INTERIM FINANCIAL REPORT
First Half-Year 2013

DEUTSCHE ANNINGTON IMMOBILIEN SE

Key figures

€ million	H1 2013	H1 2012	Change (%)
Rental income	364.0	365.4	− 0.4
Adjusted EBITDA Rental	222.1	218.2	1.8
Income from disposal of properties	166.9	140.3	19.0
Adjusted EBITDA Sales	19.6	19.3	1.6
Adjusted EBITDA	241.7	237.5	1.8
Maintenance and modernisation including maintenance work performed by our own craftsmen's organisation	85.0	94.0	− 9.6
thereof maintenance	67.1	63.0	6.5
thereof capitalised maintenance	11.6	6.3	84.1
thereof modernisation	6.3	24.7	− 74.5
Interest expense FFO	− 114.7	− 138.2	− 17.0
FFO 1	103.4	76.4	35.3
FFO 2	123.0	95.7	28.5
FFO 1 before maintenance	170.5	139.4	22.3
AFFO	91.8	70.1	31.0

Key balance sheet figures

€ million	Jun. 30, 2013	Dec. 31, 2012	Change (%)
Fair value	10,381.8	9,982.0	4.0
EPRA NAV	4,358.8	3,448.9	26.4
LTV (%)	53.2	58.6	− 9.2

Key performance and company figures

	H1 2013	H1 2012	Change (%)
Number of units managed	206,382	211,596	− 2.5
thereof own apartments	179,358	184,923	− 3.0
thereof apartments owned by others	27,024	26,673	1.3
Vacancy rate (%)	3.9	4.5	− 13.3
Vacancy rate (EPRA) (%)	3.4	-	-
Monthly in-place rent in €/m²	5.35	5.24	2.1
Number of employees (as at June 30)	2,560	1,592	60.8

Other key earnings and financial figures

€ million	H1 2013	H1 2012	Change (%)
Income from fair value adjustment of investment properties	523.9	80.7	549.2
EBITDA IFRS	225.9	239.3	− 5.6
EBT	625.5	156.2	300.4
Profit for the period	440.2	111.5	294.8
Cash flow from operating activities	151.8	216.6	− 29.9
Cash flow from investing activities	126.5	84.1	50.4
Cash flow from financing activities	− 526.0	− 371.3	41.7

Profile

With some 179,000 units worth a total of some € 10.4 billion, Deutsche Annington Immobilien SE is one of the leading real estate companies in Europe. With our housing profile, we are well placed to profit from the expected increase in one and two-person households in the German metropolitan areas. Furthermore, a clear portfolio strategy is designed to add long-term value to the company.

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LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and Gentlemen,

These recent months have been very exciting and eventful for us and our employees. The preparations for our company's projected mid-year IPO kept all our units very busy right from the start of the year. The day finally arrived on July 11, 2013. The opening bell of the Frankfurt Stock Exchange sounded shortly before 9:30, ringing in the start of a new era for Deutsche Annington.

Our shareholders have high expectations. Now it is up to us to demonstrate day in and day out that we live up to our performance promise as the leading housing company in Germany. Our employees, and we, the Management Board, are confident that we will meet these expectations.

As the market leader in the German residential property market, we take our social responsibility seriously and offer our customers affordable accommodation in attractive cities and regions throughout Germany. With the help of our own craftsmen's organisation, we are able to respond better and more rapidly to our tenants' problems and wishes, as attested by the increased customer satisfaction which we regularly review. Our capital investment programme enables us to invest purposefully in renovations to improve our buildings' energy efficiency and our older tenants' living standards with senior-friendly, low-barrier unit conversions. Our strong service culture and our innovative service offering – for example, our alliance with Deutsche Telekom – will help ensure that we continue to benefit from the German housing market's stable growth. Our business model and management approach stand for stable and sustainable growth, steady cash flows and predictable dividends.

Our shareholders and many investors at home and abroad believe in this potential. Since our IPO at a placement price of € 16.50 and a volume of € 575.0 million, our share has taken a very positive development, with the share price increasing by 10%.

The IPO was not only an important step for the successful further development of Deutsche Annington but also opens up strategic options for us, for example the implementation of our innovative financing strategy. As the first and only German property company, we received an investment grade rating from one of the internationally renowned rating agencies after the IPO. This and the smooth entry into the market for unsecured corporate bonds underscore the position of our company as an attractive investment.

Rolf Buch
CEO

Klaus Freiberg
COO

Dr A. Stefan Kirsten
CFO

Recent financing measures enabled us to repay legacy debts from commercial mortgage-backed securitisations (GRAND) this year as planned. The necessary funds were also provided by a loan for € 2.5 billion made available by two major banks. This loan for a company which was not yet publicly listed at that time is clear evidence of confidence in our company. The volume of the loan has already been reduced to € 1.0 billion, in particular through the initial issuance of corporate bonds in the amount of € 1.3 billion announced in mid-July. The gross proceeds of some € 400 million from the IPO will be used to refinance further debts. Our goal is to create a seminal financing structure unprecedented in the German housing market that is more flexible, broader and more affordable in the long term.

On the operational side, we have also taken a step forwards. The positive business development in the first six months of 2013 reflects the further improvement of our service offering. Despite significant apartment sales, we were able to increase adjusted EBITDA Rental by 1.8% in comparison to the first half of 2012. The adjusted EBITDA Rental per residential unit rose by 4.9% to € 1,232. The vacancy rate continued to decline, down to 3.9% from 4.5% in the prior year. This drop is attributable to the success in renting out units and to tenants who are satisfied with the offering of Deutsche Annington. The monthly in-place rent per square metre climbed by 2.1% to € 5.35. Adjusted EBITDA rose by 1.8% to € 241.7 million. The number of units sold increased by 701 to 2,587 with income from the disposal of properties up by € 26.6 million from the previous year's figure of € 140.3 million. FFO 1 at the end of the first half of 2013 was € 103.4 million. This constitutes an increase of 35.3% over the prior-year figure of € 76.4 million.

The EPRA net asset value (NAV) was € 4,358.8 million on June 30, 2013 and this does not yet include the capital increase of € 400 million as part of the IPO. Therefore, the half-year figure was 26.4% higher than on the reporting date of December 31, 2012. The equity ratio at the end of the first half of 2013 was 30.9% and the loan-to-value ratio (LTV) was 53.2%.

In the further course of the 2013 financial year and in the years ahead, we will continue to focus on living up to the expectations of our investors, customers, business partners and employees. We aim to manage our housing stocks even more efficiently. On top of previously planned investments, we will invest another € 800 million in the next five years, mainly in modernisation measures enhancing energy efficiency and in senior-friendly, low-barrier housing. Furthermore, we will also drive on with the effort to make our financing structure more flexible. We are confident that this strategy will create significant value and therefore benefit all our stakeholders.

If the framework conditions develop according to our assumptions, for the full year we expect rental income to increase between 1.8 and 2%, the EBITDA margin to improve by 1% in comparison to 2012 and FFO 1 to amount to € 210 to € 220 million.

2013 is a transitional year for us, so the expected dividend yield will be on a level comparable to that of other German housing companies. Given stable business developments, we want to pay out some 70% of our FFO 1 as an annual dividend. From the 2014 financial year onwards, this will amount to around 4.0% of the EPRA NAV.

As a young stock corporation, we are looking forward to having you remain loyal to Deutsche Annington as a shareholder, tenant, business partner, employee and friend of the company in the future.

Bochum, August 5, 2013

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

ON TO A NEW ERA

DEUTSCHE ANNINGTON ON THE STOCK EXCHANGE

A successful move has been made: Deutsche Annington Immobilien SE shares have been traded on the stock exchange since July 11 of this year. Now shareholders can participate in a long-term venture that yields stable, recurring returns in a market of real substance. Residential property in Germany is an attractive investment, given the right portfolio and optimum management. Deutsche Annington has done a great deal in recent years to fulfil these criteria in the best possible way. Now our shareholders, as new co-owners, can benefit from these efforts.

EQUITY STORY: A SUSTAINABLE INVESTMENT IN HOUSING

The investment: value-based, long-term, predictable

Deutsche Annington shareholders participate in a value focused business model with stable, recurring profits. The development of the company's operating business is aligned towards long-term objectives in keeping with Deutsche Annington's mission of modern residential property management.

Time and again over the years, Deutsche Annington has stood out in the development of its business model as an innovation leader that other housing companies also seek to emulate. It is our mission to maintain this innovativeness in the coming years.

Our shareholders are to benefit from value growth as well as from the recurrent earnings that our operating business generates by way of a recurrent and stable dividend. We base the dividend on the company's yearly performance. As a rule, we strive to pay out 70% of posted FFO 1 to shareholders.

A positive investment environment for German residential property

Several attributes of the German residential property market make it a particularly attractive investment in a European context. The home ownership rate is low in Germany compared with other European countries, so the demand for rental units tends to be high. The development of rents is less speculative because of the rent legislation currently in place, among other factors. Rents tend to be less volatile because this legislation provides a clear framework that deters overheating on the supply side. For the same reasons, German residential property is more stable than German office real estate.

The demographic trend is a particularly pertinent argument for investing in German residential property: despite a shrinking population, the number of German households will increase in the coming decade, growing a forecast 2.9% to 41.5 million by 2025. The expected increase in one-to-two-person households (+8.9%) and households with senior citizens who need age-appropriate accommodation will be even steeper. Deutsche Annington has a suitable offering for this sustained trend the one-to-two-person household segment.

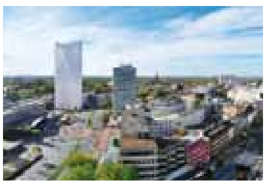
The average stay of a tenant in Germany is relatively high at 12 years. Deutsche Annington's tenants stay even longer at 14.5 years, which attests to the appeal of our Group's portfolio. A long stay also leads to lower transaction and maintenance costs.

OUR PRESENCE IN THE METROPOLITAN AREAS IS AN IMPORTANT VALUE BASE

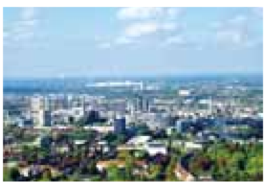
NUMBER OF RESIDENTIAL UNITS AT OUR TOP LOCATIONS

Berlin
12,913

Bochum
7,631



Dortmund
17,632



Duisburg
4,738

A portfolio structure with potential

Our real estate portfolio is in locations with good potential for value growth. Although our housing stocks are located throughout Germany, around 97%, in terms of market value, are in the old West Germany and Berlin. These housing units have two to three rooms with 64 m^2 total floor area on average.

This portfolio structure puts our Group in a good position to benefit from growing demand for affordable, relatively small apartments in Germany. Demand is expected to rise particularly sharply in German metropolitan areas, where it far exceeds supply at some locations.

Securing investments in the housing stocks and improving the value base

We plan to increase our regular investments in our stock to € 150 million per year on average or a total of € 800 million between 2014 and 2018. The majority of funds will go towards modernisation measures enhancing energy efficiency as well as senior-friendly housing. With these investments, we are creating further value for our investors.

At the same time, we will continue pursuing our neighbourhood development efforts, for example, by shaping the urban environment and supporting (social) facilities that improve the urban climate. The better our apartments are embedded in the urban environment, the higher the quality of living will be for our customers.

Optimising value with selective sales

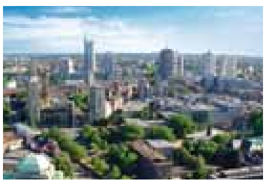
We not only manage properties, we also practise value-based portfolio optimisation. To this end, we sell properties that we are unable to manage efficiently and that therefore lack sufficient value potential for us and our investors.

Improving the earnings base with efficient management

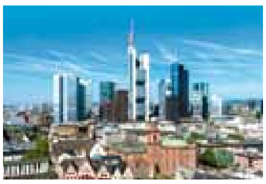
A fully integrated, industrialised management platform is in place to manage our portfolio in a modern, efficient way based on many years of experience in real estate. Our local business units keep us close to the customer. This improves customer satisfaction (our recent surveys show it is on the rise) and makes our housing even more appealing.

Our offering is augmented with services that provide an additional benefit to our customers, for example, our craftsmen's and caretaker services and the telecommunication services that we offer in collaboration with

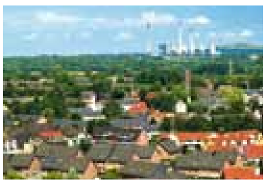
Essen
10,091



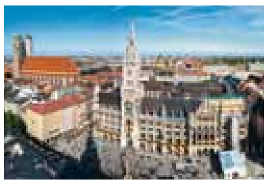
Frankfurt
10,029



Gelsenkirchen
7,872



Munich
4,674



Telekom. We thereby create an additional benefit for our customers and added value for our business. We are able to adapt – that is, extend – our service offering at any time to suit our customers' demands.

Our size is an important competitive advantage: we are the leader in Germany and one of Europe's leading residential property companies in terms of the size of our housing portfolio. Our prominent position enables us to achieve price advantages in purchasing and exploit synergetic effects for our services, both of which benefit costs and earnings.

