, leases and ground rents	10.4	8.5
Legal and notary costs	8.4	1.9
Additions to provisions	7.2	2.6
IT and administrative services	6.9	8.4
Communication costs and work equipment	5.9	5.8
Dunning and debt collection fees	3.3	0.0
Advertising costs	2.9	3.4
Refused insurance claims	1.3	1.8
Sales incidentals	0.6	2.3
Other	18.4	11.7
	104.2	**83.2**

* see note [5] a) Changes in accounting policies

15 FINANCIAL INCOME

€ million	2013	2012
Income from other investments	2.8	3.0
Income from non-current securities and non-current loans	1.9	1.9
Other interest and similar income	9.3	7.4
	14.0	**12.3**

16 FINANCIAL EXPENSES

The financial expenses of € 299.6 million (2012: € 443.2 million) mainly relate to interest expense on financial liabilities measured at amortised cost.

In 2013, transaction costs of € 21.0 million in connection with refinancings were recognised as expense whereas, in the prior year, the transaction costs of € 57.1 million were mainly influenced by the GRAND restructuring.

Furthermore, interest on prepayment penalties had an impact of € 24.8 million (2012: € 1.6 million) on the result.

Interest expense contains interest accretion to provisions, thereof € 8.1 million (2012: € 10.9 million) relating to provisions for pensions and € 0.3 million (2012: € 3.1 million) relating to miscellaneous other provisions.

Furthermore, financial expenses include a € 3.8 million (2012: € 5.7 million) addition of accrued interest concerning the obligation to pay lump-sum tax on the previously untaxed so-called EK02 amounts, which, however, were reduced in the reporting year due to the early repayment in full of these income tax liabilities amounting € 1.9 million.

In the reporting year, € 48.6 million was recognised as interest expense in connection with swaps (2012: € 36.2 million).

A reconciliation of net interest to net interest with regard to measurement categories in accordance with IAS 39 is shown in the following table:

€ million	2013	2012
Interest income	9.3	7.4
Interest expense	-299.6	-443.2
Net interest	**-290.3**	**-435.8**
less:		
Interest expense from provisions for pensions in acc. with IAS 19*	8.1	10.9
Interest expense from other provisions in acc. with IAS 37	-1.3	3.0
Interest expense from derivatives in acc. with IAS 39: cash flow hedges	48.6	36.2
Interest expense from finance leases in acc. with IAS 17	5.2	5.1
Net interest with regard to measurement categories in acc. with IAS 39	**-229.7**	**-380.6**

* including interest income on plan assets of € 0.5 million (2012: € 0.9 million)

The net interest breaks down into the measurement categories in accordance with IAS 39 as follows:

€ million	Measurement category in acc. with IAS 39*	2013	2012
Loans and receivables	LaR	7.5	7.3
Available-for-sale financial assets	AfS	0.1	0.1
Financial liabilities held for trading	FLHfT	-0.5	0.1
Financial liabilities measured at amortised cost	FLAC	-236.8	-388.1
		-229.7	**-380.6**

* see note [35] Carrying amounts and fair values according to measurement categories

17 INCOME TAX

€ million	2013	2012
Current income tax	8.5	2.1
Prior year current income tax	-3.7	-6.4
Deferred income tax – temporary differences	228.2	117.0
Deferred income tax – unutilised loss carryforwards	-27.6	-69.1
	205.4	**43.6**

The current tax expense is determined on the basis of the taxable income for the reporting period. For the 2013 financial year, the combined tax rate of corporate income tax and solidarity surcharge for domestic companies is 15.8 % of earnings (2012: 15.8 %). Including German municipal trade tax at nearly 16.8 % (2012: 16.8 %), the combined tax rate is 32.6 % in 2013 (2012: 32.6 %). Due to an increase in the future average German municipal trade tax from 16.8 % to 17.3 %, the deferred taxes are determined in Germany with a combined tax rate of 33.1 % (2012: 32.6 %). This change in the tax rate results in additional deferred tax expense of € 15.4 million in the 2013 financial year. Anticipated effects of the so-called extended trade tax exemption on German municipal trade tax are taken into account when the deferred taxes are determined.

Deferred taxes are the expected tax charges or benefits arising from the difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases used to calculate the taxable income (tax balance sheet).

Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax assets are recognised to the extent that there are deferred tax liabilities which can be offset against them or, based on the expected profits in the foreseeable future, it can be verified that they will be realised.

Therefore, no deferred taxes were recognised for domestic deductible temporary differences (excluding loss carryforwards) of € 0.2 million (2012: € 1.2 million) and no deferred trade taxes were recognised for other domestic deductible temporary differences of € 5.7 million (2012: € 5.4 million) as their future utilisation is unlikely.

Deferred tax assets and liabilities are not recognised where the temporary difference arises from initial recognition of goodwill in connection with a business combination or the initial recognition (other than a business combination) of other assets and liabilities in a transaction which neither affects taxable income nor net income.

Deferred taxes on loss carryforwards are recognised as assets provided that it is likely that there will be sufficient taxable income in the following years for those loss carryforwards to be utilised and loss carryforwards have not forfeited as a result of share transfers.

As at December 31, 2013, the unutilised corporate income tax loss carryforwards in Germany totalled € 1,404.5 million (2012: € 1,386.0 million) and the unutilised trade tax loss carryforwards amounted to € 710.7 million (2012: € 697.3 million), for which deferred tax assets have been recognised to the extent that their realisation is sufficiently probable. The increase in tax loss carryforwards resulted from current tax losses at individual companies.

No deferred taxes were recognised in the balance sheet for unutilised corporate income tax loss carryforwards of € 176.9 million (2012: € 241.9 million). Under current tax law, these loss carryforwards are not subject to restrictions either with regard to time or the amount of the loss carryforward. In addition, there are further trade tax loss carryforwards of € 126.6 million (2012: € 180.5 million) which have an unlimited carryforward but have not led to deferred tax assets.

The measurement of deferred tax assets on tax loss carryforwards and deductible temporary differences in 2013 led to tax income of € 30.6 million (2012: € 35.3 million). The increase in deferred tax assets is mainly due to the fact that, in connection with the higher deferred tax liabilities as a result of the positive changes in the value of investment properties, greater use of the deductible temporary differences and loss carryforwards is expected. In 2012, further effects resulted from tax optimisation measures which led to higher expected realisation of the tax loss carryforwards.

Tax reductions due to the utilisation of tax loss carryforwards for which no deferred tax assets existed led in the 2013 financial year to a reduction in the tax charges of € 0.5 million (2012: € 0.2 million).

No interest carryforwards existed either at the end of 2013 or at the end of 2012.

A reconciliation between actual income taxes and expected tax expense, which is the product of the accounting profit for the period multiplied by the average tax rate applicable in Germany, is shown in the table below.

€ million	2013	2012
Operating profit before income taxes	**689.6**	**215.8**
Income tax rate in %	32.6	32.6
Expected tax expense	**225.0**	**70.4**
Trade tax effects	-7.1	4.4
Non-deductible operating expenses	1.3	2.2
Tax-free income	-0.1	-0.1
Change in the deferred tax assets on loss carryforwards and temporary differences	-30.6	-35.3
New loss carryforwards not recognised	4.7	8.7
Utilisation of loss carryforwards not previously recognised	-0.5	-0.2
Aperiodic current income tax	-3.7	-6.4
Tax rate change in Germany	15.4	-
Differing foreign tax rates	0.8	-
Other tax effects (net)	0.2	-0.1
Actual income taxes	**205.4**	**43.6**
Actual tax rate in %	**29.8**	**20.2**

The deferred taxes refer to temporary differences in balance sheet items and unutilised loss carryforwards as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Assets held for sale	0.0	1.5
Property, plant and equipment	0.1	0.3
Other assets	15.7	15.2
Provisions for pensions	36.2	44.5
Other provisions	11.5	7.3
Liabilities	33.2	32.2
Unutilised loss carryforwards	295.5	267.9
Deferred tax assets	**392.2**	**368.9**

€ million	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	0.6	1.4
Investment properties	1,269.9	1,028.5
Assets held for sale	6.7	11.4
Property, plant and equipment	1.1	0.8
Financial assets	0.2	0.2
Other assets	0.2	0.3
Other provisions	7.2	6.8
Liabilities	28.3	34.9
Deferred tax liabilities	**1,314.2**	**1,084.3**
Excess deferred tax liabilities	**922.0**	**715.4**

Deferred tax assets and liabilities are netted against each other when the same company and the same tax authority are involved and the realisation period is the same. As a result, the following deferred tax assets and liabilities are stated:

€ million	Dec. 31, 2013	Dec. 31, 2012
Deferred tax assets	3.0	8.8
Deferred tax liabilities	925.0	724.2
Excess deferred tax liabilities	**922.0**	**715.4**

The change in deferred taxes is as follows:

€ million	2013	2012
Excess of deferred tax liabilities as at January 1	**715.4**	**692.0**
Deferred tax expense in income statement	200.6	47.9
Change recognised in other comprehensive income in deferred taxes on available-for-sale financial assets	0.0	0.0
Change recognised in other comprehensive income in deferred taxes on actuarial gains and losses from pensions and similar obligations	7.2	-22.1
Change recognised in other comprehensive income in deferred taxes on derivative financial instruments regarding liabilities	5.5	-2.4
Deferred taxes recognised in the capital reserves on recognised tax loss carryforwards resulting from capital procurement costs of the initial listing	-6.7	-
Excess of deferred tax liabilities as at December 31	**922.0**	**715.4**

In accordance with IAS 12 (Income Taxes), deferred tax liabilities are to be recognised on the difference between the pro-rata equity of a subsidiary in the consolidated balance sheet and the investment carrying amount for the subsidiary in the tax balance sheet of the parent (outside basis differences) if utilisation is to be expected. The origins of these differences are mainly undistributed profits of domestic and foreign subsidiaries.

No deferred tax liabilities are recognised for profits accumulated at subsidiaries of € 2,774.8 million (2012: € 2,274.6 million), as these profits are to remain invested for an indefinite period or are not subject to taxation. In the event of distribution, 5 % of the profits would be subject to German taxation so that there would normally be an additional tax burden. Determination of the potential tax effects was dispensed with in view of the disproportionately high cost.

18 EARNINGS PER SHARE

The basic 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.

	2013	2012
Profit for the period attributable to DAIG shareholders (in € million)	480.2	171.4
Weighted average number of shares	212,231,909	200,000,000
Earnings per share (basic and diluted) in €	**2.26**	**0.86**

As a prearrangement to the IPO, the share capital was increased to € 200,000,000 in June 2013 as part of a capital increase from company funds using the capital reserves. The number of shares increased accordingly by 199,880,000 to 200,000,000. As this did not lead to any change in the resources available to the company, this share capital was, in accordance with IAS 33.64, included in the calculation retrospectively for all earlier periods.

On June 30, 2013, a cash capital increase was performed against the issuance of 22,222,223 new shares. By resolution of the extraordinary general shareholders' meeting of July 10, 2013, the subscribed capital was increased to € 224,242,425 by a cash contribution of € 2,020,202.

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

19 INTANGIBLE ASSETS

€ million	Concessions, industrial rights, licences and similar rights	Self-developed software	Customer relationships and similar rights	Total
Cost				
Balance on Jan. 1, 2013	6.4	7.4	15.8	**29.6**
Additions	1.6	-	-	**1.6**
Balance on Dec. 31, 2013	8.0	7.4	15.8	**31.2**
Accumulated amortisation				
Balance on Jan. 1, 2013	5.6	6.1	12.7	**24.4**
Amortisation in 2013	0.4	1.0	1.6	**3.0**
Balance on Dec. 31, 2013	6.0	7.1	14.3	**27.4**
Carrying amounts				
Balance on Dec. 31, 2013	2.0	0.3	1.5	**3.8**

€ million	Concessions, industrial rights, licences and similar rights	Self-developed software	Customer relationships and similar rights	Total
Cost				
Balance on Jan. 1, 2012	6.1	7.4	15.8	**29.3**
Additions	0.7	-	-	**0.7**
Disposals	-0.4	-	-	**-0.4**
Balance on Dec. 31, 2012	6.4	7.4	15.8	**29.6**
Accumulated amortisation				
Balance on Jan. 1, 2012	5.7	4.8	11.1	**21.6**
Amortisation in 2012	0.3	1.3	1.6	**3.2**
Disposals	-0.4	-	-	**-0.4**
Balance on Dec. 31, 2012	5.6	6.1	12.7	**24.4**
Carrying amounts				
Balance on Dec. 31, 2012	0.8	1.3	3.1	**5.2**

20 PROPERTY, PLANT AND EQUIPMENT

€ million	Owner-occupied properties	Technical equipment, plant and machinery	Other equipment, fixtures, furniture and office equipment	Total
Cost				
Balance on Jan. 1, 2013	10.7	1.9	13.8	**26.4**
Additions	0.0	2.8	3.2	**6.0**
Capitalised modernisation costs	0.5	0.1	-	**0.6**
Disposals	0.0	-1.0	-0.4	**-1.4**
Transfer from investment properties	3.4	-	-	**3.4**
Transfer to investment properties	-1.1	-	-	**-1.1**
Balance on Dec. 31, 2013	13.5	3.8	16.6	**33.9**
Accumulated depreciation				
Balance on Jan. 1, 2013	1.2	1.1	7.9	**10.2**
Depreciation in 2013	0.2	0.4	2.9	**3.5**
Impairment	0.3	-	-	**0.3**
Reversal of impairments	-0.4	-	-	**-0.4**
Disposals	0.0	-0.2	-0.2	**-0.4**
Balance on Dec. 31, 2013	1.3	1.3	10.6	**13.2**
Carrying amounts				
Balance on Dec. 31, 2013	12.2	2.5	6.0	**20.7**
Cost				
Balance on Jan. 1, 2012	5.2	1.6	10.3	**17.1**
Additions	0.2	0.0	5.5	**5.7**
Capitalised modernisation costs	0.1	0.3	-	**0.4**
Disposals	-	-0.1	-2.2	**-2.3**
Transfer from investment properties	5.4	-	-	**5.4**
Transfer from other assets	-	-	0.2	**0.2**
Transfer to investment properties	-0.2	-	-	**-0.2**
Transfers	-	0.1	-	**0.1**
Balance on Dec. 31, 2012	10.7	1.9	13.8	**26.4**
Accumulated depreciation				
Balance on Jan. 1, 2012	1.5	1.0	7.5	**10.0**
Depreciation in 2012	0.0	0.1	2.7	**2.8**
Impairment	0.1	-	-	**0.1**
Reversal of impairments	-0.4	-	-	**-0.4**
Disposals	-	-0.1	-2.3	**-2.4**
Transfers	-	0.1	-	**0.1**
Balance on Dec. 31, 2012	1.2	1.1	7.9	**10.2**
Carrying amounts				
Balance on Dec. 31, 2012	9.5	0.8	5.9	**16.2**

As at December 31, 2013, carrying amounts of owner-occupied properties amounting to € 7.2 million (2012: € 7.4 million) are encumbered with land charges in favour of different lenders.

