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.

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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

				Other reserves					
				Can be reclassified					
€ million	Subscri-bed capital	Capital reserves	Retained earnings	Cash flow hedges	Available-for-sale financial assets	Total	Equity of DAIG share-holders	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**
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

	Dec. 31, 2013		Dec. 31, 2012	
€ million	non-current	current	non-current	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	Not impaired: Past due by less than 30 days	Not impaired: Past due by between 30 and 90 days	Not impaired: Past due by between 91 and 180 days	Not impaired: Past due by between 181 and 360 days	Not impaired: 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		Dec. 31, 2012	
	non-current	current	non-current	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: Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2012	Fair value hierarchy level
	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:

		Change		
€ million	Jan. 1	affecting net income	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 € million	Measurement category in acc. with IAS 39	From interest	Income from other long-term loans	From subsequent measurement Impairment losses	Derecognised receivables	Derecognised 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 € million	Measurement category in acc. with IAS 39	From interest	Income from other long-term loans	From subsequent measurement Impairment losses	Derecognised receivables	Derecognised 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:

	Carrying amount as at	2014		2015		2016 to 2020	
€ million	Dec. 31, 2013	Interest	Repayment	Interest	Repayment	Interest	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

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