A stable financial structure and a wide range of financing options

Debt was restructured as part of the preparations for the listing. The outcome is a flexible and in part innovative set of tools that enables us to optimise interest and financing costs irrespective of the market situation.

With the successful restructuring of the GRAND securitisation in late 2012, we now have variable access to the markets for secured financing for all sections of our portfolio. Pension funds and international insurance companies, alongside classic mortgage banks, operate in this financing segment.

In July of this year, we issued two benchmark bonds with terms of three and six years as the first German residential property company on the international bonds market. The agency Standard & Poor's provided an 'investment grade' rating, which is necessary to issue bonds such as these.

Last but not least, the successful IPO has, since July 11, afforded us flexible access to the market for equity capital.

A natural consolidator

The stable structure of our balance sheet, our flexible financing options as well as our industrialised management platform provide excellent prerequisites for us to act as the natural consolidator of housing portfolios which fit in with our strategy. Unlike other real estate companies, we are also flexible when it comes to the regional location of potential acquisitions. As a rule, we see external growth as an additional option and we make our decisions contingent upon how well the opportunities for acquisition fit. In recent years, we have repeatedly demonstrated our ability to successfully integrate new housing stocks into our portfolio.

In conclusion, our shareholders invest in a long-term business model geared to stable development. The share's appeal is underpinned by both the asset class – the residential property itself – and the opportunities for development that Deutsche Annington has given its current setup. In future, we will continue to enhance our value base with our clearly defined strategy.

OUR SHARE IS BACKED BY A STRONG COMPANY

1. Our business model stands for stable growth in recurring earnings.

2. The German housing market is very well positioned in an international comparison.

3. Our asset profile puts us in an attractive market segment.

4. We invest purposefully in energy-efficiency-enhancing modernisation measures and senior-friendly conversions. With these investments, we are creating further value for our investors.

5. Our size and setup enable efficient management. Integrated management enables us to leverage synergetic effects and capitalise on economies of scale.

6. We have many opportunities to extend our service offering.

7. Our innovative financing strategy affords us flexible and efficient access to capital.

8. The prerequisites for good organic growth are excellent. This affords us the opportunity to target and look into new acquisition options.

THE SHARE: KEY STOCK MARKET DATA

After an intensive preparatory phase in the first half of 2013, the Deutsche Annington share was first traded on the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange on July 11, 2013, after the end of the reporting period. The initial listing price of € 17.10 was well above the subscription price of € 16.50.

The initial public offering

The IPO marks a major milestone for Deutsche Annington because it affords the company greater strategic leeway, especially with a view to the realignment of its financing strategy. A bank consortium headed up by J.P. Morgan and Morgan Stanley had been mandated at the beginning of the year to prepare the IPO.

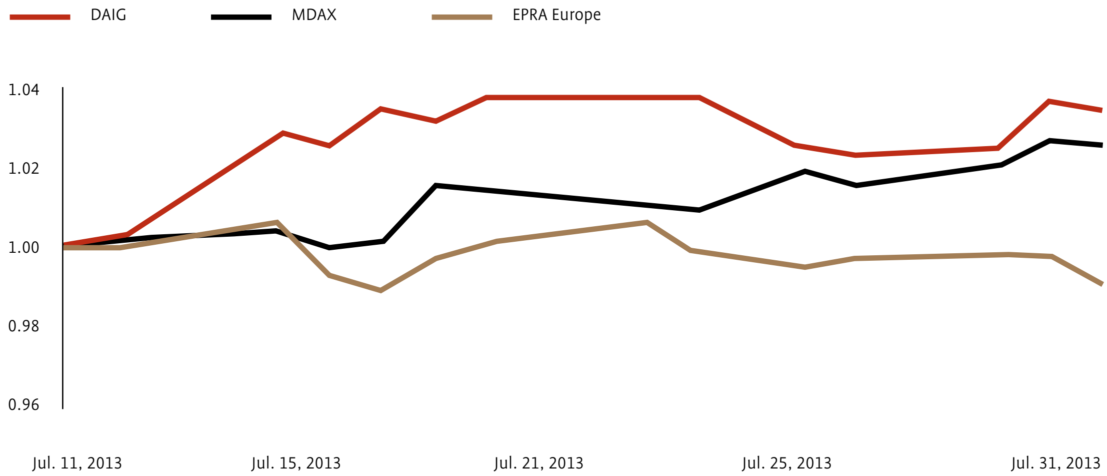
A total of 34,848,485 shares within a price range from € 16.50 to € 17.00 were offered to institutional investors on July 9, 2013 by way of an accelerated book-building process – an innovative placement procedure for the German IPO market. The offering consisted of 24,242,425 new shares from a capital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

The offering was clearly oversubscribed at the subscription price of € 16.50. Deutsche Annington obtained gross proceeds of € 400.0 million with the placement of the new shares, which are to be used to reduce debt. The over-allotment was exercised in full. The overall placement volume amounted to € 575.0 million and market capitalisation to around € 3.7 billion.

Shareholder structure

Total outstanding shares of Deutsche Annington amount to 224,242,425. Alongside the selling shareholder Monterey Holding

SHARE PRICE DEVELOPMENT



I S.à r.l., which retains a majority 84.5% stake in Deutsche Annington, Norway's Norges Bank acquired a 5.5% holding in Deutsche Annington within the framework of the IPO. The 15.5% (including the Norges stake) free-float shares are held mainly by institutional investors.

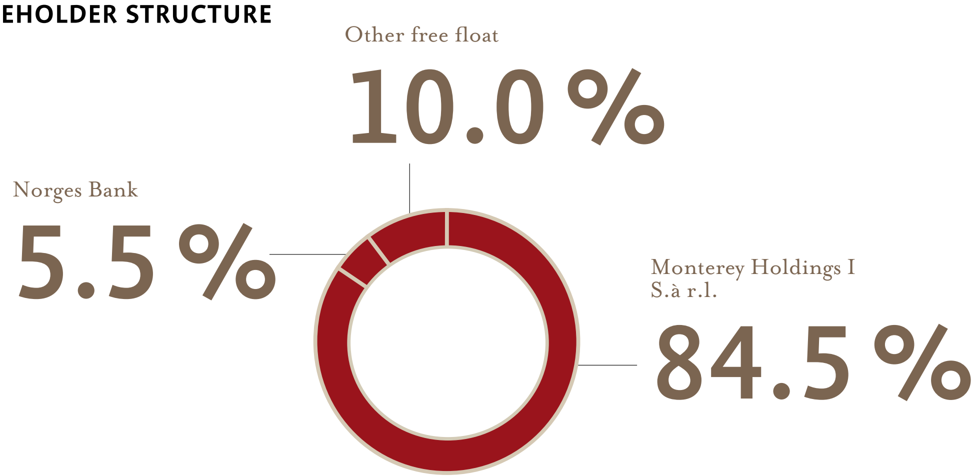
Dividend policy

Given stable business developments, Deutsche Annington aims to distribute an annual dividend of around 70% of FFO 1. From the 2014 financial year onwards, this will amount to around 4.0% of the EPRA NAV at that time. A lower dividend is expected to be paid out initially for the 2013 financial year, as it is a year of transition, although on a level comparable to that of other real estate companies.

Share information

1st day of trading:	July 11, 2013
Subscription price:	€ 16.50
Total number of shares:	224.2 million
Share capital in €:	224,242,425
ISIN:	DE000A1ML7J1
WKN:	A1ML7J
Symbol:	ANN
Common code:	094567408
Class:	Registered shares with no par value
Free float:	15.5% (including Norges Bank)
Stock exchange:	Frankfurt Stock Exchange
Market segment:	Regulated market

Shareholder structure



INTERIM MANAGEMENT REPORT

OVERVIEW

For the Deutsche Annington Immobilien Group, the first six months of this year were above all marked by two important events: the preparations for the IPO and the further development of our financing structure. The latter enabled us to repay our GRAND securitisation on July 22, 2013 and has opened up new strategic options for the Group.

Following the decision of the sole shareholder, Monterey Holdings I S.à r.l., Luxembourg, to sell part of its shareholding in Deutsche Annington Immobilien SE in an IPO, we made intensive preparations for this step in the first half of 2013. As part of the preparations for the IPO, the subscribed capital and the number of shares of Deutsche Annington Immobilien SE were increased to some € 224 million.

After the successful completion of the book-building process, the shares of Deutsche Annington Immobilien SE have been listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since July 11, 2013. Deutsche Annington Immobilien SE raised gross proceeds of € 400.0 million from the issuance of no-par value registered shares. Together with the non-cash contribution to capital reserves in early 2013 by the sole shareholder, Deutsche Annington has therefore received more than € 600 million since the beginning of the year.

With the **IPO,** Deutsche Annington has taken an important step going forward and, with a clear strategy and the generation of sustainable returns, can take a leading role on the attractive German residential real estate market. At the same time, the IPO enables us to profit from more flexible financing forms in future. As the only housing company in Germany with an investment grade rating, we can use the entire spectrum of financing possibilities. We are therefore even more flexible with financings and can profit from interest advantages depending on the market situation.

An investment grade rating, which we received from Standard & Poor's Ltd. on July 10, 2013, forms the basis for the **NEW FINANCING STRATEGY** of Deutsche Annington. The agency granted Deutsche Annington an initial rating of BBB.

Alongside the new financing options, we were also active in the classic secured financing markets in the reporting period. Here, we systematically pushed ahead with the refinancing of various sub-portfolios. In six transactions with banks and insurance companies, we contracted follow-on loans for portfolios from the GRAND securitisation with a volume of more than € 1.7 billion. We see the successful conclusion of this financing as further evidence of confidence in our business model and our performance.

By **ESTABLISHING DEUTSCHE ANNINGTON FINANCE B.V.,** with its head office in Amsterdam, we have created a further basis for the issuance of unsecured corporate bonds, which we successfully used on July 17, 2013 by placing our first issue with an aggregate notional volume of € 1.3 billion. Our first issue consisted of two tranches, a three-year tranche with a volume of € 700.0 million and a coupon of 2.125 % as well as a six-year tranche with a volume of € 600.0 million and a coupon of 3.125 %. Deutsche Annington received a rating of BBB for both bonds from Standard & Poor's.

In order to repay our GRAND securitisation in full, we also contracted an unsecured Term Loan for € 2.5 billion with two banks. With the aid of this facility, which we utilised in the amount of € 1.0 billion after the successful placement of our bonds, we repaid **THE OUTSTANDING GRAND LIABILITIES** in full on July 22, 2013.

The implementation of our operating strategy remains well on track. Our company continues to operate on a stable and promising foundation. This is also evidenced by the current development of business: overall, we can look back on a good first half of the year.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation) and FFO 1 (funds from operations) were above the level of the prior-year period. Adjusted EBITDA totalled € 241.7 million, which is an increase of 1.8 % compared with the prior-year period figure. FFO 1 increased by 35.3 % to € 103.4 million. Adjusted EBITDA Sales rose by 1.6 % to € 19.6 million.

The positive result trend is also reflected in the development of the operating KPIs: the monthly in-place rent rose by 2.1 % from € 5.24/m^2 (June 30, 2012) to € 5.35/m^2 (June 30, 2013). The vacancy rate fell by 0.6 percentage points to 3.9 %. At the same time, the number of apartments sold increased by 701 units to 2,587 apartments.

Business operations themselves developed according to plan: in 2012, we had reorganised our customer service and divided it into two core units – Central Customer Service and Local Customer Service. Today, our staff in the Central Customer Service in Bochum and in the Local Customer Service on site work hand in hand. As a result, we have achieved greater flexibility as well as faster response times in customer service. For our internal processes, we have defined a response time within which written customer inquiries must be finally settled. **CUSTOMERS RECEIVE A BINDING REPLY FROM US WITHIN 5 TO 10 WORKING DAYS.**

Through **REGULAR ON-SITE SERVICE HOURS** at all property locations, we have expanded customer care by our Local Customer Service team. Every month, some 750 on-site service hours are held throughout Germany. What's more, our own caretaker and craftsmen's organisations guarantee the greatest possible customer proximity.

Our **CARETAKERS** are the direct contacts for our tenants and, at the same time, they make sure that our residential estates are clean and tidy. Since the beginning of the year, our caretakers regularly conduct visual and functional checks in and on our buildings at all property locations throughout Germany. A binding catalogue of services guarantees the same high quality of these value-creating caretaker services at all our sites. Despite this extended customer service, the pass-through ancillary cost charge to be paid by the tenant will normally be below the ancillary cost index (0.18 cent/m²/month).

Since 2011, craftsmen's work such as painting, plumbing, heating and masonry work has been performed in our properties by our TGS companies. We regionally expanded this customer service further in the first half of 2013 by establishing further TGS companies. We are now present at all Deutsche Annington property locations with some 740 **own craftsmen.**

Thanks to our on-site presence, we were able to react even faster and more reliably to our customers' wishes and requests in the first half of 2013.