21 INVESTMENT PROPERTIES

€ million

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**

Balance on Jan. 1, 2012	**9,893.8**
Additions	3.5
Capitalised modernisation costs	89.4
Transfer from property, plant and equipment	0.2
Transfer to property, plant and equipment	-5.4
Transfer to assets held for sale	-243.7
Disposals	-116.9
Net income from fair value adjustments of investment properties	205.6
Revaluation of assets held for sale	17.1
Balance on Dec. 31, 2012	**9,843.6**

The investment properties include leased assets which are defined as finance leases according to IAS 17 and are treated as if they were the Group's economic property. They amount to € 34.1 million (2012: € 34.6 million) and relate to the Spree-Bellevue (Spree-Schlange) property in Berlin. The property has been leased from DB Immobilienfonds 11 Spree-Schlange von Quistorp KG until 2044. The lease agreement includes an obligation to pay compensation for loss of use as agreed by contract. At the end of 2028, each fund subscriber is entitled to return his share to the property fund at a fixed redemption price. If all of the fund investors make use of this option, DAIG is obliged to acquire the property at a fixed purchase price after deduction of borrowings. If more than 75 % of the shares are returned in this way, DAIG has a call option for the purchase of all fund shares. Details of minimum lease payments are given under note [32] Other financial liabilities.

For the investment properties encumbered with land charges in favour of various lenders, see note [32] Other financial liabilities.

Directly attributable operating expenses

The rental income from investment properties amounted to € 728.0 million in 2013 (2012: € 729.0 million). The operating expenses directly relating to these properties amounted to € 144.8 million in 2013 (2012: € 152.4 million). These include expenses for maintenance, operating costs that cannot be passed on to the tenants and personnel expenses from the caretaker and craftsmen's organisations.

Long-term leases

DAIG as a lessor has concluded long-term leases on commercial properties, which are non-cancellable operating leases. The minimum future lease receipts from these leases are due as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Total minimum lease payments	**21.8**	**22.0**
Due within one year	5.1	4.9
Due in 1 to 5 years	12.9	12.5
Due after 5 years	3.8	4.6

The fair values of the real-estate portfolios were determined in accordance with IAS 40.

Fair values

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. It is not permitted to take into account either portfolio premiums and discounts, which can be observed when portfolios are sold in market transactions, or time restrictions in the marketing of individual properties. DAIG determines fair value in accordance with the requirements of IAS 40 in conjunction with IFRS 13.

Up to and including the 2012 financial year, DAIG used the income capitalisation method for the valuation of its portfolio, whereby the fair values of investment properties are calculated on the basis of income and expenses as well as risk-adjusted capitalised interest rates. The capitalised interest rates applied were derived from the development of the German residential real estate market, adjusted by numerous factors to reflect risks associated with the respective property, and allocated to the relevant buildings with the aid of a rating system. All buildings in the portfolio were valued according to a rating system with regard to their quality, their market attractiveness and their location. The market rents were derived for each location from the current rent indices (Mietspiegel) and various market data provided by external real estate service providers.

From the beginning of the 2013 financial year, DAIG modified the valuation methodology it uses and now applies the discounted cash flow (DCF) methodology. Under the DCF methodology, the expected future income and costs of a property are forecast over a period of ten years and discounted to the date of valuation as the net present value. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. They are derived for each location from the latest rent indices and rent tables (e.g. IVD and IDN ImmoDaten GmbH) as well as from studies on spatial prosperity (Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Prognos, empirica, Bertelsmann Stiftung inter alia). The range of sustained voids thus derived for "Residential", the type of use characteristic of the portfolio, is from 0.6 % to 10.8 % for the individual locations and is on average 3.1 %.

On the cost side, maintenance expenses and administrative costs are taken into account in accordance with the II. Berechnungsverordnung and inflated in the reporting period (II. BV; German Regulation on Calculations for Residential Buildings in Accordance with the Second Housing Construction Law, stipulating how economic viability calculations for accommodation are to be performed). Further cost items are, for example, non-allocable ancillary costs and any ground rents. Modernisation measures carried out in the housing stocks are factored in by decreasing the current maintenance expenses and adjusting market rents.

On this basis, the forecast cash flows are calculated on an annual basis and discounted to the date of valuation as the net present value. In addition, the terminal value of the property at the end of the 10-year period is determined using the expected stabilised net operating income and again discounted to the date of valuation as the net present value. The discount rate applied reflects the market situation, location, type of property, special property features (e.g. inheritable rights, rent restrictions), the yield expectations of a potential investor and the risk associated with the forecast future cash flows of the property.

The commercial properties in the portfolio are mainly small commercial units for the supply of the local residential area. Different cost approaches were used to those for residential properties, and the discount rate rates were adjusted to reflect the market specifics.

The valuation is, in principle, performed on the basis of homogeneous valuation units. These meet the criteria of economically cohesive and comparable land and buildings. They include:

> Geographical location (identity of the micro-location and geographical proximity)
> Comparable types of use, building class, construction year class and condition of property
> Same property features such as rent restrictions, inheritable rights and full or part ownership

The DAIG portfolio also contains development areas and land areas with inheritable rights which make up less than 1 % of the total value. The development areas are valued using a comparable method on the basis of the local standard land value. Deductions are taken into account, in particular for the readiness for construction and potential use as well as for likelihood of development and the development situation. Inheritable rights granted are valued in the same way as the property portfolio using a DCF method. The input parameters here are the duration and amount of ground rent and the value of the land.

For the first time at the beginning of 2013, the DAIG real estate portfolio was valued by the external appraiser, CBRE GmbH, using the DCF methodology. DAIG integrated the valuation results of CBRE GmbH in its interim report for the quarterly financial statements as at March 31, 2013. The methodology refinements used by the external appraiser were, as described above, incorporated in DAIG's own valuation models and the valuation results were compared at valuation unit level with the valuations of CBRE GmbH and adjusted accordingly.

As at December 31, 2013, DAIG determined the fair values for its entire portfolio of real estate again internally in its own valuation department on the basis of the methodology adopted from the external appraiser. The internal valuation results were then confirmed by an updated CBRE appraisal.

The following table gives an overview of the main valuation parameters and valuation results as at December 31, 2013:

Valuation parameters	
Management costs residential	avg. of € 247 per residential unit p.a.
Repair and maintenance costs residential	avg. of € 9.64 per m² p.a.
Apartment improvement costs for reletting	avg. of € 3.26 per m² p.a.
Cost increase/inflation	1.5 % p.a.
Market rent increase	avg. of 1.2 % p.a.
Stabilised vacancy rate	avg. of 3.1 %
Discount rate	avg. of 6.1 %
Capitalised interest rate	avg. of 5.1 %
Valuation results	
Net initial yield	5.0 %
Multiplier	14.2-fold
Fair value per m²	€ 901 per m² of lettable area

Results of the valuation

The real estate portfolio of the Deutsche Annington Immobilien Group is to be found in the balance-sheet items investment properties, property, plant and equipment (properties used by the company itself) and assets held for sale. The fair value of this real estate portfolio of residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was € 10,326.7 million as at December 31, 2013 (2012: € 9,982.0 million).

The fair values for each real estate portfolio segment are as follows:

	Residential units		Fair value (€ million)*	
	2013	2012	2013	2012
Operate	78,764	77,560	4,604.7	4,228.2
Upgrade Buildings	43,476	46,409	2,469.2	2,444.0
Optimise Apartments	21,363	19,744	1,446.8	1,209.4
Rental Only	**143,603**	**143,713**	**8,520.7**	**7,881.6**
Privatise	20,536	23,214	1,350.7	1,529.4
Non Core	11,119	15,027	404,6	519,6
Total	**175,258**	**181,954**	**10,276.0**	**9,930.6**

* Fair value of the developed land excluding € 50.7 million for undeveloped land and inheritable rights granted

This led overall to net income from fair value adjustments of € 553.7 million (2012: € 205.6 million).

Sensitivity analyses

Owing to the stable residential property market, the fair values of the DAIG real estate only fluctuate to a comparatively minor extent. The main value drivers which are influenced by the market are the market rents and their development, the volume of recognised maintenance expenses, cost increases and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter in the following. Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships.

Market rents:

Changes in market rents	-2.0 %	-1.0 %	+1.0 %	+2.0 %
Changes in value*				
€ million	-244.0	-121.0	121.1	240.5
in %	-2.4	-1.2	1.2	2.3

* Result shows the sensitivity of the fair values resulting solely from a change in market rents without any changes in any other parameters

Market rent development:

Changes in market rent development	-0.2 %	-0.1 %	+0.1 %	+0.2 %
Changes in value**				
€ million	-519.6	-265.9	279.1	573.7
in %	-5.1	-2.6	2.7	5.6

** Result shows the sensitivity of the fair values resulting solely from a change in the market rent development in percentage points without any changes in any other parameters

Repair and maintenance costs:

Changes in repair and maintenance costs	-10.0 %	-5.0 %	+5.0 %	+10.0 %
Changes in value***				
€ million	277.5	138.6	-138.5	-277.1
in %	2.7	1.3	-1.3	-2.7

*** Result shows the sensitivity of the fair values resulting solely from a change in maintenance in percentage points without any changes in any other parameters

Cost increase/inflation:

Changes in cost increase/inflation	-0.5 %	-0.25 %	+0.25 %	+0.5 %
Changes in value****				
€ million	389.3	196.3	-199.1	-401.4
in %	3.8	1.9	-1.9	-3.9

**** Result shows the sensitivity of the fair values resulting solely from a change in inflation in percentage points without any changes in any other parameters

Interest rates:

Changes in discounting and capitalised interest rates	-0.25 %	-0.125 %	+0.125 %	+0.25 %
Changes in value*****				
€ million	543.0	264.3	-251.3	-491.0
in %	5.3	2.6	-2.4	-4.8

***** Result shows the sensitivity of the fair values resulting solely from a change in the interest rates in percentage points without any changes in any other parameters

Contractual obligations

When acquiring 13,895 WohnBau Rhein-Main AG apartments in 1999, a number of commitments to Deutsche Post and Deutsche Post Wohnen were made with respect to the acquired housing stocks, including an undertaking by the then Viterra that it would serve no notice to vacate for personal use to tenants and their spouses if they are aged 60 or over. Furthermore, when residential units are converted into owner-occupier apartments, there is an obligation to give tenants first right of refusal. Of the 13,895 residential units originally acquired, 9,465 (2012: 9,504) were still in the residential portfolio of DAIG as at December 31, 2013.

The 63,626 residential units which DAIG acquired from Bundeseisenbahnvermögen in 2000 are subject to the following restriction on sale: not more than 70 % of the housing stock of a railway housing company may be sold until December 31, 2016. Furthermore, residential property used as such by a specified category of people may only be sold to them or to people named by them. Multi-family houses may only be sold to third parties without the consent of the specified category of people if more than half of the apartments in a block are already rented by tenants who do not fall under the specified category. Of the 63,626 residential units originally acquired, 38,746 (2012: 40,762) were still in the residential portfolio of DAIG as at December 31, 2013.

In 2006/2007, DAIG acquired various housing stocks (2,773 residential units) from Corpus Immobiliengruppe and in particular entered into the following social obligations: Tenants and their spouses who rented an apartment on or before December 31, 1998 or November 1, 2004 respectively and were already aged 60 or over at that time may not be served notice to vacate for personal use. No notice to vacate for personal use may be served to other tenants for ten years after the above-mentioned dates. If the apartments are sold, the tenants are to be given first right of refusal. The above contractual provisions apply until October 31, 2014 at the latest. Of the 2,773 residential units originally acquired, 2,660 (2012: 2,693) were still in the residential portfolio of DAIG as at December 31, 2013.

Under structured financing programmes, DAIG is subject to fundamental restrictions on the use of excess property disposal proceeds, such restrictions being particularly in the form of mandatory minimum capital repayments. Excess cash from property management is also restricted to a certain extent.

When acquiring and financing some of the properties in the portfolio, DAIG also entered into an obligation to spend a certain average amount per square metre on maintenance and improvements.

22 FINANCIAL ASSETS

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Other investments	1.6	-	1.6	-
Loans to related companies	33.6	-	33.7	-
Securities	3.7	-	3.8	-
Other long-term loans	3.6	-	5.5	-
Dividends from other investments	-	2.1	-	2.1
	42.5	**2.1**	**44.6**	**2.1**

The carrying amount of financial assets is the maximum default risk.

No impairments were recognised on financial assets either in the reporting year or in the prior period.

The loans to related companies not yet due relate to a loan to the property fund DB Immobilienfonds 11 Spree-Schlange von Quistorp KG.

The non-current securities amounting to € 3.7 million (2012: € 3.8 million) were acquired in connection with pension commitments and have been pledged in full to the beneficiaries.

The other long-term loans to employees are deducted from the salary pro rata temporis on the due date as part of payroll accounting.

23 OTHER ASSETS

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Receivables for transferred pensions	8.1	-	9.4	-
Insurance claims	3.2	6.8	2.2	7.9
Receivables from related parties	3.0	-	15.0	-
Miscellaneous other assets	1.8	19.5	1.7	18.6
	16.1	**26.3**	**28.3**	**26.5**

The receivables from related parties are from Monterey Holdings I S.à r.l., Luxembourg; see note [44] Related party transactions.

The right to reimbursement arising from transferred pension obligations is in connection with the indirect obligation shown under provisions for pensions arising from pension obligations transferred to former affiliated companies of the Viterra Group.

The insurance claims include the excess of the fair value of plan assets over the corresponding pension obligations amounting to € 0.0 million (2012: € 0.1 million), as well as the excess of insurances for pre-retirement part-time work contracts amounting to € 3.2 million (2012: € 2.1 million).

24 INCOME TAX RECEIVABLES

The income tax receivables shown relate to corporate income tax and municipal trade tax receivables for 2013 and prior years.

25 INVENTORIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Raw materials and supplies	1.9	0.9
Work in progress	0.6	0.0
	2.5	**0.9**

The raw materials and supplies recognised relate to repair materials for our craftsmen's organisation.

26 TRADE RECEIVABLES

The trade receivables break down as follows:

€ million	Impaired: Gross amount	Impaired: Impairment losses	Not impaired: Neither impaired nor past due	Past due by: less than 30 days	Past due by: between 30 and 90 days	Past due by: between 91 and 180 days	Past due by: between 181 and 360 days	Past due by: more than 360 days	Carrying amount: Maximum risk of loss
Receivables from the sale of properties	1.9	-0.9	86.1	2.2	0.3	0.4	0.2	0.3	90.5*
Receivables from property letting	30.2	-18.2							12.0
Receivables from other management			1.0						1.0
Receivables from other supplies and services			0.0						0.0
Balance on Dec. 31, 2013	**32.1**	**-19.1**	**87.1**	**2.2**	**0.3**	**0.4**	**0.2**	**0.3**	**103.5**
Receivables from the sale of properties	2.2	-1.0	3.7	3.2	0.1	0.1	0.2	0.1	8.6*
Receivables from property letting	36.6	-25.5							11.1
Receivables from other management			0.6						0.6
Receivables from other supplies and services			0.0						0.0
Balance on Dec. 31, 2012	**38.8**	**-26.5**	**4.3**	**3.2**	**0.1**	**0.1**	**0.2**	**0.1**	**20.3**

* The maximum default risk on the receivables from the sale of properties is limited to the margin and the transaction unwinding costs as the title to the properties remains with DAIG as security until receipt of payment.

The carrying amounts of current trade receivables correspond to their fair values.

In principle, all impaired trade receivables are due and payable. As regards the trade receivables which are neither impaired nor past due, there was no indication on the balance-sheet date that the debtors would not meet their payment obligations.

Receivables from the sale of properties arise on economic transfer of title. The due date of the receivable may, however, depend on the fulfilment of contractual obligations. Some purchase contracts provide for the purchase price to be deposited in an escrow account. Impairment losses for doubtful debts are recorded up to the amount of the posted proceeds from sales.