At the end of 2011, Deutsche Annington entered into a strategic partnership with Deutsche Telekom in order to equip **our housing stocks** throughout Germany **with modern fibre-optic technology** and provide the tenants with a TV signal through the subsidiary Deutsche Multimedia Service GmbH. By the end of the reporting period, Deutsche Multimedia Service GmbH had provided the first 22,000 units with a TV signal.

In the first six months of 2013, we set up our social management offering throughout Germany. Some 80 employees advise tenants who have got into financial difficulties. As a result of this counselling, over 300 evictions were avoided in the reporting period.

All in all, we can say that we achieved both our economic and operational goals for the first half of 2013. We are therefore positive about the second six months, which have meanwhile started: here, too, we are confident that we can meet our targets.

PORTFOLIO

Deutsche Annington is Germany's largest private-sector residential real estate company both in terms of portfolio value and the number of units owned. As at June 30, 2013, we managed 179,358 residential units of our own, 41,548 garages and parking spaces as well as 1,076 commercial units. We also manage 27,024 apartments for other owners. The Deutsche Annington Immobilien Group provides accommodation in some 550 cities and communities throughout Germany.

With an aggregate portfolio of 11,447 million m² of leased living area, we generate an average monthly in-place rent of € 5.35/m². The vacancy rate was 3.9 % at the end of the reporting period.

Portfolio segments

Deutsche Annington has divided its portfolio into five portfolio segments. We follow a differentiated strategy with regard to each segment. The individual segments are as follows:

> **Operate**
  Continual improvement of rents and efficient maintenance

> **Upgrade Buildings**
  Investments in improving energy efficiency

> **Optimise Apartments**
  Investments in making apartments fit for senior living and high-standard apartment modernisations

> **Privatise**
  Sale to private customers

> **Non-Core**
  Sale to private and institutional investors as the opportunity presents itself

The three segments of the Rental Only sub-portfolio – Operate, Upgrade Buildings, Optimise Apartments – make up 81 % of our housing stocks in terms of fair value and offer above-average, value-creating potential. The Privatise segment accounts for another 14 % of our housing stocks. Here we are expecting to create additional value by single unit sales to private customers. The four portfolio segments – Operate, Upgrade Buildings, Optimise Apartments and Privatise – make up our core portfolio. It represents 95 % of our portfolio in terms of fair value.

5 % of our housing stocks only have limited development potential in the medium to long term as they are not suitable for management using our standardised letting pro-

cesses due to their location or the condition of the property. This housing stock is to be sold in the medium term at prices around fair value.

According to the refined segmentation, the Deutsche Annington portfolio as at June 30, 2013 breaks down as follows:

Housing stocks
as at June 30, 2013

	Units	Living area	Vacancy rate		In-place rent		
		(in thousand m²)	(%)	Change (% points)	(in € million)	like-for-like (€/m²/month)	Change like-for-like (€/m²/month)
Operate	78,762	4,998	3.1	− 0.6	314.0	5.40	+0.10
Upgrade Buildings	43,533	2,746	3.0	− 0.1	168.9	5.29	+0.09
Optimise Apartments	21,367	1,335	2.1	− 0.1	94.5	6.03	+0.21
Rental Only	**143,662**	**9,079**	**2.9**	**− 0.4**	**577.3**	**5.46**	**+0.12**
Privatise	21,753	1,490	5.2	− 0.4	89.6	5.28	+0.04
Non-Core	13,943	878	11.4	− 2.0	39.7	4.27	+0.04
Total	**179,358**	**11,447**	**3.9**	**− 0.6**	**706.7**	**5.35**	**+0.11**

In all portfolio segments, the rents developed very positively compared with the first half of 2012: the monthly in-place rent (like-for-like) rose in the housing stocks as a whole by € 0.11/m² to € 5.35/m². In the Rental Only sub-portfolio – Operate, Upgrade Buildings and Optimise Apartments – the monthly in-place rent (like-for-like) also increased by € 0.12/m² and amounted to € 5.46/m²/month at the end of the reporting period. Overall, the development of rents both like-for-like and in absolute terms was the same.

The vacancy rate fell overall in the first six months of 2013 by 0.6 percentage points to 3.9 %. In the Rental Only sub-portfolio, the vacancy rate fell by 0.4 percentage points to 2.9 %.

The vacancy rate according to the EPRA definition was 3.4 % as at June 30, 2013.

Portfolio strategy

We intend to continually increase the value of the core portfolio through three main levers:

> **Value-enhancing property management:** we achieve operational value generation through rental growth, vacancy reduction, effective and sustainable maintenance spend as well as cost efficiencies through scale.

> **Value-creating investments:** we generate significant value improvement through a comprehensive investment programme which concentrates on two societal megatrends: climate protection and demographic change. This forms the basis for our investments in the housing stocks: energy-efficient modernisations, the refurbishment of apartments for senior living as well as high-standard refurbishments in markets where fully refurbished apartments deliver a rental premium.

> **Privatisation:** we plan further value generation through privatisation of owner-occupier units and single-family houses at a significant premium compared with the fair value. These units amount to 14 % of the total portfolio of Deutsche Annington. In the last three years, Deutsche Annington has sold some 2,500 apartments on average per year at an average selling price of more than 20 % above the fair value at the time of sale.

Regional distribution of total portfolio

Most of our housing stocks (96 %) are situated in the old West Germany and Berlin. 53 % are located in North Rhine-Westphalia. We therefore continue to hold by far the largest proportion of our portfolio in the most populous German state.

Housing stocks by German State
as at June 30, 2013

	Units	Living area	Vacancy rate	In-place rent	
		(in thousand m²)	(%)	(in € million)	(€/m²/month)
North Rhine-Westphalia	95,536	5,980	4.3	348.1	5.07
Hesse	21,225	1,344	1.7	103.3	6.51
Bavaria	14,340	953	2.1	61.5	5.50
Berlin	12,913	832	1.2	56.2	5.70
Schleswig-Holstein	11,276	703	4.3	41.2	5.12
Lower Saxony	5,719	386	8.2	21.7	5.08
Rhineland-Palatinate	5,182	369	2.8	22.1	5.14
Baden-Württemberg	4,951	346	2.7	21.6	5.36
Saxony	3,302	206	10.8	10.7	4.84
Saxony-Anhalt	1,425	96	21.1	4.1	4.47
Hamburg	1,122	65	1.9	5.6	7.35
Thuringia	1,065	69	5.9	4.0	5.19
Mecklenburg-Western Pomerania	641	49	2.2	3.3	5.72
Brandenburg	576	42	4.0	2.9	5.84
Bremen	66	5	3.0	0.3	5.83
Saarland	19	1	5.3	0.1	4.76
Total	**179,358**	**11,447**	**3.9**	**706.7**	**5.35**

Roughly 66 % of the housing portfolio (118,097 units) is concentrated in our 25 largest locations. The three largest locations are Dortmund, Berlin and Essen. Overall, a large proportion of our residential portfolio is located in cities and regions with good growth prospects and a positive development of the number of households, including Munich and Berlin as well as the Rhine-Main region with the cities Frankfurt am Main, Cologne, Bonn and Düsseldorf. Some 69 % of the portfolio is located in cities with more than 100,000 inhabitants.

Housing stocks 25 largest locations
as at June 30, 2013

	Units	Living area	Vacancy rate	In-place rent	
		(in thousand m²)	(%)	(in € million)	(€/m²/month)
Dortmund	17,632	1,075	2.8	59.7	4.76
Berlin	12,913	832	1.2	56.2	5.70
Essen	10,091	618	6.0	36.0	5.18
Frankfurt am Main	10,029	621	0.6	52.4	7.08
Gelsenkirchen	7,872	482	6.9	24.7	4.59
Bochum	7,631	440	2.6	26.2	5.10
Duisburg	4,738	282	4.2	15.9	4.91
Munich	4,674	311	0.6	23.2	6.26
Herne	4,583	281	4.5	15.1	4.69
Bonn	4,261	299	2.3	21.0	6.00
Cologne	4,007	264	2.5	19.7	6.35
Gladbeck	3,272	200	3.0	11.4	4.88
Herten	2,722	175	4.2	9.2	4.55
Marl	2,514	168	7.9	9.4	5.10
Düsseldorf	2,489	163	2.3	13.2	6.89
Aachen	2,186	145	1.7	9.1	5.35
Wiesbaden	2,073	138	2.0	11.8	7.29
Bergkamen	2,020	134	8.5	6.5	4.49
Geesthacht	1,999	114	4.5	7.2	5.54
Bottrop	1,925	121	4.1	7.1	5.06
Kassel	1,867	116	3.0	6.5	4.83
Castrop-Rauxel	1,707	100	4.7	5.8	5.10
Recklinghausen	1,658	110	3.6	6.0	4.76
Nuremberg	1,632	112	1.2	7.7	5.80
Flensburg	1,602	106	4.3	5.8	4.80
Subtotal of the 25 largest locations	**118,097**	**7,408**	**3.3**	**467.0**	**5.43**
Other locations	61,261	4,039	5.0	239.6	5.20
Total	**179,358**	**11,447**	**3.9**	**706.7**	**5.35**

Regional distribution of the Rental Only sub-portfolio

The Rental Only sub-portfolio of Deutsche Annington comprises three portfolio segments, Operate, Upgrade Buildings and Optimise Apartments. The following table shows the distribution of the Rental Only sub-portfolio by German state together with information on the living area, vacancy rate and in-place rent:

Rental Only sub-portfolio by German state
as at June 30, 2013

	Units	Living area (in thousand m²)	Vacancy rate (%)	In-place rent (in € million)	In-place rent (€/m²/month)
North Rhine-Westphalia	78,434	4,853	3.6	288.0	5.13
Hesse	17,633	1,110	1.4	86.4	6.58
Bavaria	10,197	674	1.7	45.5	5.73
Berlin	12,479	803	1.1	54.4	5.71
Schleswig-Holstein	9,007	548	3.6	32.4	5.13
Lower Saxony	1,894	136	3.0	9.7	6.08
Rhineland-Palatinate	3,907	273	1.9	17.7	5.20
Baden-Württemberg	3,710	266	1.3	16.7	5.61
Saxony	2,823	178	8.1	9.6	4.89
Saxony-Anhalt	503	34	5.8	2.0	5.22
Hamburg	1,118	64	1.8	5.6	7.35
Thuringia	797	53	3.6	3.3	5.45
Mecklenburg-Western Pomerania	641	49	2.2	3.3	5.72
Brandenburg	469	34	1.3	2.5	6.08
Bremen	50	3	2.0	0.3	6.51
Saarland	0	0	0.0	0.0	0.00
Total	**143,662**	**9,079**	**2.9**	**577.3**	**5.46**

As at June 30, 2013, some 70 % of the Rental Only sub-portfolio or 100,498 units were in our 25 largest locations. The remaining 43,164 units are spread across some 525 cities and communities throughout Germany and, with some 88 %, are concentrated in the old West Germany and Berlin.

Rental Only sub-portfolio 25 largest locations
as at June 30, 2013

	Units	Living area (in thousand m²)	Vacancy rate (%)	In-place rent (in € million)	In-place rent (€/m²/month)
Dortmund	15,755	955	2.5	53.2	4.77
Berlin	12,479	803	1.1	54.4	5.71
Essen	7,798	469	5.2	27.8	5.23
Frankfurt am Main	8,752	534	0.6	45.6	7.16
Gelsenkirchen	6,106	367	6.8	19.5	4.76
Bochum	6,959	398	2.2	23.8	5.09
Duisburg	3,325	190	4.2	11.0	5.04
Munich	3,935	259	0.5	18.9	6.12
Herne	3,817	235	4.2	12.6	4.69
Bonn	3,810	267	1.9	18.7	5.94
Cologne	3,051	199	1.8	14.9	6.35
Gladbeck	2,709	164	2.3	9.7	5.05
Herten	2,046	127	3.6	7.1	4.85
Marl	1,948	127	6.2	7.2	5.09
Düsseldorf	2,033	133	1.5	10.8	6.86
Aachen	2,073	138	1.6	8.7	5.36
Wiesbaden	1,730	114	1.7	9.7	7.23
Bergkamen	1,729	112	6.2	5.6	4.48
Geesthacht	1,577	87	4.9	5.5	5.55
Bottrop	1,278	79	2.5	4.9	5.34
Kassel	1,679	103	3.3	5.8	4.84
Castrop-Rauxel	1,518	88	4.2	5.1	5.10
Recklinghausen	1,509	99	3.6	5.5	4.80
Flensburg	1,390	89	4.5	5.0	4.87
Kiel	1,492	89	1.4	5.4	5.15
Subtotal of 25 largest locations	**100,498**	**6,222**	**2.8**	**396.6**	**5.47**
Other locations	43,164	2,857	3.2	180.8	5.45
Total	**143,662**	**9,079**	**2.9**	**577.3**	**5.46**

Sales of Privatise and Non-Core segments

Sales of Privatise portfolio segment

€ million	H1 2013	H1 2012
Number of units sold	1,457	1,363
Income from disposal of properties	124.3	116.2
Fair value of properties sold*	−102.4	−96.6
Adjusted profit from disposal of properties	**21.9**	**19.6**
Fair value step-up (%)	**21.4**	**20.3**

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

In the Privatise portfolio segment, the number of apartments sold rose by 6.9% from 1,363 to 1,457 units thanks to the continued good market environment. The income from disposal of properties increased by 7.0% to € 124.3 million. Owing to the improved ratio of the profit from disposal of properties to the fair value of properties sold, the fair value step-up rose in a half-year comparison by 1.1 percentage points to 21.4%.

Sales of Non-Core portfolio segment

€ million	H1 2013	H1 2012
Number of units sold	1,130	523
Income from disposal of properties	39.3	22.3
Fair value of properties sold*	−37.6	−18.2
Adjusted profit from disposal of properties	**1.7**	**4.1**
Fair value step-up (%)	**4.5**	**22.3**

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

We sold significantly more units from the Non-Core portfolio segment than in the prior-year period. The number of apartments sold increased by 607 to 1,130 units. The fair value step-up of the properties sold decreased by 17.8 percentage points to 4.5%. The comparatively high fair value step-up in the first half of 2012 was mainly due to the sale of individual commercial properties. Furthermore, sales of undeveloped land generated proceeds of € 3.2 million, the fair value of the land sold amounting to € 1.3 million.

The Non-Core portfolio segment, which makes up roughly 5 % of our total residential portfolio, comprises units which only have below-average, medium to long-term growth potential and are sold as quickly as possible at prices around the fair value.

Modernisation and maintenance

In 2013, we continued to pursue our objective of steadily improving the quality of our housing stocks and the neighbourhoods. Our investment programme concentrates on energy-efficient modernisations of buildings, the refurbishment of individual apartments for senior living and high-standard refurbishments.

As part of these measures, we are heat-insulating for example facades, basement ceilings and attics for a living area of some 150,000 m^2. This significantly reduces energy consumption which in turn cuts CO_2 emissions. The lower energy consumption not only benefits the environment but also our tenants in the form of lower ancillary cost bills.

We take account of the demographic change when planning investments in our properties. Some 40 % of our tenants are over 60 and many of them want to stay living in their homes as long as possible. In 2013, we have earmarked approximately € 10.0 million for the senior-friendly refurbishment of some 670 apartments according to the KfW standard.

In the first six months of 2013, work was started on modernisation projects for 1,050 apartments. Overall, the Deutsche Annington Immobilien Group is planning to perform 71 modernisation projects for 2,397 apartments throughout Germany in the current year.

BUSINESS PERFORMANCE IN THE FIRST HALF OF 2013

Economy and industry environment

According to the Institute for Economic Research at the University of Munich (ifo), the German economy got off to a weak start in the new year, with real GDP only increasing by 0.1 % in the first quarter of 2013. Previously, total economic output had even fallen very sharply by 0.7 %. Private consumption was virtually the sole contributor to the stabilisation in the first quarter of 2013. Net exports provided hardly any momentum. Despite a higher work volume and more employment offers, the number of people unemployed increased slightly.

The ifo business climate stabilised in the past months at an above-average level so that the economy should continue to recover in the second half of the year. Provided that the euro crisis does not escalate massively, the prospects are also good for the coming year. According to ifo, real GDP should increase by 0.6 % on an annual average in 2013.

The favourable demand situation on the German housing market is accompanied by a trend towards rising rents and purchase prices. This applies particularly to the metropolitan areas in western Germany.

Currently, there is controversy about the ceiling on rent increases initiated by the German government. According to the German Association of Real Estate Consultants, Agents, Managers and Experts (IVD), the introduction of such a ceiling would mean an artificial intervention in the market, which would be more likely to lead to a greater housing shortage because private money would no longer be invested in new builds or in existing residential properties. A better alternative would be to improve the framework conditions for investment in real estate.

There are also reservations about the planned tightening of the Energy Conservation Regulations (EnEV) 2014 for new builds. According to the German Association of German Housing and Real Estate Companies (GdW), this would act as a further sharp brake on housing construction so urgently needed in metropolitan areas.

Business Performance

Key performance indicators of the Deutsche Annington Immobilien Group

€ million	H1 2013	H1 2012
Income from property management	532.2	541.1
thereof rental income	364.0	365.4
Adjusted EBITDA Rental	222.1	218.2
Income from disposal of properties	166.9	140.3
Adjusted EBITDA Sales	19.6	19.3
EBITDA IFRS	225.9	239.3
Adjusted EBITDA	241.7	237.5
FFO 1	103.4	76.4
FFO 2 (incl. profit from property sales)	123.0	95.7
AFFO	91.8	70.1
	Jun. 30, 2013	Dec. 31, 2012
NAV	4,358.8	3,448.9
	H1 2013	H1 2012
Number of employees	2,560	1,592
Number of units sold (recorded sales)	2,587	1,886
Sold individually	1,457	1,363
Other sales	1,130	523
Vacancy rate (%)	3.9	4.4
Monthly in-place rent (€/m²)	5.35	5.24
Number of residential units in portfolio	179,358	184,923

As an integrated residential real estate company, the Deutsche Annington Immobilien Group concentrates on the value-enhancing management of its housing stocks and the selective privatisation or sale of units. The business activities of Deutsche Annington are split into two segments, Rental and Sales.

Rental

Adjusted EBITDA Rental

€ million	H1 2013	H1 2012
Rental income	364.0	365.4
Other income from property management	9.1	9.1
Ancillary cost balance	−8.6	−9.2
Other property management costs	−142.4	−147.1
Adjusted EBITDA Rental	**222.1**	**218.2**

The Rental segment covers property rental and condominium administration services.

The **adjusted EBITDA** of the Rental segment increased by € 3.9 million to € 222.1 million in the first half of 2013.

Despite the smaller number of rental units as a result of property sales, **rental income** totalled € 364.0 million, which is only slightly down on the prior-year figure of € 365.4 million. The main factors were vacancy reductions as well as higher average monthly rents compared with the prior-year period.

At the end of the reporting period, the **vacancy rate** was 3.9 % and therefore 0.6 percentage points below the prior-year figure of 4.5 %. As a result, we cut the vacancy losses by 9.3 % to € 18.5 million.

The monthly **in-place rent** rose in the first half of 2013 in comparison to the prior-year period by 2.1 % on average to € 5.35/m² (June 30, 2012: € 5.24/m²). We achieved the rent increases through rent adjustments as well as in connection with modernisation measures. Housing improvements allow landlords to pass on some of the costs to their tenants.

The **ancillary cost balance** improved year-on-year by € 0.6 million to € 8.6 million. This development mainly results from the decrease in voids. The other property management costs fell in the first six months of 2013 by € 4.7 million to € 142.4 million, partly as a result of improved business processes (€ 2.8 million) as well as a decrease in write-downs on receivables (€ 1.0 million) thanks to improved receivables management. The other property management costs include maintenance expenses of € 60.8 million (June 30, 2012: € 61.7 million) including maintenance work performed by our own craftsmen's organisation.

Sales

Adjusted EBITDA Sales

€ million	H1 2013	H1 2012
Income from disposal of properties	166.9	140.3
Carrying amount of properties sold	– 154.0	– 121.9
Revaluation of assets held for sale*	11.1	12.8
Profit on disposal of properties (IFRS)	**24.0**	**31.2**
Revaluation (realised) of assets held for sale*	– 11,1	– 12,8
Revaluation from disposal of assets held for sale*	12.7	8.1
Adjusted profit on disposal of properties	**25.6**	**26.5**
Operating expenses	– 6.0	– 7.2
Adjusted EBITDA Sales	**19.6**	**19.3**

* For the first time in the interim management report for the first half of 2013, EBITDA Sales was adjusted for these period effects. The purpose of this adjustment is to show effects from the application of IFRS 5 on property sales affecting net income only in the period in which the sale actually takes place.

The Sales segment covers the sale of housing stocks from the Privatise and Non-Core portfolio segments. The units are offered for sale to tenants, owner-occupiers as well as private and institutional capital investors. The offering ranges from owner-occupier apartments and single-family houses to multi-family houses and residential estates.

In the first half of 2013, the **income from disposal of properties** increased by € 26.6 million to € 166.9 million (June 30, 2012: € 140.3 million) driven by the larger number of units sold compared with the prior-year period.

Nationwide, we sold 2,587 apartments in the first six months of 2013 (June 30, 2012: 1,886 apartments). Of this figure, 1,457 apartments (June 30, 2012: 1,363 apartments) were sold under the privatisation programme and 1,130 apartments (June 30, 2012: 523 apartments) were from the Non-Core portfolio segment (see also page 20). Therefore, the sharp rise in apartment sales mainly results from the larger number of units sold as part of our portfolio optimisation measures compared with the prior-year period. Furthermore, demand for apartments for owner occupation or as a long-term capital investment remains strong.

Adjusted EBITDA Sales increased by € 0.3 million from € 19.3 million in the prior-year period to € 19.6 million as a result of the larger number of apartments sold. The high proportion of sales from the Non-Core portfolio segment was the reason why the increase in adjusted EBITDA Sales was not more pronounced. The fair value step-up for these housing stocks is generally below the fair value step-up for sales from the Privatise portfolio segment.

Operating expenses were reduced by € 1.2 million to € 6.0 million.

FFO

Funds from Operations (FFO)

€ million	H1 2013	H1 2012
Profit for the period	**440.2**	**111.5**
Interest expense/income	121.5	160.9
Income taxes	185.3	44.7
Depreciation	2.8	2.9
Income from fair value adjustment of investment properties	– 523.9	– 80.7
= EBITDA IFRS	**225.9**	**239.3**
Non-recurring items	14.2	2.9
Total period adjustments from assets held for sale	1.6	– 4.7
= EBITDA (adjusted for non-recurring items)	**241.7**	**237.5**
Adjusted EBITDA Sales	– 19.6	– 19.3
EBITDA (excl. profit from property sales and non-recurring items)	**222.1**	**218.2**
Interest expense FFO	– 114.7	– 138.2
Current income taxes	– 4.0	– 3.6
= FFO 1	**103.4**	**76.4**
Capitalised maintenance	– 11.6	– 6.3
= AFFO	**91.8**	**70.1**
FFO 2 (FFO 1 incl. profit from property sales)	**123.0**	**95.7**

The profit for the period increased in the first half of 2013 compared with the prior-year period by € 328.7 million to € 440.2 million. The main driver was the sharp increase in the income from fair value adjustment of investment properties.

Deutsche Annington used the refined valuation methodology applied by external property appraiser CBRE Group, Inc. for the first time and incorporated the valuation results of CBRE in the interim consolidated financial statements as at March 31, 2013. In the determination of the fair value of investment properties, CBRE used the DCF valuation method and made certain assumptions and estimates in line with the approach generally accepted and used in the market. On a comparable basis to the previously applied income capitalisation method, using the market assessment of CBRE, the net income from fair value adjustments in the first three months would have been some € 42.0 million lower. The fair values were updated by the external property appraiser CBRE Group, Inc. as at June 30, 2013. The refined approach to assumptions and estimates used in the CBRE valuation and the overall positive market development resulted in net income from fair value adjustment of investment properties of € 523.9 million in the first half of 2013 (June 30, 2012: € 80.7 million). The increase in income from the fair value adjustment of investment properties resulted in a sharp rise in income taxes of € 140.6 million to € 185.3 million compared with the prior-year period.

At € 225.9 million, **EBITDA IFRS** in the first half of 2013 was down on the prior-year figure (June 30, 2012: € 239.3 million). The decrease was largely due to higher non-recurring items, which increased by € 11.3 million year-on-year to € 14.2 million and were influenced by additional expenses for refinancings, equity increases (where not deductible from the liabilities or equity) and the IPO preparations.

EBITDA adjusted for non-recurring items rose by € 4.2 million to € 241.7 million (June 30, 2012: € 237.5 million). The positive development is mainly the result of adjusted EBITDA Rental increasing by € 3.9 million to € 222.1 million.

The **non-recurring items** resulted from the development of new fields of business, severance payments due to business process optimisation, higher expenses for refinancings and equity increases (where not deductible from the liabilities or equity) as well as from preparations for the IPO. The following table shows the respective amounts for the non-recurring items in the first half of 2013 compared with the prior-year period.

Non-recurring items

€ million	H1 2013	H1 2012
Development of new fields of business	2.9	1.8
Development of business processes and reorganisation measures	0.4	0.0
Severance payments	0.1	− 0.2
Cost of refinancings and equity increases which cannot be deducted from liabilities or equity	4.9	0.8
IPO preparations	5.9	0.5
Total non-recurring items	**14.2**	**2.9**

FFO 2 (FFO 1 including profit from property sales) rose by 28.5 % to € 123.0 million compared with the first half of 2012. The fall in interest expense FFO of € 23.5 million to € 114.7 million in conjunction with capital repayments made on financial liabilities had a positive effect. The interest expense reflects the net cash interest allowing for corrections through interest accretion effects.