Receivables from property letting generally arise at the beginning of a month. When determining the impairment losses on rent receivables, a difference is made with regard to rent arrears between those under terminated contracts and those under continuing rental contracts. Furthermore, with rent receivables under continuing rental contracts, a difference is made between rent arrears resulting from existing payment difficulties and product-related rent arrears based on rent increases, ancillary cost bills and withheld rents.

Impairment losses on trade receivables developed as follows:

€ million	Trade receivables
Impairment losses as at Jan. 1, 2013	**26.5**
Addition	8.9
Utilisation	-16.2
Reversal	-0.1
Impairment losses as at Dec. 31, 2013	**19.1**
Impairment losses as at Jan. 1, 2012	**23.6**
Addition	17.1
Utilisation	-14.1
Reversal	-0.1
Impairment losses as at Dec. 31, 2012	**26.5**

The receivables are derecognised if there are indications that they cannot be recovered.

The following table shows the expenses for the full derecognition of receivables as well as income from the receipt of derecognised receivables:

€ million	2013	2012
Expenses for the derecognition of receivables	1.6	0.6
Income from the receipt of derecognised receivables	0.9	0.5

27 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 € 547.8 million (2012: € 469.9 million). In the prior period, this balance-sheet item also contained marketable securities totalling € 0.2 million which were restricted with regard to their use.

Of these bank accounts, € 49.1 million (2012: € 363.0 million) are restricted.

28 ASSETS HELD FOR SALE

The assets held for sale include properties totalling € 45.9 million (2012: € 128.8 million) for which notarised purchase contracts had already been signed at the balance-sheet date.

29 EQUITY

Subscribed capital

By resolution of the general shareholders' meeting on June 9, 2013, the subscribed capital of Deutsche Annington Immobilien SE was increased by € 199,880,000 from € 120,000 to € 200,000,000. To this end, the same amount from the capital reserves was converted into subscribed capital. The capital increase was entered in the Düsseldorf commercial register on June 12, 2013. After this capital increase, the subscribed capital of Deutsche Annington Immobilien SE was divided into 200,000,000 no-par value registered shares.

By resolution of the extraordinary general shareholders' meeting on June 30, 2013, the subscribed capital of Deutsche Annington Immobilien SE was increased by a cash contribution of € 22,222,223 to € 222,222,223. The subscribed capital is fully paid up. The capital increase was entered in the Düsseldorf commercial register on July 2, 2013.

By resolution of the extraordinary general shareholders' meeting on July 10, 2013, the subscribed capital of Deutsche Annington Immobilien SE was increased by a further cash contribution of € 2,020,202 to € 224,242,425. The subscribed capital is fully paid up. The capital increase was entered in the Düsseldorf commercial register on July 12, 2013.

The shares from the capital increases of June 30 and July 10, 2013 were issued as part of the IPO on July 11, 2013.

Capital reserves

The capital reserves amount to € 1,430.1 million (Dec. 31, 2012: € 1,052.3 million). In the first half of 2013, a contribution in kind of € 239.1 million was made by the shareholder (shareholders' resolution of January 23, 2013) and capital reserves of € 199.9 million were converted into subscribed capital (resolution of the general shareholders' meeting of June 9, 2013).

Of the gross proceeds from the IPO, € 375.8 million was paid into the capital reserves. The capital procurement costs attributable to the company of € 20.6 million in connection with the initial listing were offset against the capital reserves, allowing for deferred tax effects of € 6.7 million.

In preparation for a dividend distribution in line with the Management Board's proposal for the appropriation of profit, € 23.3 million was withdrawn from the capital reserves of Deutsche Annington Immobilien SE and reclassified to retained earnings.

Further resolutions relating to the Company's equity passed at the extraordinary general shareholders' meeting on June 30, 2013:

a) Authorised capital

The Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's subscribed capital by up to a total of € 111,111,111.00 through one or more issuances on or before June 29, 2018 by issuing up to 111,111,111 new no-par value registered shares against contributions in cash and/or in kind.

b) Issuance of option rights, bonds with warrants, convertible bonds, profit-sharing rights or profit participation bonds

The Management Board was authorised, subject to the consent of the Supervisory Board, to issue once or several times on or before June 29, 2018 option rights, bonds with warrants, convertible bonds, profit-sharing rights or profit participation bonds or a combination of these instruments (together referred to as "debentures") up to a total amount of € 3 billion and to grant the holders or creditors of the debentures option or conversion rights for the shares of the Company with a proportionate aggregate amount of up to € 100 million of the share capital subject to the detailed conditions of the debentures.

c) Conditional capital

Conditional capital was created in order to service the issuance authorisations mentioned in the previous paragraph. The subscribed capital is therefore conditionally increased by up to € 100 million divided into up to 100 million new no-par value registered shares.

d) Authorisation to purchase own shares

The Management Board was authorised to purchase on or before June 29, 2018 the Company's own shares up to a total of 10 % of the Company's share capital outstanding at the time of the resolution.

Retained earnings

Retained earnings of € 2,178.5 million (2012: € 1,661.1 million) are shown as at December 31, 2013. This figure includes actuarial gains and losses of € -31.2 million (2012: € -47.6 million), which cannot be reclassified and therefore may no longer be recognised in profit or loss in subsequent reporting periods.

Other reserves

The other reserves contain cumulative changes in equity not affecting income. At DAIG, the hedge-effective portion of the net change in the fair value of cash flow hedging instruments as well as the cumulative net change in the fair value of available-for-sale financial assets are recognised within this reserve.

The other reserves from cash flow hedges and available-for-sale financial assets can be reclassified. When the underlying hedged item of the cash flow hedge affects net income, the reserves attributable thereto are reclassified to profit or loss. The other reserves from available-for-sale financial assets are reclassified if the asset is derecognised or impaired.

The changes in the cash flow hedges and the actuarial gains and losses from pensions and similar obligations lead to the other comprehensive income shown in the consolidated statement of comprehensive income:

€ million	2013	2012
Cash flow hedges		
Changes in the period	-16.7	-34.6
Taxes on changes in the period	5.0	8.4
Reclassification affecting net income	42.1	26.5
Taxes on reclassification affecting net income	-10.5	-6.0
Actuarial gains and losses from pensions and similar obligations		
Changes in the period	23.6	-69.3
Taxes on changes in the period	-7.2	22.1
Available-for-sale financial assets		
Changes in the period	-0.1	0.0
Taxes on changes in the period	0.0	0.0
Other comprehensive income	**36.2**	**-52.9**

The development of the Group's equity is shown in the consolidated statement of changes in equity.

Shares of third parties in Group companies are shown under non-controlling interests.

30 PROVISIONS

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Provisions for pensions and similar obligations	**291.0**	**-**	**319.0**	**-**
Provisions for taxes (current income taxes excl. deferred taxes)	**-**	**64.4**	**-**	**71.4**
Other provisions				
Environmental remediation	24.4	1.4	27.5	1.9
Personnel costs	17.5	39.6	2.2	52.5
Outstanding trade invoices	-	19.5	-	40.8
Follow-up costs from property sales	-	1.1	-	1.9
Miscellaneous other provisions	9.7	22.6	9.5	17.0
	51.6	**84.2**	**39.2**	**114.1**
	342.6	**148.6**	**358.2**	**185.5**

Development of other provisions

€ million	Jan. 1, 2013	Additions	Reversals	Netting plan assets	Interest portion	Utilisation	Dec. 31, 2013
Other provisions							
Environmental remediation	29.4	1.4	-1.4	-	-1.1	-2.5	25.8
Personnel costs	54.7	43.7	-6.7	2.9	0.5	-38.0	57.1
Outstanding trade invoices	40.8	18.3	-1.6	-	-	-38.0	19.5
Follow-up costs from property sales	1.9	0.1	-0.1	-	-	-0.8	1.1
Miscellaneous other provisions	26.5	11.5	-1.1	-	-0.3	-4.3	32.3
	153.3	**75.0**	**-10.9**	**2.9**	**-0.9**	**-83.6**	**135.8**

Provisions for pensions and similar obligations

DAIG has pension obligations towards various employees which are based on the length of service. Defined benefit and defined contribution obligations – for which DAIG guarantees a certain level of benefit – are provided for through provisions for pensions. DAIG has taken out reinsurance contracts for individual people.

Generally, they are pension benefits which depend on the final salary with percentage increases depending on the number of years of service.

The pension commitments cover 2,253 eligible persons.

Executives in active service have the opportunity to participate in the "Pension instead of Cash Remuneration" model (Versorgungsbezüge anstelle von Barbezügen) in the version dated October 2003. Retirement, invalidity and surviving dependant benefits in the form of a life-long pension are offered under this deferred compensation model. The retirement benefits can also be paid out as a one-off capital sum. The annuity table is based on a discount rate of 6 % and in other respects is the same as the defined contribution model of Bochumer Verband.

The following overview summarises the most important basic data of the closed pension plans:

	VO1 Veba Immobilien	**VO 91 Eisenbahnerges.**	**Bochumer Verband**
Type of benefits	Retirement, invalidity and surviving dependant benefits	Retirement, invalidity and surviving dependant benefits	Retirement, invalidity and surviving dependant benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level			
Remuneration up to state pension assessment limit	25 %	27 %	Depends on individual grouping
Remuneration over state pension assessment limit	25 %	72 %	
Total pension model based on final salary	Yes	Yes	No
Net benefit limit incl. state pension	None	90 %	None
Gross benefit limit	70 %	None	None
Adjustment of pensions	Section 16, para. 1,2 BetrAVG	Section 16, para. 1,2 BetrAVG	Adjustment every 3 years by Bochumer Verband (Management Board resolution)
Supplementary periods	Age of 55	None	Age of 55 (half)
Legal basis	Works agreement	Works agreement	Commitment to executives in individual contract
No. of eligible persons	367	338	547

	VO 60 Eisenbahnerges.	**Viterra commitment to Management Board members (with plan assets)**	**Deferred compensation until 1999**
Type of benefits	Retirement, invalidity and surviving dependant benefits	Retirement, invalidity and surviving dependant benefits	Retirement, invalidity and surviving dependant benefits
Pensionable remuneration	Final salary	Final salary	Not applicable
Max. pension level			
Remuneration up to state pension assessment limit	48 %	75 %	Not applicable
Remuneration over state pension assessment limit	48 %	75 %	Not applicable
Total pension model based on final salary	Yes	No	No
Net benefit limit incl. state pension	None	None	None
Gross benefit limit	75 %	None	None
Adjustment of pensions	Section 16, para. 1,2 BetrAVG	Annual according to development of cost of living	Section 16, para. 1,2 BetrAVG, min. 8 % every 3 years
Supplementary periods	None	None	Age of 55
Legal basis	Works agreement	Commitment to Management Board members in individual contract	Commitment to executives in individual contract
No. of eligible persons	196	6	29

The current pensions according to the classic pension benefit regulations of Bochumer Verband are adjusted in line with Section 20 of those regulations. Section 20 is a rule which is based on Section 16, para. 1,2 BetrAVG but which, according to a ruling of the Federal Labour Court, is an independent rule. Other company pensions are reviewed and adjusted under the terms of the agreement according to Section 16, para. 1,2 BetrAVG. On every review date, the development of the cost of living since the individual retirement date is reviewed and compensated for. Only in the aforementioned deferred compensation model is the option, available since January 1, 1999, used to raise the current pensions every year by 1% (Section 16, para. 3 No. 1 BetrAVG). No further risks are seen.

The company has decided to use the internal financing effect of the pension provisions and only back a relatively small portion of the pension obligations with plan assets. For former Management Board members, reinsurance policies were taken out against payment of a one-off sum in order to provide additional protection against insolvency; these reinsurance policies were pledged to the eligible persons and constitute plan assets, which are offset against the gross obligation. In 2012, the fair value of the reinsurance policies was for individual persons higher than the extent of the obligations towards the respective person. This surplus of the fair values of the assets over the obligation is shown under non-current other assets. The conclusion of further reinsurance policies is not planned.

Pension plan obligations and the expenses necessary to cover these obligations are determined using the projected unit credit method prescribed by IAS 19, whereby both pensions known on the reporting date and vested rights as well as expected future increases in salaries and pensions are included in the measurement. The following actuarial assumptions were made at the reporting date – in each case related to the end of the year and with economic effect for the following year.

Actuarial assumptions:

in %	2013	2012
Discount rate	3.30	2.70
Pension trend	2.00	2.00
Salary trend	2.75	2.75

The 2005 G mortality tables of Prof. Dr Klaus Heubeck have been taken for the biometric assumptions without any changes.

The defined benefit obligation (DBO) developed as follows:

€ million	2013	2012
Defined benefit obligation as at Jan. 1	**339.8**	**272.7**
Interest cost	8.9	12.1
Current service cost	2.5	1.9
Actuarial gains and losses:		
Changes in the biometric assumptions	1.4	0.5
Changes in the financial assumptions	-25.2	71.2
Transfer from other provisions	0.2	-
Benefits paid	-18.5	-18.6
Defined benefit obligation as at Dec. 31	**309.1**	**339.8**

The present value of the defined benefit obligation is divided among the groups of eligible persons as follows:

€ million	2013	2012
Active employees	45.8	52.0
Former employees with vested pension rights	42.7	49.1
Pensioners	220.6	238.7
DBO as at Dec. 31	**309.1**	**339.8**

Plan assets comprise solely reinsurance contracts. The fair value of the plan assets has developed as follows:

€ million	2013	2012
Fair value of plan assets as at Jan. 1	**20.9**	**19.7**
Return calculated using the discount rate	0.5	0.9
Actuarial gains:		
Changes in the biometric assumptions	-	-
Changes in the financial assumptions	0.2	0.9
Benefits paid	-0.9	-0.6
Repayments	-2.5	-
Fair value of plan assets as at Dec. 31	**18.2**	**20.9**

The actual return on plan assets amounted to € 1.1 million in 2013 (2012: € 1.8 million).

The following table shows a reconciliation of the defined benefit obligation to the provision for pensions recognised in the balance sheet:

€ million	Dec. 31, 2013	Dec. 31, 2012
Present value of funded obligations*	26.4	29.0
Present value of unfunded obligations	282.7	310.8
Total present value of obligations (DBO)	**309.1**	**339.8**
Fair value of plan assets*	-18.2	-20.9
Net liability recognised in the balance sheet	**290.9**	**318.9**
Other assets to be recognised	-	0.1
Provisions for pensions recognised in the balance sheet	**290.9**	**319.0**

* attributable to the "Viterra commitment to Management Board members" pension plan.

In 2013, actuarial gains of € 23.6 million (excluding deferred taxes) were recorded in other comprehensive income. Cumulative changes in equity not affecting net income of € 46.5 million (excluding deferred taxes) from actuarial losses on defined benefit obligations are recognised in other comprehensive income.

The weighted average term of the defined benefit obligations is 13 years.

The following table contains the projected, undiscounted pension payments of the coming five financial years and the total of those in the subsequent five financial years:

€ million	Projected pension payments
2014	18.4
2015	17.9
2016	17.7
2017	17.5
2018	17.4
2019-2023	84.6

Sensitivity analyses:

An increase or decrease in the main actuarial assumptions would have the following effects on the DBO as at December 31, 2013 if the other assumptions did not change:

€ million		
Discount rate	Increase by 1 %	-35.2
	Decrease by 1 %	43.9
Pension trend	Increase by 0.25 %	7.1
	Decrease by 0.25 %	-6.8
Salary trend	Increase by 0.25 %	0.6
	Decrease by 0.25 %	-0.6

An increase in life expectancy of 5.3 % would have resulted in an increase in the DBO of € 11.8 million as at December 31, 2013. This percentage rise corresponds to a one-year increase in the life expectancy of a man who was 65 at the reporting date.