Reconciliation of financial result to net cash interest

€ million	H1 2013	H1 2012
Income from non-current loans	1.0	1.0
Interest income	5.9	1.1
Interest expense	− 128.4	− 163.0
Financial result	**− 121.5**	**− 160.9**
Adjustments:		
Transaction costs	5.6	9.2
Prepayment penalties and commitment interest	15.2	0.0
Effects from the valuation of loans	− 24.1	4.5
Interest accretion to provisions/EK02	7.2	9.3
Accrued interest	− 13.2	− 3.0
Other effects	2.9	− 0.3
Net cash interest	**− 127.9**	**− 141.2**
Accrued interest adjustment	13.2	3.0
Interest expense FFO	**− 114.7**	**− 138.2**

The **financial result** improved by € 39.4 million to € 121.5 million. This development is mainly due to lower interest expense as a result of the restructuring of the GRAND refinancing as well as the capital repayments made in the first half of 2013. Interest expense fell by € 34.6 million to € 128.4 million.

Prepayment penalties and commitment interest as a result of the capital repayments made in the reporting period had an opposite effect.

FINANCIAL POSITION AND NET ASSETS

The equity of the Deutsche Annington Immobilien Group increased in the first six months from € 2,677.4 million to € 3,409.9 million. In addition to the contribution made by the profit for the period, this increase of € 732.5 million was mainly due to capital contributions by the previous sole shareholder.

The equity ratio rose from 25.2 % as at the 2012 reporting date to 30.9 % as at June 30 this year.

Group balance-sheet structure

	Jun. 30, 2013		Dec. 31, 2012	
	€ million	%	€ million	%
Non-current assets	10,621.0	96.3	9,946.8	93.8
Current assets	413.3	3.7	661.5	6.2
TOTAL ASSETS	**11,034.3**	**100.0**	**10,608.3**	**100.0**
Equity	3,409.9	30.9	2,677.4	25.2
Non-current liabilities	6,892.9	62.5	6,940.5	65.5
Current liabilities	731.5	6.6	990.4	9.3
TOTAL EQUITY AND LIABILITIES	**11,034.3**	**100.0**	**10,608.3**	**100.0**

The net asset value (NAV) of the Deutsche Annington Immobilien Group increased in a similar manner. The NAV and the triple NAV according to the EPRA definition are shown in the following table.

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

€ million	Jun. 30, 2013	Dec. 31, 2012
Equity attributable to DAIG shareholders	**3,395.5**	**2,666.4**
Fair value of derivative financial instruments	47.6	67.1
Deferred taxes	915.7	715.4
NAV	**4,358.8**	**3,448.9**
NNNAV equals equity attributable to shareholders of DAIG		

The company‘s main non-current assets are investment properties. The final valuation of properties and the capitalisation of modernisation expenses led to an average increase in the fair value of investment properties in accordance with IAS 40 of 15.0 %.

In the first six months, current and non-current loans were reduced as a result of the implemented restructuring of the GRAND refinancing. Current and non-current liabilities were reduced by € 306.5 million as a result of the associated capital repayments.

The Deutsche Annington Immobilien Group invests in maintaining and improving the quality of its housing stocks with targeted maintenance and modernisation programmes.

The necessary modernisation and maintenance work is performed by our own craftsmen’s organisation and external service providers. The total sum of the modernisation and maintenance work amounted to € 89.4 million as at June 30, 2013 (June 30, 2012: € 95.2 million). After elimination of the intercompany profit of the craftsmen's organisation, the net expense was € 85.0 million (June 30, 2012: € 94.0 million). This figure includes personnel expenses of € 16.9 million and other costs of our own craftsmen's organisation (June 30, 2012: € 4.1 million).

Maintenance and modernisation

€ million	H1 2013	H1 2012
Sales of own craftsmen's organisation	56.7	18.5
Bought-in services	32.7	76.7
Total cost of modernisation and maintenance work	**89.4**	**95.2**
Intercompany profits of own craftsmen's organisation eliminated in the consolidated financial statements	– 4.4	– 1.2
Modernisation and maintenance work recognised in the consolidated financial statements	**85.0**	**94.0**
thereof maintenance*	67.1	63.0
thereof capitalised maintenance	11.6	6.3
thereof modernisation	6.3	24.7

* including cost of materials of € 50.2 million as well as personnel expenses of € 16.9 million and other costs.

The modernisation and maintenance work recognised in the consolidated financial statements includes maintenance expenses as well as capitalised maintenance and modernisation measures. At € 6.3 million, expenditure on modernisation measures was € 18.4 million down on the prior-period figure. In comparison to the prior-year period, capitalised maintenance rose by € 5.3 million to € 11.6 million.

Overall, the development of expenditure on maintenance and modernisation work in any one year is subject to seasonal fluctuations as some of the planned maintenance and modernisation work cannot be performed at all times of the year.

Cash flow

Statement of cash flow

€ million	H1 2013	H1 2012
Cash flow from operating activities	151.8	216.6
Cash flow from investing activities	126.5	84.1
Cash flow from financing activities	– 526.0	– 371.3
Net changes in cash and cash equivalents	**– 247.7**	**– 70.6**
Cash and cash equivalents at the beginning of the period	470.1	278.5
Cash and cash equivalents at the end of the period	**222.4**	**207.9**

Cash flow from operating activities fell by € 64.8 million to € 151.8 million, above all as a result of payment of outstanding invoices and the utilisation of provisions for personnel expenses. The high prior-year figure of € 216.6 million includes € 37.7 million from the sale of trading properties.

Cash flow from investing activities increased in the reporting period by € 42.4 million to € 126.5 million due to the sharp rise in the number of units sold. The lower expenditure on investments in our housing stocks also had an effect here. It fell by € 8.2 million to € 23.0 million in the first six months.

Cash flow from financing activities reflects in particular the restructuring of the GRAND refinancing and the associated capital repayments made.

Explanations of our key performance indicators

Adjusted EBITDA

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

Adjusted EBITDA Rental

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

Adjusted EBITDA Sales

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

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

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

FFO 1 (excluding adjusted EBITDA Sales) is determined by adjusting adjusted EBITDA for the respective periods to reflect net cash interest payments and current income taxes but not the operating result of sales activities (adjusted EBITDA Sales).

FFO 1 before maintenance, in which FFO 1 is adjusted for maintenance expense.

FFO 2 is determined by adding profit on disposal of properties to FFO 1 for the respective periods.

FUNDING

Funding in the reporting period was dominated by two major subjects: the refinancing of various sub-portfolios, as agreed in the restructuring at the end of 2012, as well as the realignment of the financing strategy allowing for corporate bonds.

As part of the secured refinancing of sub-portfolios, we successfully concluded follow-on financing for portfolios from the GRAND securitisation involving a volume of more than € 1.7 billion in six transactions with banks and insurance companies.

Of the total volume, loans with a volume of over € 1 billion were already paid out as at June 30, 2013: we agreed a refinancing of € 656.5 million with a term of 5 years with Berlin Hyp and Landesbank Berlin. A 10-year loan for € 39.5 million was signed with a German pension fund. These loans were paid out before the agreed GRAND interest payment date. Therefore, the relevant liabilities to GRAND have already been paid.

A loan for € 179.0 million, also with a term of 5 years, was agreed with AXA and paid out. At the end of June 2013, some of the properties from the largest sub-portfolio were spun off, transferred to a new company structure and refinanced with a loan from NordLB for € 132.0 million. The term of the loan is up to 15 years.

We contracted a loan for € 208.0 million with a term of 5 years with Pfandbriefbank. Landesbank Berlin, Berlin Hyp and Landesbank Baden-Württemberg made a further 7-year loan of € 490.0 million available. This loan and the Pfandbriefbank loan were paid out before the GRAND interest payment date on July 22, 2013.

The proceeds from these loans will be used at the coming GRAND interest payment date in July to repay the relevant liabilities from the securitisation.

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

In the reporting period, the basic financing strategy was changed so that, in future, corporate bonds can be issued by Deutsche Annington Immobilien SE or relevant subsidiaries for portfolio financing. One major precondition for this was the granting of a BBB rating to Deutsche Annington Immobilen SE by Standard & Poor's on June 10, 2013.

In this connection, we signed an unsecured loan for € 2.5 billion with two banks which was paid out after the IPO and was then promptly refinanced through the issuance of corporate bonds.

The average interest rate on the loans of Deutsche Annington was 3.62 % on the balance-sheet date. It was therefore 0.77 percentage points below the prior-year figure of 4.39 %. As in the past, the covenants laid down in the loan agreements were always fulfilled.

All in all, the restructured GRAND securitisation has led to a balanced maturity profile.

SUBSEQUENT EVENTS

On July 8, 2013, Deutsche Annington Immobilien SE and Monterey Holding I S.à r.l. (the "Selling Shareholder") together with the underwriting banks decided to offer institutional investors new and existing shares of Deutsche Annington in an accelerated book-building process on July 9, 2013. The share of Deutsche Annington Immobilien SE has been listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since July 11, 2013 (see note [28] Subsequent events).

Deutsche Annington Immobilien SE raised gross proceeds of € 400.0 million from the issuance of the no-par value registered shares. The net proceeds amount to € 377.7 million after allowance for the expected capital procurement costs. Part of the net proceeds (€ 220.0 million) was used on July 22, 2013 to repay the portfolio financing of Deutsche Annington WOGE Vier GmbH & Co. KG, Düsseldorf.

After the reporting date, the loans signed in the first half of 2013 for four sub-portfolios with Berlin Hyp (€ 490.0 million) with a term until June 30, 2020 and for two further sub-portfolios with Pfandbriefbank (€ 208.0 million) with a term of 5 years were paid out as scheduled.

On July 17, 2013, the Group raised an aggregate amount of € 1.3 billion from the placement of our first corporate bond issue through Deutsche Annington Finance B.V., Amsterdam. The first issue consisted of two tranches, a three-year tranche with a volume of € 700.0 million and a coupon of 2.125 % as well as a six-year tranche with a volume of € 600.0 million and a coupon of 3.125 %. Deutsche Annington was granted a rating of BBB for both tranches by Standard & Poor's.

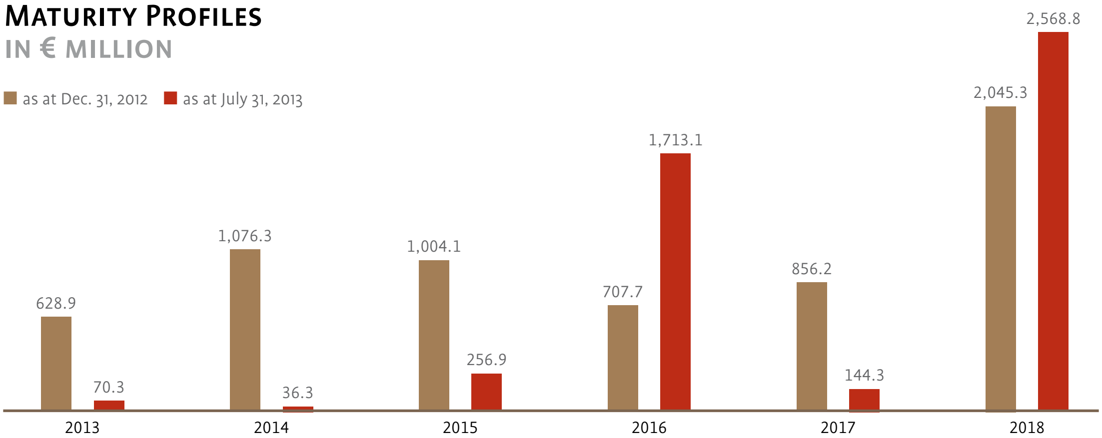
On July 18, 2013, we repaid the outstanding GRAND liabilities in full. For this purpose, we contracted an unsecured Term Loan in the amount of € 2.5 billion. After the successful placement of our bonds, we utilised € 1.0 billion of this facility.

For more detailed information, we refer to the relevant explanations in the Notes.

Due to the changed financing structure after the reporting date, the average interest rate for the liabilities of Deutsche Annington under loans has fallen. At 2.84 % as at July 31, 2013, it was 0.78 percentage points below the figure of 3.62 % on June 30, 2013.

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

Maturity Profiles
IN € MILLION



RISK REPORT

Deutsche Annington Immobilien SE continually monitors and controls risk positions in the company in order to avoid developments which might threaten the existence of the company and, at the same time, to exploit any opportunities which present themselves. The risk management system has been designed on the basis of the corporate strategy and the portfolio structure as an appropriate and effective early warning and control instrument. With the established risk management system, the Management Board is able at all times to identify and assess material risks within the company and in the company's environment in good time as well as to take appropriate counteraction. Currently, the Management Board of Deutsche Annington Immobilien SE sees no risks which might jeopardise the company's existence.