If several assumptions are changed simultaneously, the cumulative effect is not necessarily the same as if there had been a change in just one of the assumptions.

The pension provisions include € 8.1 million (2012: € 9.4 million) for pension obligations which were transferred to third parties as part of an assumption of debt and which relate to vested rights and the payment of current pensions. A corresponding non-current receivable is shown under miscellaneous other assets.

Other provisions

Reversals of provisions are generally offset against the expense items for which they were originally established.

The provisions for environmental remediation basically refer to site remediation of locations of the former Raab Karcher companies. Remediation has either already begun or an agreement has been reached with the authorities as to how the damage is to be remedied. The cost estimates are based on expert opinions detailing the anticipated duration of the remediation work and the anticipated cost.

The personnel obligations are provisions for pre-retirement part-time work arrangements, bonuses, severance payments not relating to restructuring and other personnel expenses. The other personnel expenses include a provision for the Long-Term Incentive Plan (LTIP) of € 16.5 million (2012: € 25.6 million) determined in accordance with IFRS 2 (see note [44] Related party transactions).

Outstanding trade invoices and follow-up costs from property sales relate to unbilled goods and services as well as contractually agreed completion work.

The miscellaneous other provisions include, among others, future costs connected with heat contracting which cannot be passed on to tenants as well as costs for entering transfers of title and litigation costs.

31 TRADE PAYABLES

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Liabilities				
from property letting	-	19.5	-	19.3
from other goods and services	0.3	28.1	0.3	26.7
	0.3	**47.6**	**0.3**	**46.0**

32 OTHER FINANCIAL LIABILITIES

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Other non-derivative financial liabilities				
Banks	2,512.7	150.6	1,297.0	337.1
Other creditors	2,970.9	25.7	4,402.6	300.5
Deferred interest from other non-derivative financial liabilities	-	26.8	-	35.4
Derivative financial liabilities				
Purchase price liabilities from put options	-	7.4	-	7.0
Cash flow hedges	69.4	-	67.1	-
Deferred interest from cash flow hedges	-	1.6	-	3.8
	5,553.0	**212.1**	**5,766.7**	**683.8**

As at December 31, 2013, financial liabilities were reclassified from non-current financial liabilities to current financial liabilities. These reclassifications relate to loans which have to be repaid in the next financial year due to property sales. After the sale of these properties, part of the proceeds from their sale is to be used to repay the loans (see note [21] Investment properties).

Deferred interest is presented at this point as current in order to show the cash effectiveness of the interest payments transparently at this point. In principle, the deferred interest is part of non-derivative and derivative financial liabilities. Of the deferred interest from non-derivative financial liabilities, € 25.3 million is from corporate bonds which would normally be under other creditors.

The maturities and average interest rates of the nominal obligations of the liabilities to banks and the liabilities to other creditors are as follows:

€ million	Nominal obligation Dec. 31, 2013	Maturity	Average interest rate	Repayment of the nominal obligations is as follows: 2014	2015	2016	2017	2018	from 2019
Bond*	700.0	2016	2.13 %	-	-	700.0	-	-	-
Bond*	600.0	2019	3.13 %	-	-	-	-	-	600.0
Bond (US dollar)*	554.9	2017	2.97 %	-	-	-	554.9	-	-
Bond (US dollar)*	184.9	2023	4.58 %	-	-	-	-	-	184.9
Bond (EMTN)*	500.0	2021	3.63 %	-	-	-	-	-	500.0
Portfolio loans									
Landesbank Hessen-Thüringen and SEB AG*	248.5	2015	5.45 %	3.9	244.6	-	-	-	-
Norddeutsche Landesbank (1)*	144.2	2018	3.71 %	3.3	3.4	3.6	3.7	130.2	-
Corealcredit Bank AG*	162.3	2018	4.22 %	1.8	1.8	1.8	1.8	155.1	-
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	640.9	2018	3.16 %	10.4	10.4	10.4	10.4	599.3	-
Nordrheinische Ärzteversorgung	38.5	2023	3.49 %	0.4	0.5	0.5	0.5	0.5	36.1
AXA S.A. (Société Générale S.A.)*	174.8	2018	3.61 %	2.6	2.6	2.6	2.5	164.5	-
Norddeutsche Landesbank (2)*	129.4	2023	3.84 %	2.9	3.0	3.1	3.3	3.4	113.7
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	465.5	2020	3.53 %	7.1	7.1	7.1	7.1	7.1	430.0
Pfandbriefbank AG*	190.3	2018	3.26 %	2.5	2.9	3.3	3.3	178.3	-
Mortgages	993.9	2038	2.87 %	133.2	45.4	44.0	154.0	49.3	568.0
thereof prolongations				(98.0)	(11.9)	(13.1)	(126.3)	(25.5)	(115.4)
	5,728.1			**168.1**	**321.7**	**776.4**	**741.5**	**1,287.7**	**2,432.7**

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

The loan repayments shown for the following years contain contractually fixed minimum repayment amounts.

Of the nominal obligations to creditors, € 3,187.4 million (2012: € 6,313.4 million) are secured by land charges and other collateral (account pledge agreements, assignments, pledges of company shares and guarantees). In the event of a breach of the covenants, failure to repay or insolvency, the securities provided are used to satisfy the claims of the creditors.

The nominal interest rates on the financial liabilities to banks and other creditors are between 0.0 % and 8.7 % (average weighted approx. 3.26 %). Basically none of the financial liabilities contain any significant short-term interest rate risks as they relate either to loans with long-term fixed interest rates or variable-interest liabilities which are hedged using suitable derivative financial instruments (see note [36] Financial risk management).

In the reporting year, capital repayments totalling € 6,876.3 million were made. This figure includes unscheduled repayments of mortgages of € 189.0 million. New loans of € 6,525.0 million were taken out.

Bonds

In July 2013, DAIG placed a bond with an amount of € 700 million, a term of three years and a coupon of 2.125 % in the unregulated open market on the Frankfurt Stock Exchange as well as another bond with an amount of € 600 million, a term of six years and a coupon of 3.125 %. The interest payment date is in each case July 25 of a year beginning in 2014.

Bonds (US dollar)

In October 2013, the issuance of a bond for US-$ 1,000 million was completed as part of a private placement. The bond is split into two tranches, one 4-year bond for US-$ 750 million with a coupon of 3.20 % with 100 % payout and a 10-year bond for US-$ 250 million with a coupon of 5.00 % with 98.993 % payout. The interest payment dates are April 2 and October 2 of each year, beginning with April 2, 2014. The EUR-USD currency risk resulting from the interest payments and capital repayments was eliminated for the entire term of the bonds by contracting corresponding cross currency swaps. Due to the interest rate differences between the US dollar and the euro, this also resulted in a reduction in the financing costs compared with the US-dollar coupon so that the interest rate is 2.97 % on the 4-year tranche and 4.68 % on the 10-year tranche.

Bonds (EMTN)

Furthermore, the placing of an 8-year bond for € 500 million under the European Medium Term Note Programme (EMTN) was completed in October 2013. The coupon is 3.625 % with a payout of 99.443 %. Interest is paid yearly on October 8, beginning in 2014.

Landesbank Hessen-Thüringen and SEB AG

The loan agreement signed as part of a refinancing measure in 2008 with Landesbank Hessen-Thüringen and SEB AG originally for € 300.0 million and running until April 2015 had a value of € 248.5 million as at December 31, 2013 (2012: € 252.8 million). As part of this loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. Interest on the loan is based on the 3-month EURIBOR. In order to hedge the interest rate risk over the entire term of the loan agreement, the borrowers contracted fixed payer swaps with an interest rate of 5.45 % (including margin). This loan agreement provides for regular quarterly capital repayments as well as obligatory special capital repayments when residential units are sold.

Norddeutsche Landesbank (1)

In March 2012, two loans for € 150.3 million concluded with Norddeutsche Landesbank (1) were paid out. These loans had a value as at December 31, 2013 of € 144.2 million (2012: € 147.3 million) after deduction of the semi-annual scheduled capital repayment. The average weighted interest rate is, after allowing for the interest hedges contracted, 3.70 % (including margin) until the end of the term of the loans in December 2018. Securities were provided in the form of land charges, account pledge agreements and assignments.

Corealcredit Bank AG

The loan agreement for originally € 178.3 million signed with Corealcredit Bank AG in 2010 was valued at € 162.3 million as at December 31, 2013 (2012: € 166.8 million). The average interest rate for this financing, after allowing for the interest hedges contracted, is 4.22 % (including margin) until the end of the term in April 2018. The contractually agreed debt-equity ratio was complied with. As part of the loan agreement, the borrowers provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. This loan agreement provides for regular quarterly capital repayments as well as obligatory special capital repayments when residential units are sold.

Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)

The partial refinancing of the Securitisation Group negotiated in December 2012 with Berlin-Hannoversche Hypothekenbank was paid out on February 14, 2013 with a loan amount of € 654.3 million and had a value of € 640.9 million as at December 31, 2013. The average weighted interest rate on this loan is 3.17 %. The term is five years from payout. Securities were provided in the form of land charges, account pledge agreements and assignments.

Nordrheinische Ärzteversorgung

In March 2013, a loan agreement for € 39.5 million was signed with Nordrheinische Ärzteversorgung, Düsseldorf; the loan had a value of € 38.5 million as at December 31, 2013. Under the terms of the loan agreement, loan maturity is ten years and the interest rate is fixed at 3.49 %. The loan was paid out on April 15, 2013. Securities in the form of land charges and assignments were provided.

AXA S.A. (Société Générale S.A.)

In June 2013, a loan agreement for a total of € 176.4 million was signed with AXA S.A. (Société Générale) and paid out. The loan had a value of € 174.8 million as at December 31, 2013. This loan has a term of five years and bears interest at a weighted interest rate of 3.61 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

Norddeutsche Landesbank (2)

A loan for € 130.3 million agreed with Norddeutsche Landesbank (2) was paid out in June 2013, and had a value of € 129.4 million as at December 31, 2013. This loan has a term of ten years and a weighted interest rate of 3.84 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

Berlin-Hannoversche Hypothekenbank, Landesbank Berlin und Landesbank Baden-Württemberg

In a consortium with two other German covered bond banks (Pfandbriefbanken), Berlin-Hannoversche-Hypothekenbank paid out a further loan for € 470.1 million in July 2013. This loan had a value of € 465.6 million as at December 31, 2013. The loan has a weighted interest rate of 3.54 % and runs until June 30, 2020. The normal securities – assignments, pledge agreements and land charges – were also provided for this loan.

Pfandbriefbank AG

In July 2013, Pfandbriefbank AG provided financing of € 193.5 million. This loan had a value of € 190.3 million as at December 31, 2013. The loan has a term of five years and the weighted interest rate is 3.26 %. Securities will be provided in the form of assignments, pledge agreements and land charges.

Liabilities to other creditors include as at December 31, 2013 a liability of € 91.9 million from finance leases (2012: € 91.3 million) (Spree-Bellevue property). The following table shows the total minimum lease payments and reconciliation to their present value.

€ million	Dec. 31, 2013 Total minimum lease payments	Dec. 31, 2013 Interest portion	Dec. 31, 2013 Present value	Dec. 31, 2012 Total minimum lease payments	Dec. 31, 2012 Interest portion	Dec. 31, 2012 Present value
Due within one year	4.6	0.3	4.3	4.5	0.2	4.3
Due in 1 to 5 years	19.0	3.3	15.7	18.7	3.3	15.4
Due after 5 years	224.8	152.9	71.9	229.7	158.1	71.6
	248.4	**156.5**	**91.9**	**252.9**	**161.6**	**91.3**

As part of finance leases, an expense of € 5.2 million was recorded in the reporting period (2012: € 5.1 million). On the balance-sheet date, there were no significant non-cancellable sub-tenancies on the Spree-Bellevue property.

33 INCOME TAX LIABILITIES

Income tax liabilities of the prior periods result from the lump-sum taxation of the previously untaxed so-called EK02 amounts at a rate of 3 % introduced under the 2008 Annual Tax Act (Jahressteuergesetz 2008). In the reporting period, the remaining tax liability was paid in full ahead of schedule.

34 OTHER LIABILITIES

€ million	Dec. 31, 2013 non-current	Dec. 31, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Advance payments received	-	20.2	-	27.2
Miscellaneous other liabilities	9.8	15.6	4.8	21.4
	9.8	**35.8**	**4.8**	**48.6**

The advance payments received include on-account payments of € 18.2 million (2012: € 24.8 million) from tenants for ancillary costs after offsetting against the corresponding work in progress.

The current miscellaneous other liabilities include other tax liabilities of € 3.4 million (2012: € 3.0 million).

OTHER NOTES AND DISCLOSURES

35 CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORIES

Measurement categories and classes: € million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2013	Amounts recognised in balance sheet according to IAS 39				
			Face value	Amortised cost	Acqui-sition cost	Fair value affecting net income	Fair value recognised in equity
Assets							
Cash and cash equivalents	LaR	547.8	547.8				
Trade and other receivables							
Receivables from the sale of properties	LaR	90.4		90.4			
Receivables from property letting	LaR	12.1		12.1			
Receivables from other management	LaR	1.0		1.0			
Other assets							
Receivables from related parties	LaR	3.0		3.0			
Financial assets							
Loans to related companies	LaR	33.6		33.6			
Other long-term loans	LaR	3.6		3.6			
Dividends from other investments	LaR	2.1		2.1			
Other non-derivative financial assets							
Long-term securities	AfS	3.7					3.7
Other investments	AfS	1.6			1.6		
Liabilities							
Trade and other payables							
Liabilities from property letting	FLAC	19.5		19.5			
Liabilities from other goods and services	FLAC	28.4		28.4			
Other liabilities							
Liabilities from GRAND restructuring							
Other non-derivative financial liabilities							
Liabilities to banks	FLAC	2,663.3		2,663.3			
Liabilities to other lenders	FLAC	2,904.7		2,904.7			
Deferred interest from other non-derivative financial liabilities	FLAC	26.8		26.8			
Liabilities from finance leases	n.a.	91.9					
Derivative financial liabilities							
Purchase price liabilities from put options	FLHfT	7.4				7.4	
Cash flow hedges (cross currency swaps)	n.a.	24.7				10.6	14.1
Cash flow hedges (interest rate swaps)	n.a.	44.7				6.9	37.8
Deferred interest from cash flow hedges	n.a.	1.6				1.6	
thereof aggregated by measurement categories in accordance with IAS 39:							
Loans and receivables	LaR	693.6	547.8	145.8	0.0	0.0	0.0
Available-for-sale financial assets	AfS	5.3	0.0	0.0	1.6	0.0	3.7
Financial liabilities held for trading	FLHfT	7.4	0.0	0.0	0.0	7.4	0.0
Financial liabilities measured at amortised cost	FLAC	5,642.7	0.0	5,642.7	0.0	0.0	0.0
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		8.1					
Amount by which the fair value of plan assets exceeds the corresponding obligation		-					
Provisions for pensions and similar obligations		291.0					

Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2013	Fair value hierarchy level	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2012	Amounts recognised in balance sheet according to IAS 39					Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2012	Fair value hierarchy level
					Face value	Amortised cost	Acqui-sition cost	Fair value affecting net income	Fair value recog-nised in equity			
	547.8	1	LaR	470.1	470.1						470.1	1
	90.4	2	LaR	8.6		8.6					8.6	2
	12.1	2	LaR	11.1		11.1					11.1	2
	1.0	2	LaR	0.6		0.6					0.6	2
	3.0	2	LaR	15.0		15.0					15.0	2
	37.4	2	LaR	33.7		33.7					40.7	2
	3.6	2	LaR	5.5		5.5					5.5	2
	2.1	2	LaR	2.1		2.1					2.1	2
	3.7	1	AfS	3.8					3.8		3.8	1
	1.6	n.a.	AfS	1.6			1.6				1.6	n.a.
	19.5	2	FLAC	19.3		19.3					19.3	2
	28.4	2	FLAC	27.0		27.0					27.0	2
			FLAC	8.0		8.0					8.0	
	2,756.2	2	FLAC	1,634.1		1,634.1					1,688.3	2
	2,945.5	2	FLAC	4,611.8		4,611.8					4,626.8	2
	26.8	2	FLAC	35.4		35.4					35.4	2
91.9	109.4	2	n.a.	91.3						91.3	118.8	2
	7.4	3	FLHfT	7.0				7.0			7.0	3
	24.7	2										
	44.7	2	n.a.	67.1				6.4	60.7		67.1	2
	1.6	2	n.a.	3.8				3.8			3.8	2
0.0	697.4		LaR	546.7	470.1	76.6	0.0	0.0	0.0	0.0	553.7	
0.0	5.3		AfS	5.4	0.0	0.0	1.6	0.0	3.8	0.0	5.4	
0.0	7.4		FLHfT	7.0	0.0	0.0	0.0	7.0	0.0	0.0	7.0	
0.0	5,776.4		FLAC	6,335.6	0.0	6,335.6	0.0	0.0	0.0	0.0	6,404.8	
				9.4								
				0.1								
				319.0								

IFRS 13 defines fair value as a price that would be received to sell an asset or paid to transfer a liability in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The fair value is to be determined using as inputs measurement parameters which are as market-based as possible. The measurement hierarchy (fair value hierarchy) categorises the inputs for the measurement technique in three levels, giving the highest priority level to the most market-based inputs:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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.

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	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	**69.4**		69.4	

€ million	Dec. 31, 2012	Level 1	Level 2	Level 3
Assets				
Investment properties	**9,843.6**			9,843.6
Available-for-sale financial assets				
Non-current securities	**3.8**	3.8		
Assets held for sale				
Investment properties (contract closed)	**128.8**		128.8	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**7.0**			7.0
Cash flow hedges	**67.1**		67.1	

DAIG valued its investment properties up to and including the 2012 financial year using the income capitalisation method. At the beginning of 2013, the valuation technique was refined and the discounted cash flow (DCF) methodology is now used.

The details on the valuation methods, the main valuation parameters as well as a sensitivity analysis of the main drivers are given in note [21] Investment properties. This note also includes a reconciliation from January 1 to December 31, 2013. Changes in the fair value are recognised as income in the income statement of € 553.7 million. In the 2013 financial year, € 551.9 million of the income from fair value adjustments of investment properties was attributable to properties still in the housing stocks at the end of the reporting period. € 1.8 million was realised by sales during the year.

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). In the reporting period, investment properties totalling € 124.7 million (Level 3) were reclassified to assets held for sale (Level 2) while the disposals amounted to € 207.9 million.

In addition to the tenor-specific EURIBOR (3M; 6M), the respective credit risk is taken as a basis for discounting the non-derivative and derivative financial instruments. Depending on the expected cash flows, either DAIG's own credit risk or the counterparty risk is taken into account in the calculation. In the consolidated financial statements, DAIG's own credit risk was relevant in each case; this was roughly 190 basis points depending on the respective risk.

The fair value of the purchase price obligations from put options granted to minority shareholders for the shares they hold is basically determined by their share in the value of the company (Level 3), which is determined as the present value of the net cash inflows connected with ownership of the company. In cases where the minimum purchase price offered in the contract exceeds this amount, this purchase price is recognised. At the balance-sheet date, the minimum purchase price was € 7.2 million (2012: € 6.7 million).

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

€ million	Jan. 1	Change: affecting net income	Change: cash-effective	Dec. 31
2013				
Purchase price liabilities from put options	7.0	0.5	-0.1	7.4
2012				
Purchase price liabilities from put options	7.2	-0.1	-0.1	7.0

The sensitivity analysis has shown that if the value of the company deviates by 10 % in each case, the purchase price liability under put options granted at the reporting date would differ by € +0.1 million or € -0.1 million (2012: € +0.1 million or € -0.0 million). In 2012, the decrease in the value of the company by 10 % did not lead to a lower purchase price liability as the purchase price liability was largely recognised at the contractually agreed higher purchase prices. The changes would be reflected in full in net interest.

Financial instruments, which are not recognised in the balance sheet at fair value but at amortised cost, whose fair values are disclosed in the Notes, are also classified in the three-level fair value hierarchy.

The fair values of the cash and cash equivalents, trade receivables as well as other financial receivables approximate their carrying amounts at the balance-sheet date owing to their mainly short maturities.

The fair values of the other non-current financial receivables correspond to the present values of the payments associated with the assets, taking into account the relevant current interest parameters (Level 2).

Other investments are measured at cost as there is no price quoted on an active market and the fair market value cannot be determined reliably. Other investments are mainly VBW Bauen und Wohnen GmbH, Bochum, € 0.9 million (2012: € 0.9 million), Hellerhof GmbH, Frankfurt am Main, € 0.3 million (2012: € 0.3 million) as well as WoWi Media GmbH & Co. KG, Hamburg, € 0.3 million (2012: € 0.3 million).

Liabilities from property letting and liabilities from other goods and services usually have short maturities; the values recognised approximate the fair values.

The fair values of the other non-derivative financial liabilities are also measured by discounting the future cash flows using the current risk-adjusted interest rate structure curve at the balance-sheet date (Level 2).

Net result according to measurement categories:

2013				From subsequent measurement				
€ million	Measurement category in acc. with IAS 39	From interest	Income from other long-term loans	Impair-ment losses	Derecog-nised receivables	Derecog-nised liabilities	Income from other investments	Net result 2013
Loans and receivables	LaR	7.5	1.9	-8.8	-0.7	-	-	-0.1
Available-for-sale financial assets	AfS	0.1	-	-	-	-	2.8	2.9
Financial liabilities held for trading	FLHfT	-0.5	-	-	-	-	-	-0.5
Financial liabilities measured at amortised cost	FLAC	-236.8	-	-	-	1.1	-	-235.7
		-229.7	**1.9**	**-8.8**	**-0.7**	**1.1**	**2.8**	**-233.4**

2012				From subsequent measurement				
€ million	Measurement category in acc. with IAS 39	From interest	Income from other long-term loans	Impair-ment losses	Derecog-nised receivables	Derecog-nised liabilities	Income from other investments	Net result 2012
Loans and receivables	LaR	7.3	1.9	-17.0	-0.1	-	-	-7.9
Available-for-sale financial assets	AfS	0.1	-	-	-	-	3.0	3.1
Financial liabilities held for trading	FLHfT	0.1	-	-	-	-	-	0.1
Financial liabilities measured at amortised cost	FLAC	-388.1	-	-	-	0.2	-	-387.9
		-380.6	**1.9**	**-17.0**	**-0.1**	**0.2**	**3.0**	**-392.6**

DAIG basically records the components of the net result under financial income and financial expenses.

In the reporting year, the financial result for financial assets or financial liabilities that are not measured at fair value through profit and loss (calculated using the effective interest method) adds up to € -241.8 million (2012: € -391.3 million).

Impairment losses which can be assigned to the measurement category “Loans and receivables” (LaR) as well as income and expenses in connection with derecognised receivables are shown under other operating income or other operating expenses.

The income from derecognised liabilities assigned to the measurement category “Financial liabilities measured at amortised cost” (FLAC) was shown under other operating income.

36 FINANCIAL RISK MANAGEMENT

In the course of its business activities, DAIG is exposed to various financial risks. The Group-wide financial risk management system focuses on the unpredictability of developments on the financial markets and its aim is to minimise the potentially negative impact on the financial position of the Group and avoid risk concentrations. For the structure and organisation of financial risk management, we refer to the management report (chapter “Structure and instruments of the risk management system”). This system was implemented on the basis of Group guidelines which were approved by the Management Board and which are continually reviewed. The risks associated with financial instruments and the corresponding risk management are described in detail as follows:

Market risks

(a) Currency risks

The cash-effective currency risks arising in connection with the issuance of USD bonds were eliminated by the simultaneous contracting of cross currency swaps. Apart from the aforementioned, DAIG is still not exposed to any material currency risks in its normal business activities.

(b) Interest rate risks

In the course of its business activities, DAIG is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. As part of interest rate risk management, the interest markets are continually monitored by the Finance and Treasury department. Its observations are incorporated into the financing strategy.

To limit or manage the risks directly connected with its business operations, DAIG uses derivative financial instruments, in particular EUR interest swaps. DAIG’s policies permit the use of derivatives only if they are associated with underlying assets or liabilities, contractual rights or obligations and planned operating transactions.

Preceding this chapter, there is a sensitivity analysis with regard to purchase price liabilities from put options. A sensitivity analysis for cash flow hedges is provided under note [38] Derivative financial instruments.

Credit risks

DAIG is exposed to a default risk resulting from the potential failure of a counterparty to fulfil its part of the contract. In this context, there is still no significant concentration of risks. Contracts for derivative financial instruments and financial transactions which substantiate a claim by DAIG against the counterparty are only concluded with banks which have a good standing and/or belong to a deposit protection scheme.

Liquidity risks

The companies of DAIG are mainly financed by borrowings. Due to their high volume, the bank loans are in some cases exposed to a considerable refinancing risk. The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the wake of the financial crisis. In order to limit these risks, DAIG is in constant contact with many different market players and continuously monitors all financing options available on the capital and banking markets. Moreover, DAIG subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing. The successful GRAND refinancing using, for the first time different corporate bonds, led to a significant reduction in the volume risk.

Under the conditions of existing loan agreements, DAIG is obliged to fulfil certain financial covenants such as the debt service coverage ratio or debt-equity ratio. If financial covenants are violated, the breach is not rectified within so-called cure periods and no mutually acceptable agreement can be reached with the lenders, the financing may be restructured and the cost structure changed. Should all commonly practised solutions be unsuccessful, the lenders could call in the loan. As part of risk management, the fulfilment of these financial covenants is continually monitored on the basis of current extrapolations and budgetary accounting.

To ensure its ability to pay at all times, DAIG has established a Treasury Management department, which continually checks and optimises the DAIG cash flows using, among other things, cash pooling and reports to the Management Board regularly on the current liquidity situation of the Group. Liquidity management is supplemented by short-term rolling, monthly liquidity planning for the current financial year, of which the Management Board is also promptly notified.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments. The loan repayments shown for the following years contain only contractually fixed minimum repayment amounts:

€ million	Carrying amount as at Dec. 31, 2013	2014 Interest	2014 Repayment	2015 Interest	2015 Repayment	2016 to 2020 Interest	2016 to 2020 Repayment
Other non-derivative financial liabilities:							
Banks	2,663.3	77.5	146.8	70.5	307.7	243.4	1,880.0
Other creditors	2,904.7	91.2	21.4	89.8	14.0	303.8	2,087.1
Deferred interest from other non-derivative financial liabilities	26.7	26.7					
Liabilities from finance leases	91.9	5.2		5.2		26.5	
Derivative financial liabilities							
Purchase price liabilities from put options	7.4				2.5		4.0
Cash flow hedges (interest)	44,7	19,5		16,3		4,7	
Cash flow hedges (cross currency swap) USD in EUR	24,7	-26,5		-26.4		-78,4	-533,2
EUR		25.0		25.0		75.4	554.8
Deferred interest from cash flow hedges	1.7	1.7					

DAIG had cash on hand and deposits at banks totalling € 547.8 million as at the balance-sheet date (2012: € 469.9 million). Therefore DAIG's ability to service debt continues to be guaranteed at all times.

We refer to the information on financial risk management in the management report.

37 CAPITAL MANAGEMENT

The aim of DAIG's management is to manage the capital structure:

> ensure a long-term increase in value in the interest of investors, employees and customers
> maintain the investment grade rating
> ensure adequate liquidity of the Group
> ensure that the company can service its debts
> create enough financial flexibility for the company to implement its growth and portfolio optimisation strategy
> determine and control risks arising from changes in interest rates as well as to take advantage of the potential to optimise the interest result within the relevant risk preference.

As part of the opportunities and risk management of DAIG, the members of the Management Board are given monthly reports on the development of results and the potential effects on the Group's equity.

The equity situation of the subsidiaries is regularly examined.

The DAIG equity developed as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Total equity	3,818.0	2,677.4
Total assets	11,092.8	10,608.3
Equity ratio	34.4 %	25.2 %

DAIG plans to continue funding possible acquisitions by an optimal mix of debt capital and equity.

In order to protect itself against changes in exchange rates and interest rates, DAIG regularly contracts derivative hedging transactions in the case of liabilities with variable interest rates or liabilities in foreign currencies. The Finance department is responsible for implementing the financing strategy.

38 DERIVATIVE FINANCIAL INSTRUMENTS

16 fixed payer swaps have been contracted to hedge the interest rate risk of the acquisition lines of credit, which were taken out by subsidiaries of Deutsche Annington Immobilien SE, in particular to fund portfolios.

All derivatives are included in a master netting agreement with the issuing banks. As all derivatives have a negative clean present fair value, neither economic nor accounting offsetting takes place.

At the reporting date, the nominal volume of the interest rate swaps amounted to € 996.4 million (2012: € 800.5 million). Interest rates vary between 1.295 % and 4.400 % with original swap periods of 4.75 to ten years:

€ million	Nominal value	Beginning of term	End of term	Current average interest rate (incl. margin)
Landesbank Hessen-Thüringen and SEB AG				
Hedged items	248.5	Apr. 18, 2008	Apr. 20, 2015	3-m EURIBOR margin 1.05 %
Interest rate swaps	250.9	Jul. 21, 2008	Apr. 20, 2015	4.400 %
Norddeutsche Landesbank (1)				
Hedged items	144.2	Mar. 30, 2012	Dec. 31, 2018	6-m EURIBOR margin 1.04 %-2.19 %
Interest rate swaps	144.2	Mar. 30, 2012	Dec. 31, 2018	2.395 %
Corealcredit Bank AG				
Hedged items	162.3	Dec. 14, 2010	Dec. 31, 2018	3-m EURIBOR margin 0.88 %-0.93 %
Interest rate swaps	173.6	Apr. 13, 2011	Apr. 13, 2018	3.335 %
AXA S.A. (Société Générale S.A.)				
Hedged items	174.8	Jun. 26, 2013	Jun. 29, 2018	3-m EURIBOR margin 2.25 %
Interest rate swaps	149.4	Sep. 30, 2013	Jun. 26, 2018	1.360 %
Norddeutsche Landesbank (2)				
Hedged items	86.1	Jun. 28, 2013	Jun. 30, 2023	3-m EURIBOR margin 1.47 %
Interest rate swaps	86.1	Jun. 28, 2013	Jun. 30, 2023	2.290 %
Pfandbriefbank AG				
Hedged items	190.3	Jul. 5, 2013	Jun. 29, 2018	3-m EURIBOR margin 1.95 %
Interest rate swaps	192.2	Jul. 5, 2013	Jul. 5, 2018	1.307 %

On September 25, 2013, two cross currency swaps were contracted in equal amounts with each of JP Morgan Limited and Morgan Stanley Bank International Limited; these cross currency swaps became effective on the issuance of two bonds for a total amount of US-$ 1,000 million on October 2, 2013. The hedging instruments, each for an amount of US-$ 375 million, have a term of four years and the cross currency swaps, each for an amount of US-$ 125 million, have a term of ten years. Therefore, the EUR-USD currency risk resulting from the coupon and capital repayments is eliminated for the entire term of the bonds.