The risk reporting in the interim report concentrates on material changes in the risk situation which have occurred since the preparation of the 2012 Annual Report for the Group. In this interim report, we do not give a detailed description of the different types of risk but refer to the Annual Report.

The liquidity risks arising from financing transactions with high volumes (volume risks) have become apparent in the financial sector, especially in the light of the financial crisis. In order to limit these risks, we continuously monitor the financial markets and are also in constant contact with many different market players and we continually monitor all financing options available on the capital and banking markets.

Moreover, we subject our existing financings to an early examination prior to the respective final maturity date in order to ensure refinancing. The success of this strategy is evidenced by the successful refinancing of the GRAND and Opera securitisations in 2012. Particularly the GRAND restructuring led to a significant reduction in the volume risk. In the future, we are also expecting to be able to refinance the necessary volumes by making use of all financing instruments.

After the restructuring of the GRAND securitisation, the cash flows and excess cash are subject to requirements and restrictions on their use. The aim of these requirements and restrictions is to ensure that excess cash from property management, property sales and from the restructuring of portfolios from the GRAND financing is used for capital repayments. As at June 30, 2013, cash and cash equivalents of € 106.4 million were cash-restricted.

In total, the Deutsche Annington Immobilien Group had cash and cash equivalents of € 112.8 million as at June 30, 2013. This enables the Deutsche Annington Immobilien Group to fulfil its payment obligations at all times, even against the backdrop of the existing cash restrictions and the economic and financial crisis.

FORECAST REPORT

The development of our business in the first half of 2013 confirms our company's forecast for the year as a whole: based on moderate economic growth, a constant inflation rate and low interest rates, which we were able to take advantage of, we are expecting FFO key figures for 2013 to be above the prior-year level.

Overall economic outlook

The ifo institute is expecting an accelerating economic recovery as the year progresses. Provided the sovereign debt crisis in the euro zone does not worsen, the domestic economy and exports should also pick up again. As a result, private consumption and capital expenditure should rise significantly again.

According to the forecast of the Federal Labour Office, the unemployment rate will increase by 0.2 percentage points to 7.0 %. In its annual economic report for 2013, the German government expects consumer prices to increase by 1.8 % and GDP to grow by 0.4 % in 2013.

According to Immobilienverband Deutschland IVD, rents and apartment prices will continue to rise in 2013, particularly in cities, with the price increase slightly above the inflation rate on a national average. The rise in rents and prices will, however, gradually slow as the year progresses.

Funding

In order to repay the GRAND securitisation in full, the Group drew down € 1.0 billion under a Term Loan. This loan is to be repaid in the short to medium term by the issuance of corporate bonds of the Deutsche Annington Immobilien Group. We are expecting the financing costs for this tranche to rise due to the desired longer term of the loan, which will also lead to an increase in our average financing costs.

Given the positive reaction on the various financing markets, we expect to be able to complete the necessary secured and unsecured refinancings in the volumes required and on schedule. We will continue to take the optimisation of the maturity structure of our financings into account as a major factor alongside the financing costs.

Expected development of the Group

With the IPO, we have taken an important next step in the development of our company. Not least in view of the difficult market environment in the past weeks, the successful IPO is clear proof of confidence in our business model and our performance. Deutsche Annington has a strong financial base and we are driving operational business further forward.

In our Rental segment, we will continue in 2013 to steadily improve the quality of our housing stocks. Our investments in modernisation and maintenance will be at the prior-year level. A large proportion of the modernisation investments will go into energy-saving measures and action to improve the quality standard of the units through low-barrier conversions. For the next five years, we have identified additional investment possibilities of more than € 800 million in the portfolio as a whole and plan to invest some € 150 million a year from 2014 onwards. Therefore, we will again increase investments in the quality of our housing stocks in future.

This year, we are expecting to further cut the vacancy rate. However, we are anticipating that rental income will be on a par with the 2012 figure. Provided the framework conditions develop in line with our assumptions, we will achieve adjusted EBITDA slightly above the level of 2012, while we expect FFO 1 between € 210 and € 220 million.

In the Sales segment, we will continue the selective sale of apartments in 2013. However, we are expecting the number of units sold in 2013 to be down on the prior-year figure.

We are expecting a noticeable improvement in the financial result owing to the repayment of the GRAND securitisation and the interest level secured under the new financing structure. The repayment of the GRAND securitisation and the low interest rate level resulting from the new financing structure will also have a positive effect on the profit for the year.

We are expecting a further rise in the NAV in 2013. We also believe that the fair values of our residential properties will increase yet again in 2013.

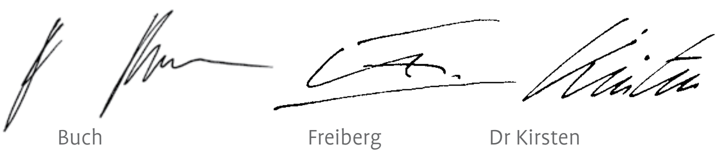
Concluding remark:

This Management Report contains forward-looking statements and information. These forward-looking statements may be identified by words such as “expects”, “intends”, “will”, or words of similar meaning. Such statements are based on our current expectations, assessments and assumptions about future developments and events and, therefore, are naturally subject to certain uncertainties and risks. The actual developments and events may differ significantly both positively and negatively from the forward-looking statements so that the expected, anticipated, intended, believed or estimated developments and events may in retrospect prove to be incorrect.

(For explanations on significant related party transactions, see note [25] Related party transactions)

Düsseldorf, August 2013

The Management Board



Buch Freiberg Dr Kirsten

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ million	Notes	Jan. 1- Jun. 30, 2013	Jan. 1- Jun. 30, 2012 Restated*	Apr. 1- Jun. 30, 2013	Apr. 1- Jun. 30, 2012 Restated*
Revenues from property letting		523.2	532.0	261.5	265.7
Other income from property management		9.0	9.1	4.7	4.7
Income from property management	5	**532.2**	**541.1**	**266.2**	**270.4**
Income from sale of properties		166.9	140.3	64.2	81.6
Carrying amount of properties sold		−154.0	−121.9	−58.5	−74.2
Changes in value of assets held for sale		11.1	12.8	5.6	5.4
Profit on disposal of properties	6	**24.0**	**31.2**	**11.3**	**12.8**
Net income from fair value adjustments of investment properties	7	**523.9**	**80.7**	**9.4**	**33.1**
Cost of materials	8	−237.4	−266.0	−118.3	−131.0
Personnel expenses	9	−70.4	−48.7	−36.8	−24.7
Depreciation and amortisation		−2.8	−2.9	−1.3	−1.3
Other operating income		19.2	14.2	9.5	6.0
Other operating expenses		−41.9	−32.7	−21.5	−17.9
Financial income		7.1	2.3	4.0	1.0
Financial expenses	10	−128.4	−163.0	−54.6	−84.3
Profit before tax		**625.5**	**156.2**	**67.9**	**64.1**
Income tax	11	−185.3	−44.7	−15.2	−18.7
Profit for the period		**440.2**	**111.5**	**52.7**	**45.4**
Attributable to:					
DAIG shareholders		436.8	111.1	51.7	45.0
Non-controlling interests		3.4	0.4	1.0	0.4
Earnings per share (basic and diluted) in €	12	**2.18**	**0.56**	**0.26**	**0.23**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Jan. 1- Jun. 30, 2013	Jan. 1- Jun. 30, 2012 Restated*	Apr. 1- Jun. 30, 2013	Apr. 1- Jun. 30, 2012 Restated*
Profit for the period	**440.2**	**111.5**	**52.7**	**45.4**
Cash flow hedges				
Change in unrealised gains/losses, net	4.8	−17.6	3.0	−10.1
Net realised gains/losses	13.3	11.7	6.1	6.7
Tax effect	−4.3	1.5	−2.2	0.8
Actuarial gains/losses from pensions and similar obligations				
Change in actuarial gains/losses, net	25.4	-	12.1	-
Tax effect	−8.2	-	−3.9	-
Other comprehensive income	**31.0**	**−4.4**	**15.1**	**−2.6**
Total comprehensive income	**471.2**	**107.1**	**67.8**	**42.8**
Attributable to:				
DAIG shareholders	467.8	106.9	66.8	42.6
Non-controlling interests	3.4	0.2	1.0	0.2

Also see the corresponding explanations in the Notes.
* see note (4) Accounting policies

CONSOLIDATED BALANCE SHEET

€ million	Notes	Jun. 30, 2013	Dec. 31, 2012
ASSETS			
Intangible assets		4.0	5.2
Property, plant and equipment		16.3	16.2
Investment properties	13	10,278.6	9,843.6
Financial assets	14	289.2	44.6
Other assets		28.4	28.3
Income tax receivables		0.1	0.1
Deferred tax assets		4.4	8.8
Total non-current assets		**10,621.0**	**9,946.8**
Inventories		1.5	0.9
Trade receivables	15	34.3	20.3
Other financial assets	14	-	2.1
Other assets		53.2	26.5
Income tax receivables		8.2	12.8
Cash and cash equivalents	16	222.4	470.1
Assets held for sale	17	93.7	128.8
Total current assets		**413.3**	**661.5**
Total assets		**11,034.3**	**10,608.3**
EQUITY AND LIABILITIES			
Subscribed capital		200.0	0.1
Contributions made to perform the resolved capital increase		22.2	-
Capital reserves		1,091.5	1,052.3
Retained earnings		2,115.1	1,661.1
Other reserves		−33.3	−47.1
Total equity attributable to DAIG shareholders	18	**3,395.5**	**2,666.4**
Non-controlling interests		14.4	11.0
Total equity		**3,409.9**	**2,677.4**
Provisions	19	331.1	358.2
Trade payables		0.2	0.3
Other financial liabilities	20	5,548.9	5,766.7
Income tax liabilities		88.3	86.3
Other liabilities	21	4.3	4.8
Deferred tax liabilities		920.1	724.2
Total non-current liabilities		**6,892.9**	**6,940.5**
Provisions	19	148.3	185.5
Trade payables		36.9	46.0
Other financial liabilities	20	480.6	683.8
Income tax liabilities		24.0	26.5
Other liabilities	21	41.7	48.6
Total current liabilities		**731.5**	**990.4**
Total liabilities		**7,624.4**	**7,930.9**
Total equity and liabilities		**11,034.3**	**10,608.3**

Also see the corresponding explanations in the Notes.

CONSOLIDATED CASH FLOW STATEMENT

€ million	Notes	Jan. 1-Jun. 30, 2013	Jan. 1-Jun. 30, 2012 Restated*
Profit for the period		440.2	111.5
Net income from fair value adjustments of investment properties	7	− 523.9	− 80.7
Revaluation of assets held for sale		− 11.1	− 12.8
Depreciation and amortisation		2.8	2.9
Interest expenses/income		121.5	160.9
Income taxes		185.3	44.7
Results from disposals of investment properties		− 12.9	− 11.2
		201.9	**215.3**
Changes in inventories		− 0.7	12.6
Changes in receivables and other assets		− 18.5	18.0
Changes in provisions		− 14.1	− 23.6
Changes in liabilities		− 8.9	2.4
Income tax paid		− 7.9	− 8.1
Cash flow from operating activities		**151.8**	**216.6**
Proceeds from disposals of investment properties		149.1	113.6
Proceeds from disposals of intangible assets and property, plant and equipment		0.1	-
Proceeds received from disposals of financial assets		0.5	-
Acquisition of investment properties	13	− 23.0	− 31.2
Acquisition of intangible assets and property, plant and equipment		− 1.8	− 1.7
Acquisition of shares in consolidated companies (net of cash acquired)		-	1.0
Acquisition of financial assets		− 0.9	− 0.1
Interest received		2.5	2.5
Cash flow from investing activities		**126.5**	**84.1**
Capital contributions	18	22.2	-
Cash paid to non-controlling shareholders		− 0.1	-
Cash proceeds from issuing loans and notes	20	1,031.6	151.5
Cash repayments of financial liabilities	20	− 1,358.0	− 371.3
Transaction costs**		− 73.9	− 7.8
Payment of transaction costs in connection with the issue of shares		− 2.2	-
Prepayment penalty and commitment interest		− 15.2	-
Interest paid		− 130.4	− 143.7
Cash flow from financing activities		**− 526.0**	**− 371.3**
Net changes in cash and cash equivalents		**− 247.7**	**− 70.6**
Cash and cash equivalents at beginning of the period		470.1	278.5
Cash and cash equivalents at the end of the period* **	15	**222.4**	**207.9**