The nominal volume of the cross currency swaps is € 739.8 million at the reporting date. The interest conditions are 2.970 % for four years and 4.58 % for ten years.

€ million	Nominal value US-$	Nominal value €	Beginning of term	End of term	Interest rate US-$	Interest rate €	Hedging rate US-$/€
J.P. Morgan Securities plc Morgan Stanley & Co. International plc							
Hedged items	750.0	554.9	Oct. 2, 2013	Oct. 2, 2017	3.20 %		
Hedged items	250.0	184.9	Oct. 2, 2013	Oct. 2, 2023	5.00 %		
Cross currency swaps	750.0	554.9	Oct. 2, 2013	Oct. 2, 2017		2.97 %	1.3517
Cross currency swaps	250.0	184.9	Oct. 2, 2013	Oct. 2, 2023		4.58 %	1.3517

The designation of the above-mentioned financial instruments as hedging instruments is prospectively determined on the basis of a sensitivity analysis, retrospectively on the basis of the accumulated dollar offset method. The fair value changes of the hedged items are determined on the basis of the hypothetical derivative method. In the reporting year – as in the prior year – the impact of default risk on the fair values is negligible and did not result in any adjustments of the balance sheet item.

As part of cash flow hedge accounting, the derivatives as at December 31, 2013 were shown at their negative clean present fair values totalling € 69.4 million (2012: € 67.1 million) together with the corresponding deferred interest of € 1.6 million (2012: € 3.8 million) under other financial liabilities.

As a result of the valuation, € 19.9 million was credited to other comprehensive income in 2013 (2012: deduction of € 5.7 million).

In the reporting period, after allowance for deferred taxes, cumulative ineffectiveness decreased by € 1.2 million to € 1.2 million (2012: € 2.4 million).

On the basis of the valuation as at December 31, 2013, DAIG used a sensitivity analysis to determine the change in equity given a parallel shift in the interest rate structure of 50 basis points in each case:

	Change in equity		
€ million	Other reserves not affecting income	Ineffective portions affecting net income	Total
2013			
+ 50 basis points	+11.8	+0.2	+12.0
- 50 basis points	-14.5	-0.3	-14.8
2012			
+ 50 basis points	+7.6	-0.5	+7.1
- 50 basis points	-9.3	-1.0	-10.3

A further sensitivity analysis showed that a change in the foreign currency level of -5 % (+5 %) would lead, after allowance for deferred taxes, to a change in the other reserves not affecting net income of € -19.6 million (or € -7.8 million).

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

39 INFORMATION ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the cash of DAIG has changed during the reporting year as a result of cash inflows and outflows. In accordance with IAS 7 (Statements of Cash Flows), a distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method, the profit for the period being adjusted for effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments as well as items of income or expense associated with investing or financing cash flows.

The effects of changes in the scope of consolidation are shown separately. Therefore, direct comparison with the corresponding changes in the consolidated balance sheet items is not possible.

The income from the sale of trading properties is shown in cash flow from operating activities, the proceeds from the disposal of intangible assets, property, plant and equipment and investment properties are shown in cash flow from investing activities.

The changes in inventories due to ancillary costs to be billed are netted against the advance payments received and shown in the line Changes in liabilities.

Exercising the IAS 7 option, interest received is shown under cash flow from investing activities and interest paid is shown under cash flow from financing activities.

Acquisition of investment properties mainly shows expenses for modernisation measures.

In contrast to the prior year, tax payments were split in the cash flow statement into payments arising from the repayment of the EK02 liability and other tax payments.

Of the cash and cash equivalents, restraints on disposal apply to € 49.1 million (2012: € 363.2 million).

40 CONTINGENT LIABILITIES

Contingent liabilities exist for cases in which Deutsche Annington Immobilien SE and its subsidiaries give guarantees to various contractual counterparts.

The terms are in many cases limited to an agreed time. In some cases, the term is unlimited.

Contingent liabilities of DAIG are as follows:

€ million	2013	2012
Property transfer obligations	12.6	67.4
Rent surety bonds	0.2	0.2
Other	2.8	2.8
	15.6	**70.4**

The property transfer obligations are shown in the amount of the guarantees utilised.

41 OTHER FINANCIAL OBLIGATIONS

The future minimum lease payment obligations as a result of the fact that they are non-cancellable operating leases are due as follows:

€ million	End of contract term	Due within one year	Due in 1 to 5 years	Due after 5 years	Total
Total minimum lease payments					
Dec. 31, 2013					
Rents	2014-2020	4.7	17.3	3.4	25.4
Lease contracts	2014-2017	6.8	12.3	-	19.1
Ground rent contracts	2017-2094	5.0	21.1	208.8	234.9
		16.5	**50.7**	**212.2**	**279.4**
Dec. 31, 2012					
Rents	2013-2020	4.6	16.6	7.1	28.3
Lease contracts	2013-2017	4.8	11.2	-	16.0
Ground rent contracts	2017-2094	4.8	20.6	212.3	237.7
		14.2	**48.4**	**219.4**	**282.0**

Payments of € 16.9 million (2012: € 15.2 million) under rental, tenancy and lease agreements were recognised as expenses in 2013.

The DAIG ground rent contracts generally have a term of 99 years. The average remaining term of these contracts was approx. 39 years as at December 31, 2013. The owners of inheritable building rights are in particular the German state, church institutions, German states, local authorities and Deutsche Post AG, Bonn.

In addition to obligations under operating leases, other financial obligations include:

€ million	Dec. 31, 2013	Dec. 31, 2012
Other financial obligations		
Cable TV service contracts	178.7	160.0
Caretaker service contracts	64.3	81.3
IT service contracts	20.2	20.9
Surcharges under the German Condominium Act	1.3	1.3
Refinancing costs	-	1.8
	264.5	**265.3**

The obligations under cable TV service contracts are set against future income from the marketing of the cable TV service.

42 SEGMENT REPORTING

DAIG is an integrated real estate company. The company's 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 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 - Dec. 31, 2013				
Segment revenues	**728.0**	**353.5**	**339.7**	**1,421.2**
Carrying amount of properties sold		-325.8		
Revaluation from disposal of assets held for sale		15.3		
Maintenance	-136.5			
Operating expenses	-148.8	-15.3	-339.7	
EBITDA (adjusted for non-recurring items)	**442.7**	**27.7**	**0.0**	**470.4**
Non-recurring items				-48.4
Period adjustments from assets held for sale				9.0
EBITDA IFRS				**431.0**
Net income from fair value adjustments of investment properties				553.7
Depreciation and amortisation				-6.8
Income from other investments				-2.7
Financial income				14.0
Financial expenses				-299.6
EBT				**689.6**
Income taxes				-205.4
Profit for the period				**484.2**

* Includes ancillary costs of € 320.3 million and other income from property management of € 19.3 million

€ million	Rental	Sales	Other*	Group
Jan. 1 - Dec. 31, 2012				
Segment revenues	**729.0**	**304.9**	**335.9**	**1,369.8**
Carrying amount of properties sold		-270.4		
Revaluation from disposal of assets held for sale		19.7		
Maintenance	-127.3			
Operating expenses	-164.4	-17.5	-335.9	
EBITDA (adjusted for non-recurring items)	**437.3**	**36.7**	**0.0**	**474.0**
Non-recurring items				-21.2
Period adjustments from assets held for sale				-2.6
EBITDA IFRS				**450.2**
Net income from fair value adjustments of investment properties				205.6
Depreciation and amortisation				-6.1
Income from other investments				-3.0
Financial income				12.3
Financial expenses				-443.2
EBT				**215.8**
Income taxes				-43.6
Profit for the period				**172.2**

* Includes ancillary costs of € 317.5 million and other income from property management of € 18.4 million

43 LITIGATION AND CLAIMS

DAIG is involved in litigation resulting from operating activities, both as the plaintiff and the defendant. These legal disputes and claims for damages are routine resulting from the normal course of business. They are in particular disputes under the Law of Tenancy and sales disputes.

None of these legal disputes and claims for damages will have a material effect on the balance sheet, profits or liquidity of DAIG.

44 RELATED PARTY TRANSACTIONS

The members of the Management Board and the Supervisory Board and members of their immediate families do not personally have any business relations with DAIG companies other than in their capacity as members of the Management Board or Supervisory Board.

There are also no business relations between DAIG companies or with members of the management or supervisory bodies of consolidated DAIG companies or members of their immediate families.

Monterey Holdings I S.à r.l., Luxembourg, has settled its existing obligations to reimburse the payments to serving and former members of the Management Board under the Long-Term Incentive Plan (LTIP) linked to the stock exchange listing. DAIG shows under other assets a receivable from Monterey Holdings I S.à r.l., Luxembourg, of € 3.0 million (2012: € 15.0 million) in the amount of the resulting remaining obligations.

45 SHARE-BASED PAYMENTS

A new long-term incentive agreement was signed on June 28, 2013 (new LTIP). This regulates the replacement of the previous LTIP agreements subject to the condition precedent of an IPO as well as the modalities of the new LTIP. The condition precedent occurred with the completion of the IPO on July 11, 2013.

Accordingly, the Management Board members were paid one-off remuneration of € 6.2 million gross at the time of the initial listing in settlement of all claims arising out of the previous LTIP. The pro-rata income tax totalling € 0.3 million was paid by the company as a fringe benefit.

The individual Management Board members had undertaken to purchase 171,424 shares at the subscription price (€ 16.50 per share) when the IPO took place; these shares have full dividend and voting right entitlements but their disposal is restricted until the end of the respective Management Board member's employment contract (restricted shares).

In addition, the Management Board members are granted a total of 931,030 notional shares (SARs = stock appreciation rights). The plan will run for a period of five years (five annual tranches) with a cliff vesting of 20 % per calendar year of the total number of notional shares granted. In this context, the fair value corresponds to the actuarial fair value of the remuneration expected over the total 5-year period. These notional shares will be converted into payout amounts for each annual tranche on the basis of a formula laid down in the LTIP agreement. Therefore, this new LTIP qualifies as a cash-settled share-based plan in accordance with IFRS 2.

Payout of the amounts of the vested tranches will be triggered as soon as and if the previous sole shareholder reduces its shareholding to below 30 %, the subsequently vested tranches will become due on February 28 or July 11 of the following years, but at the latest on September 30, 2019 (long-stop date) all amounts will become due.

If there is a change of control over the company before the investors in funds advised by Terra Firma have reduced the direct or indirect investment in the company to less than 50 %, all notional shares will fully vest and all claims connected therewith will become due.

The cash-settled amounts are determined from the product of the number of notional shares per tranche, the market value of the share, taking into account dividend payments in the period between the IPO and the payout date, and the level of performance target achievement for the relevant measurement period. This level of performance target achievement results from the sum of the NAV percentage, the TSR percentage and the AFFO percentage divided by three (NAV = EPRA net asset value, TSR = total shareholder return, AFFO = adjusted funds from operations). The possible performance target achievement may be between 90 % and 110 %. The following table shows the performance target achievement parameters as well as the factors influencing them:

Performance target achievement parameters	Factors influencing the parameters
NAV	NAV increase per share in relation to the comparator group defined in the LTIP agreement
TSR	Increase in the market closing price adjusted for dividend payments (generally the stock market price) in relation to the comparator group defined in the LTIP agreement
AFFO	AFFO from the last financial statements against the AFFO target for the same period in the medium-term plan

The Supervisory Board has the right and the obligation to appropriately adjust the calculation modalities if there are significant changes in the comparator group.

The reporting on the new LTIP is based on actuarial reports of the pension actuary.

The new LTIP programme results, in accordance with IFRS, in total expenses of € 4.2 million in the reporting year 2013.

46 REMUNERATION

Remuneration of the Supervisory Board
The members of the Supervisory Board received fixed remuneration of € 639 k in 2013 (2012: € 194 k) for their work.

Total remuneration of the Management Board
The remuneration paid to the serving Management Board members totals € 20.4 million (2012: € 3.4 million). Of this figure, € 2.3 million (2012: € 2.1 million) was for fixed remuneration components including non-cash benefits and other remuneration. The variable remuneration of € 1.7 million (2012: € 1.3 million) refers to bonuses. The settlement of the previous LTIP accounts for € 2.4 million.

The total remuneration includes the fair value of the 931,030 notional shares granted under the new LTIP for the entire five-year period amounting to € 14.0 million. This corresponds to the actuarial fair value of the expected remuneration over the entire five-year period of the LTIP.

Remuneration of former Management Board members and their surviving dependants
The total remuneration of the former Management Board members and their surviving dependants amounts to € 7.3 million for the 2013 financial year (2012: € 3.0 million).

Pension obligations to serving members and former members of the Management Board and their surviving dependants
The pension obligations (DBO) to serving members of the Management Board amount to € 0.8 million (2012: € 0.5 million) and to former members of the Management Board and their surviving dependants to € 10.7 million (2012: € 12.0 million).

47 AUDITORS' FEES

The following fees (including expenses) have been recorded as expenses for the services provided in the reporting year by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft:

€ million	2013	2012
Audits	2.0	1.9
Other confirmation services	2.3	0.3
Tax consultancy services	0.7	0.1
Other services	0.1	0.1
	5.1	**2.4**

The other confirmation services mainly comprise the issuing of comfort letters in connection with the IPO and refinancings.

48 SUBSEQUENT EVENTS

- > **Acquisition of the real estate business of the DeWAG Group**
- > **Integration of the real estate business of the Vitus Group**
- > **Capital increase from authorised capital**
- > **Non-cash capital increase from authorised capital**
- > **Creation of new authorised capital**
- > **Hybrid bond**

Approval to acquire the real estate business of the DeWAG Group
On February 28, 2014, the Management Board resolved, with the approval of the Supervisory Board, to acquire a real estate business managed by the DeWAG Group by purchasing the relevant approx. 94 % of the shares on the basis of a submitted contract ready for signature. The object of the purchase contract is the relevant real-estate-holding property companies in addition to selected holding companies. The expected completion of the acquisition is April 1, 2014. The agreed purchase price, taking debt into account, is approx. € 970 million. The sellers of the DeWAG Group are holding companies under Luxembourg and Dutch law which are advised by international real estate funds.

DeWAG is a real estate management company operating throughout Germany with housing stocks of more than 11,000 units. The majority of these stocks are in the metropolises of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg. The portfolio comprises almost exclusively properties used for residential purposes, which are being 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. DeWAG's professional property management is characterised by its aspiration to continuously optimise the quality of life and housing for the tenants in its estates and to generate a corresponding higher value as a return for the owners.

Therefore, the DeWAG Group is an excellent supplement to the DAIG strategy.

Approval to integrate the real estate business of the Vitus Group
On February 28, 2014, the Management Board further resolved, with the approval of the Supervisory Board, to integrate the real estate business of the Vitus Group. The object of the Contribution and Investment Agreement is the relevant real-estate-holding property companies of the Vitus Group. The expected completion of the transaction is October 1, 2014. The agreed consideration, taking debt into account, is approx. € 1.4 billion.

With over 30,000 apartments of its own, the Vitus Group is one of the leading housing companies in northern and western Germany. The properties are located in the Rhine-Ruhr conurbation as well as in the cities of Bremen, Kiel and Wuppertal.

The business model is based on the sustainable improvement of earnings by optimising the core portfolio and acquiring properties in areas with economic development potential and is aimed at maintaining and enhancing value. This business model therefore addresses the main interests of the tenants and, at the same time, the owners' interest in receiving a good return. This is a particularly holistic business approach which goes beyond pure letting and administration of properties by providing numerous service offerings, combined with local tenant and district support to create a residential environment worth living in based on standardised core business processes geared to optimisation and efficiency increases.

Therefore, the Vitus Group is another excellent supplement to the DAIG strategy.

To finance the approved transactions, the Supervisory Board has approved the following flanking financing options.

Capital increases from authorised capital

Capital increase 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, a capital increase against cash contributions of 16,000,000 no-par value registered shares to the exclusion of the subscription rights of the shareholders from the existing authorised capital.

The new no-par value registered shares, each with a proportionate amount of the share capital of € 1.00, are to be offered for sale to institutional investors in an accelerated book-building process to be performed in the near future. The new shares are fully entitled to a dividend with effect from January 1, 2013. On the basis of the proposed appropriation of profit amounting to € 0.70 per share, the newly created shares account for a further dividend volume of € 11,200,000.

The company intends to use the issue proceeds of the transaction in particular to partly finance the acquisition of the DeWAG Group and the Vitus Group.

Non-cash capital increase granting new shares as part of the total consideration to be paid in connection with the Vitus integration
On February 28, 2014, the Management Board of Deutsche Annington Immobilien SE also resolved, with the Supervisory Board's approval, a non-cash capital increase against the granting of approx. 11,780,000 new shares from the existing authorised capital to the exclusion of the subscription rights of the shareholders. The shares will be created in order to settle parts of the total compensation in new shares on completion of the integration of the real estate business of the Vitus Group. It is planned to complete this transaction and thus the entry in the commercial register of the new no-par value registered shares to be issued in this connection in the 4th quarter 2014.

The new shares are to be admitted for trading on the stock exchange on the basis of a stock exchange prospectus still to be prepared and thus included in the existing listing in the sub-segment of the regulated market with additional obligations arising from admission (Prime Standard) on the Frankfurt Stock Exchange.

With the equity transactions announced, DAIG intends to maintain a sound and strong financing structure for planned acquisitions.

Creation of further authorised capital

On February 28, 2014, the Management and Supervisory Boards resolved, in principle, against the background of the planned partial use of the existing authorised capital, to propose a motion to the Annual General Meeting for the creation of further new authorised capital 2014 with the possibility of excluding the subscription right of the shareholders and for the corresponding inclusion of a new Article 5a in the Articles of Association.

On June 30, 2013, the Annual General Meeting had authorised the Management Board, with the Supervisory Board's approval, to increase the company's share capit al by up to a total of € 111,111,111 through one or more issuances on or before June 29, 2018 by issuing up to 111,111,111 new no-par value registered shares against contributions in cash and/or in kind and, under certain circumstances, to the exclusion of the subscription right of the shareholders (authorised capital) and had passed an appropriate amendment to Article 5 of the Articles of Association. Against the background of the partial use of the authorised capital, an admissible amount of further authorised capital is to be created (authorised capital 2014), the possibilities of excluding the subscription right, which are provided for the existing and still applicable authorised capital, also being provided for the authorised capital 2014. The amount of the authorised capital 2014 is to be the difference between (i) the EUR amount to which the authorisation under the existing authorised capital after performance of the capital increase against cash contributions resolved on February 28, 2014 is reduced, and (ii) 50 % of the EUR share capital figure of Deutsche Annington Immobilien SE increased on the basis of the aforementioned performance of the capital increase. The authorisation under the new authorised capital 2014 is to apply for a period of max. five years (Section 202 AktG).

Issuance of a hybrid bond

On February 28, 2014, the Management Board resolved, with the Supervisory Board's approval, to issue a subordinated, long-term bond (hybrid bond) in the amount of € 600 million to € 750 million for the partial financing of the planned acquisitions. The hybrid bond will be issued through Deutsche Annington Finance B.V. As part of placement in a private placement procedure, the hybrid bonds will only be offered for purchase to institutional investors.

To generate further financing volumes, the Supervisory Board has also issued the authorisation to place, through Deutsche Annington Finance B.V., further bonds on the international financial markets from the tap issue of the EMTN programme.

49 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

In February 2014, the Management Board and the Supervisory Board declared compliance with the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made the declaration publicly and permanently available on the company's website (www.deutsche-annington.com).

50 MANAGEMENT BOARD'S PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Management Board and the Supervisory Board propose to the Annual General Meeting of Shareholders that, out of the profit of Deutsche Annington Immobilien SE for the 2013 financial year of € 195,583,207.82, an amount of € 156,969,697.50 on the shares of the share capital as at December 31, 2013 be paid as a dividend to the shareholders and the remaining amount of € 38,613,510.32 be carried forward to the new account or be used for other dividends on shares which are entitled to dividends at the time of the Annual General Meeting and which go beyond those as at December 31, 2013. That is a dividend distribution of € 0.70 per share.

The dividend will be distributed on the basis of the shares entitled to a dividend at the time of the Annual General Meeting.

Düsseldorf, February 28, 2014

Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

INFORMATION

Annex to the Notes

List of DAIG shareholdings as at Dec. 31, 2013

according to section 313, para. 2 HGB

Company	Seat	Interest %
Deutsche Annington Immobilien SE	Düsseldorf	
Consolidated companies		
Baugesellschaft Bayern mbH	Munich	94.90
Bundesbahn Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung	Kassel	94.90
Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH	Regensburg	94.90
BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH	Frankfurt am Main	94.90
DA DMB Netherlands B.V.	Eindhoven/NL	100.00
Deutsche Annington Acquisition Holding GmbH (former: Deutsche Annington Dritte Beteiligungsgesellschaft mbH)	Düsseldorf	100,00
Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington Business GmbH	Bochum	100.00 [1)]
Deutsche Annington Business Management GmbH	Bochum	100.00 [1)]
Deutsche Annington DEWG GmbH & Co. KG	Bochum	100.00
Deutsche Annington DEWG Verwaltungs GmbH	Düsseldorf	100.00 [2)]
Deutsche Annington DID Verwaltungs GmbH	Düsseldorf	100.00 [2)]
Deutsche Annington Dienstleistungs GmbH	Bochum	100.00 [1)]
Deutsche Annington Dienstleistungsmanagement GmbH	Bochum	100.00 [1)]
Deutsche Annington DMB Eins GmbH	Bochum	100.00
Deutsche Annington Eigentumsverwaltungs GmbH	Bochum	100.00 [1)]
Deutsche Annington EWG Kassel Bestands GmbH & Co. KG	Bochum	100.00
Deutsche Annington EWG Kassel Bewirtschaftungs GmbH & Co. KG	Bochum	100.00
Deutsche Annington EWG Kassel Verwaltungs GmbH	Düsseldorf	100.00 [2)]
Deutsche Annington Finance B.V.	Amsterdam/NL	100.00
Deutsche Annington Finance GmbH	Düsseldorf	100.00
Deutsche Annington Fundus Immobiliengesellschaft mbH	Cologne	100.00
Deutsche Annington Fünfte Beteiligungsgesellschaft mbH	Düsseldorf	100.00
Deutsche Annington Haus GmbH	Kiel	100.00
Deutsche Annington Heimbau GmbH	Kiel	100.00
Deutsche Annington Heimbau Verwaltungs GmbH	Düsseldorf	100.00 [2)]
Deutsche Annington Holdings Drei GmbH	Bochum	100.00
Deutsche Annington Holdings Eins GmbH	Düsseldorf	100.00
Deutsche Annington Holdings Fünf GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Holdings Sechs GmbH	Bochum	100.00
Deutsche Annington Holdings Vier GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Holdings Vier GmbH & Co. KG	Bochum	100.00
Deutsche Annington Holdings Zwei GmbH	Düsseldorf	100.00
Deutsche Annington Immobilien-Dienstleistungen GmbH	Düsseldorf	100.00
Deutsche Annington Immobilienmanagement GmbH	Bochum	100.00 [1)]
Deutsche Annington Immobilienservice GmbH	Munich	100.00 [1)]
Deutsche Annington Immobilienservice West GmbH	Bochum	100.00 [1)]
Deutsche Annington Informationssysteme GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Interim DAMIRA GmbH	Düsseldorf	100.00
Deutsche Annington IT-Management GmbH	Düsseldorf	100.00 [1)]
Deutsche Annington Kundenmanagement GmbH	Bochum	100.00 [1)]
Deutsche Annington Kundenservice GmbH	Bochum	100.00 [1)]
Deutsche Annington McKinley Drei Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington McKinley Eins GmbH & Co. KG	Bochum	100.00
Deutsche Annington McKinley Eins Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington McKinley-Holding GmbH & Co. KG	Bochum	100.00
Deutsche Annington Regenerative Energien GmbH	Bochum	100.00
Deutsche Annington Revisionsgesellschaft mbH	Düsseldorf	100.00
Deutsche Annington Rheinland Immobiliengesellschaft mbH	Cologne	100.00
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	Düsseldorf	100.00
Deutsche Annington Sechste Beteiligungs GmbH	Düsseldorf	100.00
Deutsche Annington Service GmbH	Bochum	100.00 [1)]
Deutsche Annington Vertriebs GmbH	Bochum	100.00 [1)]
Deutsche Annington Vertriebsmanagement GmbH	Bochum	100.00 [1)]
Deutsche Annington Vierte Beteiligungsgesellschaft mbH	Düsseldorf	100.00 [2)]

Company	Seat	Interest %
Deutsche Annington WOGE Drei Verwaltungs GmbH	Düsseldorf	100.00 [2]
Deutsche Annington WOGE Fünf Bestands GmbH & Co. KG	Bochum	100.00
Deutsche Annington WOGE Fünf Bewirtschaftungs GmbH & Co. KG	Bochum	100.00
Deutsche Annington WOGE Fünf Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Sechs Bestands GmbH & Co. KG	Bochum	100.00
Deutsche Annington WOGE Sechs Bewirtschaftungs GmbH & Co. KG	Bochum	100.00
Deutsche Annington WOGE Sechs Verwaltungs GmbH	Bochum	100.00
Deutsche Annington WOGE Sieben Verwaltungs GmbH	Düsseldorf	100.00
Deutsche Annington WOGE Vier Bestands GmbH & Co. KG	Bochum	100.00
Deutsche Annington WOGE Vier GmbH & Co. KG	Bochum	100.00
Deutsche Annington Wohnungsgesellschaft I mbH	Essen	100.00
Deutsche Annington Wohnungsgesellschaft III mbH	Bochum	100.00
Deutsche Annington Zweite Beteiligungsgesellschaft mbH	Essen	100.00
Deutsche Eisenbahn-Wohnungs-Holdings GmbH & Co. KG	Leipzig	100.00
Deutsche Multimedia Service GmbH	Düsseldorf	100.00 [1]
Deutsche Soziale Wohnen GmbH	Bochum	100.00
Deutsche TGS Dienstleistungsgesellschaft mbH	Bochum	100.00
Deutsche TGS GmbH	Bochum	51.00
Deutsche TGS Rheinland GmbH	Bochum	100.00
Deutsche TGS West GmbH	Düsseldorf	51.00
Deutsche Wohn-Inkasso GmbH	Bochum	100.00 [1]
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	Augsburg	94.90
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe	94.90
Eisenbahn-Wohnungsbaugesellschaft Köln mbH	Cologne	94.90
Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH	Nuremberg	94.90
Frankfurter Siedlungsgesellschaft mbH	Düsseldorf	100.00
FSG Immobilien GmbH & Co. KG	Düsseldorf	100.00
FSG Immobilien Verwaltungs GmbH	Düsseldorf	100.00
FSG-Holding GmbH	Düsseldorf	94.80
Immobilienfonds Koblenz-Karthause Wolfgang Hober KG	Düsseldorf	92.71
JANANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
KADURA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.91
LEMONDAS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
LEVON Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
MAKAB Beteiligungs Eins GmbH	Düsseldorf	100.00
MAKAB Grundstücksgesellschaft mbH & Co. KG	Grünwald	100.00
MAKANA Beteiligungsgesellschaft Eins GmbH	Düsseldorf	100.00
MAKANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
MANGANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
MELCART Grundstücks-Verwaltungsgesellschaft mbH	Grünwald	94.80
MIRA Grundstücksgesellschaft mbH	Düsseldorf	94.90
MIRIS Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90
Monterey Capital I S.à r.l.	Strassen/L	100.00
Prima Wohnbauten Privatisierungs-Management GmbH	Berlin	100.00 [1]
“Siege” Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	Mainz	94.90
Verimmo2 GmbH	Bochum	100.00 [1]
Viterra Holdings Eins GmbH	Düsseldorf	100.00
Viterra Holdings Zwei GmbH	Düsseldorf	100.00
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen	Essen	94.90

Company	Seat	Interest %	Equity € '000s Dec. 31, 2012	Net income for the year € '000s Dec. 31, 2012
Subsidiaries according to section 285 no. 11 HGB				
Hellerhof GmbH	Frankfurt am Main	13.17	46,709	4,317
VBW Bauen und Wohnen GmbH	Bochum	14.15	82,735	5,626

[1] exemption according to section 264, para. 3 HGB
[2] shares increase of 0.40 % compared with the previous year

Further Information about the Bodies

MANAGEMENT BOARD

The Management Board of Deutsche Annington Immobilien SE consisted of three members as at December 31, 2013.

Rolf Buch, Chairman of the Management Board, since April 1, 2013
Function: Chief Executive Officer
Responsibilities: Acquisitions, General Counsel, Investor Relations, HR Management, Internal Audit and Corporate Communications
Mandates > GSB Gesellschaft zur Sicherung von Bergmannswohnungen mbH (Member of the Supervisory Board)
> Woldemar-Winkler Stiftung of Sparkasse Gütersloh (Member of the Committee)

Klaus Freiberg, Member of the Management Board
Function: Chief Operating Officer
Responsibilities: Central Asset Management, Central Operations Management, Strategy/Triple Play, DTGS, North East, Rhine/Main, Ruhr Area and South

Dr A. Stefan Kirsten, Member of the Management Board
Function: Chief Financial Officer
Responsibilities: Controlling, Finance, Accounting, Valuation and Insurance
Mandates > AVW Versicherungsmakler GmbH (Member of the Supervisory Board)
> VBW Bauen und Wohnen GmbH (Deputy Chairman of the Supervisory Board)

Robert Nicolas Barr, Member of the Management Board until May 20, 2013

SUPERVISORY BOARD

In accordance with the Articles of Association, the Supervisory Board of DAIG SE consists of nine members.

In accordance with the Articles of Association, the SE Regulation and the German SE Implementation Act as well as the German Stock Corporation Law (Aktiengesetz), the Supervisory Board consists of nine members who have all been elected by the shareholders at the Annual General Meeting of the company.