* see note (4) Changes in accounting policies
** 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 € 117.2 million (2012: € 43.7 million)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital	Contributions made to perform the resolved capital increase	Capital reserves	Retained earnings
As at January 1, 2012	0.1		718.2	1,539.7
Change in disclosure of actuarial gains and losses				− 0.4
As at January 1, 2012 (restated*)	0.1		718.2	1,539.3
Profit for the period				111.1
Other comprehensive income				
Changes in the period				
Reclassification adjustments recognised in income				
Total comprehensive income				111.1
Changes recognised directly in equity				
As at June 30, 2012 (restated*)	0.1		718.2	1,650.4
As at January 1, 2013	0.1		1,052.3	1,661.1
Profit for the period				436.8
Other comprehensive income				
Changes in the period				17.2
Reclassification adjustments recognised in income				
Total comprehensive income				454.0
Shareholder's capital contributions		22.2	239.1	
Capital increase from company funds	199.9		− 199.9	
As at June 30, 2013	**200.0**	**22.2**	**1,091.5**	**2,115.1**

Also see note (18) in the Notes.
* see note (5) a) Changes in accounting policies in the Notes to the consolidated financial statements for the period ended December 31, 2012

Other reserves						
Can be reclassified		Cannot be reclassified				
Cash flow hedges	Available-for-sale financial assets	Actuarial gains and losses	Total	**Equity of DAIG shareholders**	Non-controlling interests	**Total equity**
−41.4	**0.1**	**−0.4**	**−41.7**	**2,216.3**	**13.5**	**2,229.8**
		0.4	0.4	0.0		0.0
−41.4	**0.1**		**−41.3**	**2,216.3**	**13.5**	**2,229.8**
				111.1	0.4	111.5
−13.1	0.0		−13.1	−13.1	−0.3	−13.4
8.9			8.9	8.9	0.1	9.0
−4.2	0.0		−4.2	106.9	0.2	107.1
					1.0	1.0
−45.6	**0.1**		**−45.5**	**2,323.2**	**14.7**	**2,337.9**
−47.2	**0.1**		**−47.1**	**2,666.4**	**11.0**	**2,677.4**
				436.8	3.4	440.2
3.6			3.6	20.8	0.0	20.8
10.2			10.2	10.2		10.2
13.8			13.8	467.8	3.4	471.2
				261.3		261.3
−33.4	**0.1**		**−33.3**	**3,395.5**	**14.4**	**3,409.9**

NOTES

ACCOUNTING POLICIES

1 Basis of presentation

The Deutsche Annington Immobilien Group (hereinafter referred to as DAIG) is a performance-focused holder and manager of residential real estate in Germany. Our core business is providing affordable housing for broad sections of the population. We also offer additional real estate-related services which bring benefits for our stakeholders. 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 sole shareholder of DAIG as at June 30, 2013 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 interim consolidated financial statements as at June 30, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the EU for interim financial statements in accordance with IAS 34.

Accounting and measurement as well as the explanations and disclosures are based on the same accounting and measurement policies as those applied to the consolidated financial statements for the 2012 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of DAIG as at June 30, 2013 in condensed form compared with the consolidated financial statements for the year ended December 31, 2012 has been chosen.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2012, which are the basis for these interim consolidated financial statements.

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

2 Consolidation principles

Entities that are under the control of Deutsche Annington Immobilien SE are included in the interim consolidated financial statements as subsidiaries. Control is exercised when Deutsche Annington Immobilien SE is 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.

The same consolidation principles have been applied as for the consolidated financial statements for 2012. For a detailed description, please refer to the consolidated financial statements for the year ended December 31, 2012.

3 Scope of consolidation

In addition to Deutsche Annington Immobilien SE, 132 (Dec. 31, 2012: 131) domestic companies and 3 foreign companies (Dec. 31, 2012: 2) have been included in the interim consolidated financial statements of DAIG as at June 30, 2013.

In January 2013, 3 companies were acquired which were not business operations at the date of acquisition.

In the reporting period, 6 companies were established. The disposals up to June 30, 2013, were the result of 7 intra-Group legal reorganisations.

4 Accounting policies

Changes in accounting policies

Since the end of the 2012 financial year, the income from property management for ancillary costs is recognised at the same time as the expenses for ancillary costs already paid. This presentation leads to the recognition of income and expenses in connection with ancillary costs in the period in which they are incurred. Consequently, as at June 30, 2012 the income from property letting and the cost of materials increased by € 103.7 million.

Estimates, assumptions and management judgment

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

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

The best evidence of the 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.

Until 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 contract and market rents 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, further adjusted by numerous factors to reflect risks associated with the respective investment and allocated to the properties 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 every location from the current rent indices (Mietspiegel) and several market data provided by external real-estate service providers.

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 costs associated with each property are generally forecast over a 10-year period. To determine the forecast cash flows, various parameters such as expected rent growth, development of vacancy rates and expected maintenance expenses are taken into account. The forecast cash flows calculated on this basis are discounted, on an annual basis, to the date of valuation. In addition, the terminal value of the property at the end of the relevant 10-year period is estimated using forecasts of the then expected stabilised net operating income and appropriate capitalisation rates. The terminal value is discounted to the date of valuation. The applied discount rate reflects the market situation, location, property condition and letting situation of the property, the yield expectations of a potential investor and the level of uncertainty and the inherent risk of the forecast future cash flows, while the applicable capitalisation rate is derived from the discount rate.

For the first time, this current methodology has been applied by the external property appraiser CBRE Group, Inc. and DAIG incorporated the valuation results of CBRE in its interim consolidated 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 approach 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. The fair values were updated as at June 30, 2013 by the independent external property appraiser CBRE Group, Inc. The overall positive market development in the first six months of 2013 and the extended approach to assumptions and estimates resulted in net income from fair value adjustments of € 523.9 million in the six-month period ended June 30, 2013.

The investment properties owned by DAIG are revalued on an annual basis with a quarterly update in accordance with IAS 40 in conjunction with IFRS 13 at their respective market value 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.

All further assumptions and estimates are based on premises which existed at the balance-sheet date. In principle, the methods for determining them are the same as those used in the consolidated financial statements for the year ended December 31, 2012. The actual amounts may differ from the assumptions and estimates if the aforementioned framework conditions develop differently to the expectations on the balance-sheet date.

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.

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

Application of the following amended Standards and Interpretations became mandatory for the 2013 financial year but they have no material effects on the DAIG interim 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 1 "First-time Adoption of International Financial Reporting Standards": Accounting for government grants for first-time adopters

> 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

The application of the following new or amended Standards and Interpretations became mandatory for the first time for the 2013 financial year:

IAS 19 (revised 2011) "Employee Benefits"

As DAIG already recognises actuarial gains and losses in other comprehensive income, this change has no effect on the interim consolidated financial statements for the period ended June 30, 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. Compared with the method previously used, recognition of the return on plan assets on the basis of the discount rate of the pension liability at the start of the period leads to an increase of € 0.2 million in net interest.

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. Due to the pro-rata-temporis accumulation of top-up amounts over the relevant active years of service of the employees covered by a pre-retirement part-time work arrangement, the pre-retirement part-time work provision is € 0.2 million lower as at June 30, 2013.

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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5 Income from property management

€ million	Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2012 Restated*
Rental income	364.0	365.4
Ancillary costs	159.2	166.6
Revenues from property letting	**523.2**	**532.0**
Other income from property management	9.0	9.1
Income from property management	**532.2**	**514.1**

* see note (4) Changes in accounting policies

6 Profit from disposal of properties

€ million	Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2012
Income from disposal of investment properties	69.4	64.1
Carrying amount of investment properties sold	−56.5	−52.9
Profit on disposal of investment properties	**12.9**	**11.2**
Income from sale of trading properties	-	19.8
Carrying amount of trading properties sold	-	−12.6
Profit on disposal of trading properties	**-**	**7.2**
Income from sale of assets held for sale	97.5	56.4
Retirement carrying amount of assets held for sale	−97.5	−56.4
Revaluation of assets held for sale	11.1	12.8
Profit on disposal of assets held for sale	**11.1**	**12.8**
	24.0	**31.2**

The revaluation of investment properties held for sale led to a gain as at June 30, 2013 of € 11.1 million (1st half of 2012: € 12.8 million). After the fair value adjustment, these properties were transferred to the balance sheet item “Assets held for sale”.

7 Net income from fair value adjustments of investment properties

The measurement of the investment properties led to a net valuation gain as at June 30, 2013 of € 523.9 million (1st half of 2012: € 80.7 million) (see note [13] Investment properties).

8 Cost of materials

€ million	Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2012 Restated*
Expenses for ancillary costs	159.4	174.8
Expenses for maintenance	50.2	58.9
Other costs of purchased goods and services	27.8	32.3
	237.4	**266.0**

* see note (4) Changes in accounting policies

9 Personnel expenses

€ million	Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2012
Wages and salaries	58.5	40.2
Social security, pensions and other employee benefits	11.9	8.5
	70.4	**48.7**

As at June 30, 2013, 2,560 people (1st half of 2012: 1,592) were employed at DAIG. The personnel expenses include costs of the company's own craftsmen's organisation for maintenance work.

10 Financial expenses

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

Interest expense contains interest accretion to provisions, thereof € 4.1 million (1st half of 2012: € 5.4 million) relating to provisions for pensions and € 0.6 million (1st half of 2012: € 1.0 million) relating to miscellaneous other provisions.

Furthermore, a € 2.5 million (1st half of 2012: € 2.9 million) addition of accrued interest concerning the obligation to pay lump sum tax on the previously untaxed so-called EK 02 amounts is included in financial expenses.

In the reporting period, € 16.8 million was recognised as interest expense in connection with swaps (1st half of 2012: € 15.3 million).

11 Income tax

Of the income tax due on the profit before tax, € -2.4 million (1st half of 2012: € -1.0 million) relates to current taxes and € 187.7 million (1st half of 2012: € 45.7 million) to deferred taxes.

The income tax expense is based on the average effective Group tax rate to be expected for the financial year as a whole. The effective Group tax rate for current and deferred taxes expected for 2013 is 29.63% (1st half of 2012: 28.6%). The Group tax rate contains corporate income tax and trade tax and takes trade tax effects particularly into consideration.

12 Earnings per share

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

	Jan. 1 - Jun. 30, 2013	Jan. 1 - Jun. 30, 2012
Profit for the period attributable to DAIG shareholders (in € million)	436.75	111.15
Weighted average number of shares	200,122,775	200,000,000
Earnings per share (diluted and basic) in €	**2.18**	**0.56**

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.

Furthermore, on June 30, 2013 a cash capital increase was performed against the issuance of 22,222,223 new shares.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 Investment Properties

€ million	
Balance on Jan. 1, 2013	**9,843.6**
Additions	0.8
Capitalised modernisation costs	17.9
Transfer to assets held for sale	– 62.2
Disposals	– 56.5
Net income from fair value adjustments of investment properties	523.9*
Revaluation of assets held for sale	11.1
Balance on Jun. 30, 2013	**10,278.6**
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**

* For further explanations, see note (4) Accounting policies, paragraph, Estimates, assumptions and management judgments

From the beginning of the 2013 financial year, DAIG adjusted the valuation methodology it uses and applies the discounted cash flow (DCF) methodology. The external appraiser CBRE Group, Inc. updated the fair values as at June 30, 2013 on the basis of the new method.

The main valuation parameters and valuation results as at June 30, 2013 are as follows:

Valuation parameters	
Management costs	avg. of € 233 per residential unit p.a.
Repair and maintenance costs	avg. of € 9.02 per m² p.a.
Discount rate	avg. of 6.1 %
Capitalisation rate	avg. of 5.1 %
Rent increase p.a.	stabilised at approx. 1.2 % p.a.
Stabilised vacancy rate	avg. of 3.0 %
Valuation results	
Net initial yield	5.1%
Multiplier	14.1-fold
Fair value per m²	€ 886 per m² of lettable area

The overall positive market development in the first six months of 2013 and the extended approach to assumptions and estimates resulted in net income from fair value adjustments of € 523.9 million in the six-month period ended June 30, 2013.

Going forward, in line with market practice, the Group intends to use the DCF approach. Moreover, in the future, an external independent appraiser will be instructed to appraise DAIG's real estate portfolio at least once a year.

14 Financial assets

	Jun. 30, 2013		Dec. 31, 2012	
€ million	non-current	current	non-current	current
Other investments	1.6	-	1.6	-
Loans to related companies	33.7	-	33.7	-
Securities	3.8	-	3.8	-
Other long-term loans	250.1	-	5.5	-
Dividends from other investments	-	-	-	2.1
	289.2	**-**	**44.6**	**2.1**

The increase in other long-term loans is due to the fact that, on January 23, 2013, Monterey Holdings I S.à r.l., Luxembourg, contributed a subordinated loan ("S" loan) amounting to € 239.1 million as a contribution in kind to the capital reserves. On May 31, 2013 the outstanding part of the GRAND "S" loan was acquired for a nominal value of € 0.9 million plus accrued interest. The key terms of the subordinated loan are the same as those of the subordinated "S" REF Notes described under financial liabilities.

15 Trade receivables

€ million	Jun. 30, 2013	Dec. 31, 2012
Receivables from the sale of properties	23.5	8.6
Receivables from property letting	10.3	11.1
Receivables from other management	0.5	0.6
	34.3	**20.3**

16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques and deposits at banking institutions with an original term of up to three months totalling € 222.4 million (Dec. 31, 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 balances, € 117.2 million (Dec. 31, 2012: € 363.0 million) are restricted.