Dr Wulf H. Bernotat, Chairman
Former CEO of E.ON SE
Mandates > Allianz SE (Deputy Chairman of the Supervisory Board)
> Bernotat & Cie. GmbH (Managing Director)
> Bertelsmann SE & Co. KGaA (Member of the Supervisory Board)
> Bertelsmann Management SE (Member of the Supervisory Board)
> Deutsche Telekom AG (Member of the Supervisory Board)
> Metro AG (Member of the Supervisory Board)

Robert Nicolas Barr, Deputy Chairman (from May 21, 2013, previously dormant)
Operational Managing Director of Terra Firma Capital Partners Limited, London
Mandates > Odeon and UCI Cinemas Holdings Limited (Member of the Board of Directors)
> Terra Firma Capital Partners Limited (Director)

Arjan Breure
Financial Managing Director of Terra Firma Capital Partners Limited, London
Mandates > Elli Group (UK) Limited (Member of the Board of Directors)
> Elli Finance (UK) plc (Member of the Board of Directors)
> Elli Management Limited (Member of the Board of Directors)
> Maltby Capital Limited (Member of the Board of Directors)
> Maltby Holdings Limited (Member of the Board of Directors)

Fraser Duncan
Business Consultant
Mandates > Annington Ltd (Non-executive Director)
> Aurelius Property LLP (Chairman)
> Metellus Property LLP (Chairman)
> Odeon and UCI Holdings plc (Non-executive Director)
> Clockjack Investments Ltd (Chairman)
> Abroadacre Ltd (Director)

Prof. Dr Edgar Ernst
President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.
Mandates > Deutsche Postbank AG (Member of the Supervisory Board)
> DMG MORI SEIKI AG (Member of the Supervisory Board)
> TUI AG (Member of the Supervisory Board)
> Wincor Nixdorf AG/Wincor Nixdorf International GmbH (Member of the Supervisory Board)

Hildegard Müller
Chairwoman of the Executive Board of Bundesverband der Energie- und Wasserwirtschaft
Mandates:> Bundesverband der Energie- und Wasserwirtschaft (Chairwoman of the Executive Board)

Tim Pryce
Chief Executive Officer of Terra Firma Capital Partners Limited
Mandates > Terra Firma Capital Partners Limited (Member of the Board of Directors)
> Terra Firma Investments (DA) Limited (Member of the Board of Directors)
> Terra Firma Investments (DA) II Limited (Member of the Board of Directors)
> Terra Firma Investments (GP) 2 Limited (Member of the Board of Directors)
> Terra Firma Investments (GP) 3 Limited (Member of the Board of Directors)
> Terra Firma Investments (RE) Limited (Member of the Board of Directors)
> Terra Firma Investments (Special Opportunities I) Limited (Member of the Board of Directors)

Prof. Dr Klaus Rauscher
Business Consultant
Mandates > Drägerwerk AG & Co. KGaA (Member of the Supervisory Board)
> Dräger Medical GmbH (Member of the Supervisory Board)
> Dräger Safety GmbH (Member of the Supervisory Board)
> Drägerwerk Verwaltungs AG (Member of the Supervisory Board)
> Endi AG until August 31, 2013 (Chairman of the Supervisory Board)

Clara-Christina Streit
Former Senior Partner with McKinsey & Company, Inc.
Mandates > Delta Lloyd N.V. (Member of the Supervisory Board)
> Vontobel Holding AG (Member of the Administrative Board)

Retired from the Supervisory Board
Guy Hands, Chairman until June 18, 2013
Chairman and Chief Investment Officer of Terra Firma Capital Partners Limited
Mandates > Brenig Wind Holdings Limited (Non-executive Director)
> Brenig Wind Holdings II Limited (Non-executive Director)
> Julian Holdings (Non-executive Director)
> SPP Holdings Limited (Non-executive Director)
> Wharrels Hill LLP (Non-executive Director)
> Autobahn Tank & Rast GmbH (Non-executive Director)

Neil Hasson, until June 18, 2013
Managing Director of Citi Property Investors

Auditor's Report

Independent Auditor's Report

"We have audited the accompanying consolidated financial statements of Deutsche Annington Immobilien SE, Düsseldorf, and its subsidiaries (the "Group"), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the financial year from January 1 to December 31, 2013.

Executive Board's Responsibility for the Consolidated Financial Statements

The executive board of Deutsche Annington Immobilien SE is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § 315a (1) HGB (Handelsgesetzbuch: German Commercial Code), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The legal representatives of the company are also responsible for the internal controls that he determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW] as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit Opinion

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with International Financial Reporting Standards as adopted by the European Union and the supplementary requirements of German law pursuant to § 315a (1) HGB and give a true and fair view of the net assets and financial position of the DAIG Group as at December 31, 2013, as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Combined Management Report

We have audited the accompanying Combined Management Report of Deutsche Annington Immobilien SE for the financial year from January 1 to December 31, 2013. The executive board of Deutsche Annington Immobilien SE is responsible for the preparation of the Combined Management Report in compliance with the applicable requirements of German commercial law. We are required to conduct our audit in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Accordingly, we are required to plan and perform the audit of the Combined Management Report to obtain reasonable assurance about whether the Combined Management Report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit of the Combined Management Report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and Combined Management Report, the Combined Management Report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Essen, February 28, 2014
KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the combined 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, February 28, 2014

Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

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 the non-recurring result and for net income from fair value adjustments of investment properties. The non-recurring result comprises effects considered by the company to be unusual or infrequent effects 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 housing stocks. Non-Core properties are properties which are less suited to property management with our processes and 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.

DENA (Deutsche Energie-Agentur GmbH)
Deutsche Energie-Agentur GmbH (dena) (German Energy Agency) is the centre of expertise for energy efficiency, renewable energy sources and intelligent energy systems. dena's mission is to generate economic growth and maintain prosperity with ever lower energy inputs.

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 DAIG shareholders.

EPRA vacancy rate
The estimated annual rental income of vacant space at market rents in relation to the estimated market rental value of the whole portfolio.

Fair value
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 determined regularly by external property appraisers.

Fair value step-up

Fair value step-up is the difference between the income from the disposal of a residential unit and its fair value related 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 metric 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/AFFO/FFO2

The Deutsche Annington Immobilien Group differentiates between

> FFO 1 (excluding adjusted EBITDA Sales), which is determined by adjusting adjusted EBITDA for the respective periods for 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).

> 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.

> 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 (excluding so-called EK02 tax liabilities), less cash and cash equivalents, to the sum of investment properties, owner-occupied apartments and assets held for sale at 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

Typical modernisation measures are the refurbishment of bathrooms, the installation of new doors and windows, 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 the cellar ceiling.

Monthly in-place rent

The monthly in-place rent is measured in € per square metre. It 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 deducting 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

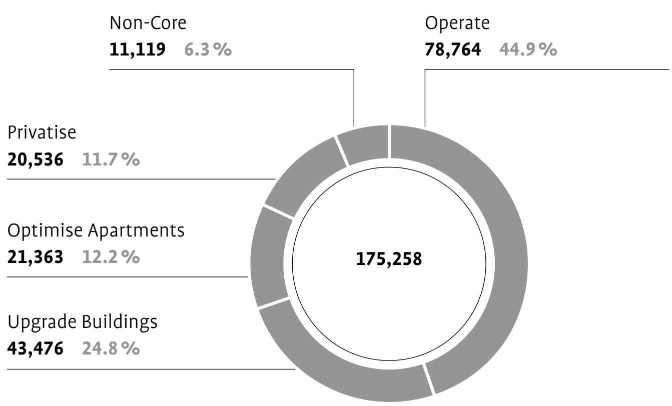
Classification of debtors or securities with regard to their creditworthiness or credit quality according to credit ratings. The classification is generally performed by rating agencies.

Vacancy rate

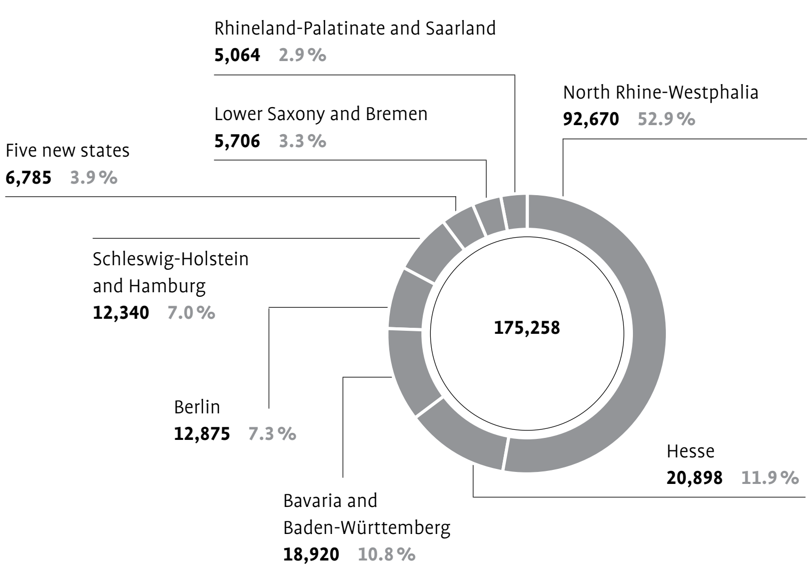
The vacancy rate is the number of empty housing units as a percentage of the total housing units owned by the company. The vacant units are counted at the end of each month.

Residential Portfolio Data

PORTFOLIO STRUCTURE BY PORTFOLIO SEGMENTS
Number of units managed/share of portfolio



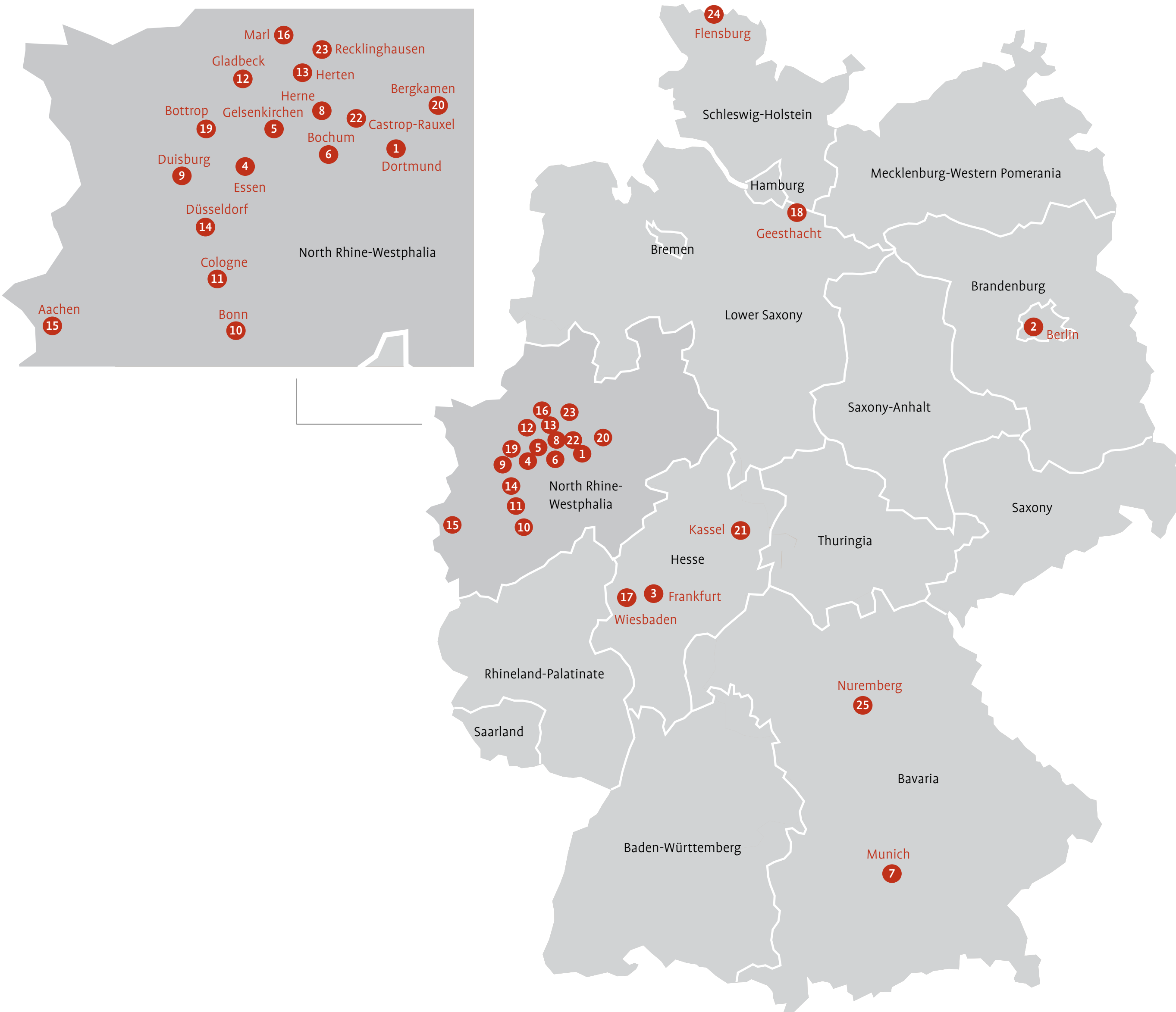
PORTFOLIO STRUCTURE BY REGIONS
Number of units managed/share of portfolio



HOUSING STOCKS 25 LARGEST LOCATIONS

	as at Dec. 31, 2013	Units	Living area (thousand m²)	Vacancy rate (%)	In-place rent (€ million)	In-place rent (€/m²/month)
1	Dortmund	17,541	1,070	3.0	59.6	4.79
2	Berlin	12,875	829	1.4	56.5	5.76
3	Frankfurt am Main	9,960	616	0.8	52.4	7.14
4	Essen	9,491	583	5.2	34.5	5.22
5	Gelsenkirchen	7,642	469	6.7	24.2	4.61
6	Bochum	7,588	437	2.7	26.2	5.13
7	Munich	4,616	307	0.5	23.2	6.33
8	Herne	4,564	279	5.2	15.0	4.72
9	Duisburg	4,501	269	3.7	15.4	4.97
10	Bonn	4,230	297	1.3	21.3	6.06
11	Cologne	3,956	261	1.7	19.8	6.42
12	Gladbeck	3,256	199	3.4	11.3	4.91
13	Herten	2,692	173	4.1	9.1	4.57
14	Düsseldorf	2,464	161	2.2	13.1	6.93
15	Aachen	2,187	145	2.1	9.2	5.39
16	Marl	2,103	139	5.8	8.0	5.08
17	Wiesbaden	2,051	137	1.8	11.9	7.37
18	Geesthacht	1,994	114	3.7	7.3	5.57
19	Bottrop	1,900	120	3.2	7.1	5.08
20	Bergkamen	1,872	122	5.7	6.2	4.49
21	Kassel	1,848	115	2.9	6.6	4.91
22	Castrop-Rauxel	1,704	100	4.5	5.8	5.12
23	Recklinghausen	1,654	109	2.9	6.1	4.79
24	Flensburg	1,594	106	4.3	5.8	4.80
25	Nuremberg	1,584	109	0.6	7.6	5.81
	Subtotal of the 25 largest locations	**115,867**	**7,265**	**3.0**	**463.1**	**5.48**
	Other locations	59,391	3,916	4.4	236.2	5.26
	Total	**175,258**	**11,182**	**3.5**	**699.2**	**5.40**

25 LARGEST LOCATIONS OF DEUTSCHE ANNINGTON



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FINANCIAL CALENDAR

April 30, 2014	Interim Report Q1 2014
May 12, 2014	Annual General Meeting
July 31, 2014	Interim Report H1 2014
October 30, 2014	Interim Report Q3 2014

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

Forward-looking statements
This present Annual Report for Deutsche Annington Immobilien SE contains statements on future developments. They reflect the current view of the management and are based on appropriate evaluations and expectations. These statements are not intended as guarantees that these expectations will be fulfilled. The Annual Report has also been generated using references. These references have been carefully selected and have been taken from credible sources. We nevertheless point out that Deutsche Annington has not examined the veracity of the sources.

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