17 Assets held for sale

The assets held for sale amounting to € 93.7 million (Dec. 31, 2012: € 128.8 million) contain the carrying amounts of properties held for sale for which there is a concrete intention to sell and whose sale within the next twelve months is highly probable.

18 Equity

Subscribed capital

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. As at June 30, 2013, these 200 million shares were held by Monterey Holdings I S.à r.l., Luxembourg; the subscribed capital is fully paid up.

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. The only party authorised to subscribe to the new 22,222,223 no-par value registered shares of this capital increase was J.P. Morgan Securities plc., London. The new shares were issued to the party authorised to subscribe subject to the condition that the subscribing party would place these shares by means of the planned public offering in an IPO of the Company as well as remit to the Company any proceeds (less agreed costs, charges and commission) raised in excess of the minimum issuance amount on placement of the shares in accordance with the relevant separate Underwriting Agreement.

Capital reserves

The capital reserves amount to € 1,091.5 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).

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 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.

19 Provisions

The provisions as at June 30, 2013 comprise provisions for pensions totalling € 292.1 million (Dec. 31, 2012: € 319.0 million), tax provisions for current income taxes of € 58.2 million (Dec. 31, 2012: € 71.4 million) and other provisions totalling € 129.1 million (Dec. 31, 2012: € 153.3 million).

20 Other financial liabilities

€ million	Jun. 30, 2013 non-current	Jun. 30, 2013 current	Dec. 31, 2012 non-current	Dec. 31, 2012 current
Other non-derivative financial liabilities				
Banks	1,953.0	396.1	1,297.0	337.1
Other creditors	3,543.2	51.3	4,402.6	300.5
Deferred interest from other non-derivative financial liabilities	5.1	21.5	-	35.4
Derivative financial liabilities				
Purchase price liabilities from put options	-	7.2	-	7.0
Cash flow hedges	47.6	-	67.1	-
Deferred interest from cash flow hedges	-	4.5	-	3.8
	5,548.9	**480.6**	**5,766.7**	**683.8**

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

€ million	Jun. 30, 2013	Dec. 31, 2012
Securitisation transaction		
GRAND plc	2,868.9	4,325.3
GRAND plc “S” REF Notes	240.0	-
Portfolio loans		
Woge IV (Barclays)	218.6	220.8
Woge V (Helaba / SEB)	250.4	252.8
Prima (Nord LB)	145.7	147.3
FSG (Corealcredit)	164.1	166.8
GRAND Refinancing I (BHH / LBB 1)	654.0	-
GRAND Refinancing II (NAEV)	39.1	-
GRAND Refinancing III (AXA)	176.4	-
GRAND Refinancing IV (Nord LB)	130.3	-
Mortgages	**1,103.1**	**1,205.5**
	5,990.6	**6,318.5**

In the reporting period, scheduled repayments of € 1,273.2 million and unscheduled repayments of € 84.8 million were made. New loans of € 1,031.6 million were taken out.

As a further step in the GRAND restructuring, € 240 million was taken from cash and cash equivalents on January 17, 2013 and used, as contractually agreed, for redemption of bearer bonds (REF Notes) and the current liabilities outstanding as at the end of 2012 were correspondingly reduced. This redemption was in addition to the regular capital repayments of € 120.1 million from proceeds from property sales.

As already agreed as part of the GRAND restructuring, on January 17, 2013 further liabilities of the Securitisation Group amounting to € 240.0 million were converted into subordinated bearer bonds ("S" REF Notes). These "S" REF Notes mature in 2023 and have a two-year extension option. The "S" REF Notes bear interest at a fixed rate of 4.793%. Deutsche Annington Immobilien SE has a corresponding amount receivable of € 240.0 million from GRAND plc (see note [14] Financial assets).

The partial refinancing of the Securitisation Group negotiated in December 2012 with Berlin-Hannoversche Hypothekenbank (BHH) was paid out on February 14, 2013 with a loan amount of € 654.3 million. As part of this refinancing, a total of € 545.1 million of the outstanding REF Notes were redeemed on the pay-out date. Furthermore, € 60.6 million was used to repay mortgages. The remaining amounts were used to finance the transaction costs and will be kept to support future partial refinancings of the Securitisation Group.

Furthermore, on March 28, 2013 a loan for € 39.5 million was signed with Nordrheinische Ärzteversorgung, Düsseldorf, to partially refinance the Securitisation Group. Under the terms of the loan agreement, loan maturity is 10 years and the interest rate is fixed at 3.49%. The loan was paid out on April 15, 2013. Using this amount and further cash and cash equivalents, liabilities of the Securitisation Group amounting to € 40.8 million were repaid in April 2013 as part of this transaction. Securities in the form of land charges and assignments were provided.

On June 26, 2013, a loan agreement for a total of € 176.4 million was signed with the insurance company AXA and paid out. This loan has a term of 5 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. Under this refinancing, € 164.6 million of the outstanding REF Notes was repaid. The remaining amount will be used to finance the transaction costs.

A loan for € 130.3 million agreed with Norddeutsche Landesbank was paid out on June 28, 2013. This loan has a term of 10 years and a weighted interest rate of 3.05%. Securities were provided in the form of land charges, account pledge agreements and assignments. The special feature of this transaction is that it does not relate to the refinancing of a complete legal entity but only of a part thereof which was spun off under company law as part of an acquisition. In addition to the repayment of the outstanding REF Notes in the amount of € 105.8 million, € 18.7 million was used to make capital repayments on mortgages. The remaining amount was used to finance the transaction costs.

21 Other liabilities

The other liabilities amounting to € 46.0 million (Dec. 31, 2012: € 53.4 million) include on-account payments of € 21.6 million as at June 30, 2013 (Dec. 31, 2012: € 24.8 million) made by tenants for ancillary costs after offsetting against the corresponding work in progress.

OTHER NOTES AND DISCLOSURES

22 Additional disclosures on financial instruments

Measurement categories and classes:

€ million	Measurement category in acc. with IAS 39	Carrying amounts Jun. 30, 2013
Assets		
Cash and cash equivalents	LaR	**222.4**
Trade and other receivables		
Receivables from the sale of properties	LaR	**23.5**
Receivables from property letting	LaR	**10.3**
Receivables from other management	LaR	**0.5**
Other assets		
Receivables from related parties	LaR	**14.5**
Financial assets		
Loans to related companies	LaR	**33.7**
Other long-term loans	LaR	**250.1**
Dividends from other investments	LaR	**0.0**
Other non-derivative financial assets		
Long-term securities	AfS	**3.8**
Other investments	AfS	**1.6**
Liabilities		
Trade and other payables		
Liabilities from property letting	FLAC	**19.1**
Liabilities from other goods and services	FLAC	**17.9**
Other non-derivative financial liabilities		
Liabilities to banks	FLAC	**2,349.1**
Liabilities to other lenders	FLAC	**3,502.9**
Deferred interest from other non-derivative financial liabilities	FLAC	**26.6**
Liabilities from finance leases	n.a.	**91.6**
Derivative financial liabilities		
Purchase price liabilities from put options	FLHfT	**7.2**
Cash flow hedges	n.a.	**47.6**
Deferred interest from cash flow hedges	n.a.	**4.5**
thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	555.0
Available-for-sale financial assets	AfS	5.4
Financial liabilities held for trading	FLHfT	7.2
Financial liabilities measured at amortised cost	FLAC	5,915.6
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		**8.6**
Amount by which the fair value of plan assets exceeds the corresponding obligation		**0.1**
Provisions for pensions and similar obligations		**292.1**

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 Jun. 30, 2013
222.4						222.4
	23.5					23.5
	10.3					10.3
	0.5					0.5
	14.5					14.5
	33.7					39.0
	250.1					250.1
	0.0					0.0
				3.8		3.8
		1.6				1.6
	19.1					19.1
	17.9					17.9
	2,349.1					2,425.2
	3,502.9					3,528.1
	26.6					26.6
					91.6	111.2
			7.2			7.2
			5.1	42.5		47.6
			4.5			4.5
222.4	332.6	0.0	0.0	0.0	0.0	560.3
0.0	0.0	1.6	0.0	3.8	0.0	5.4
0.0	0.0	0.0	7.2	0.0	0.0	7.2
0.0	5,915.6	0.0	0.0	0.0	0.0	6,016.9

Financial instruments measured at fair value

€ million	Level 1	Level 2	Level 3	Total
Assets				
Other non-derivative financial assets				
Long-term securities	3.8	-	-	**3.8**
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	-	-	7.2	**7.2**
Cash flow hedges	-	47.6	-	**47.6**

The fair value of available-for-sale financial assets is based on quoted market prices at the reporting date.

The fair value of the put options for shares held by minority shareholders is always 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. Overall there was no significant change in value in the first half of 2013. The valuation parameters which are not observable could fluctuate as a result of a change in the value of the respective companies. However, a high change in value is not likely since the business model is predictable.

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.

In order to give DAIG greater financial flexibility, a revolving working capital credit facility of € 35.0 million was signed with Commerzbank AG in April 2013, of which € 28.0 million had been drawn down at the reporting date.

23 Financial risk management

The financial risks existing in DAIG have not changed substantially since December 31, 2012.

For a detailed description of the interest risk, the credit risks, the market risks and the liquidity risk, please refer to the notes to the consolidated financial statements for the year ended December 31, 2012.

24 Derivative financial instruments

At the reporting date the nominal volume of the interest rate swaps amounted to € 1,030.5 million (Dec. 31, 2012: € 800.5 million). Interest rates vary between 1.36% and 4.40% with original swap periods of 4.75 and 10 years.

A fixed payer swap for a notional amount of € 86.6 million and a term of ten years was contracted on June 28, 2013 in connection with the refinancing by Norddeutsche Landesbank.

Furthermore, two forward starting swaps, effective September 30, 2013, for amounts of € 88.0 million and € 61.3 million respectively and a term of 4.75 years were contracted with Société Générale at the same time as the refinancing by the insurance company AXA.

As part of cash flow hedge accounting, the derivatives as at June 30, 2013 were shown at their negative clean present fair values totalling € 47.6 million under other financial liabilities.

25 Segment reporting

DAIG is an integrated residential real estate company whose core business is the value-enhancing management of its housing stocks and the selective privatisation or sale of units. The housing stocks are located exclusively in Germany.

The Rental segment covers the marketing and management of the residential units as well as their maintenance and modernisation with the focus on a sustained strengthening of rental income and the optimisation of operating costs.

The Sales segment sells selected housing stocks either in single units or en-bloc to tenants, future owner-occupiers as well as to commercial investors in order to optimise the performance of the entire portfolio and to generate cash flows.

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, the presentation of segment reporting in accordance with IFRS 8.22 follows this presentation. 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). The segments are viewed without taking into account the ancillary costs chargeable to tenants which are shown separately. Intra-Group transactions are billed in the same manner as arm's length transactions.

Since June 30, 2013, the key decision-makers have only focused on adjusted EBITDA in their internal reporting. The non-recurring effects and the EBITDA derived from the IFRS income statement are now only viewed at Group level.

Jan. 1 - Jun. 30, 2013 € million	Rental	Sales	Total Segments	Ancillary costs	Group
Segment revenues	373.1	166.9	540.0	159.1	699.1
EBITDA (adjusted for non-recurring effects)	222.1	19.6	241.7	0.0	241.7
Non-recurring items					− 14.2
Period adjustments from assets held for sale					− 1.6
EBITDA IFRS					225.9
Net income from fair value adjustments of investment properties					523.9
Depreciation and amortisation					− 2.8
Income from other investments					− 0.2
Financial income					7.1
Financial expenses					− 128.4
EBT					625.5
Income taxes					− 185.3
Profit for the period					**440.2**

Jan. 1 - Jun. 30, 2012 € million	Rental	Sales	Total Segments	Ancillary costs	Group
Segment revenues	374.5	140.3	514.8	166.6	681.4
EBITDA (adjusted for non-recurring effects)	218.2	19.3	237.5	0.0	237.5
Non-recurring items					− 2.9
Period adjustments from assets held for sale					4.7
EBITDA IFRS					239.3
Net income from fair value adjustments of investment properties					80.7
Depreciation and amortisation					− 2.9
Income from other investments					− 0.2
Financial income					2.3
Financial expenses					− 163.0
EBT					156.2
Income taxes					− 44.7
Profit for the period					**111.5**

The comparable segment figures for the periods April 1 to June 30 of the financial years 2012 and 2013 are as follows:

Apr. 1 - Jun. 30, 2013 € million	Rental	Sales	Total Segments	Ancillary costs	Group
Segment revenues	**186.8**	**64.2**	**251.0**	**79.4**	**330.4**
EBITDA (adjusted for non-recurring effects)	**112.8**	**8.0**	**120.8**	**0.0**	**120.8**
Non-recurring items					− 10.4
Period adjustments from assets held for sale					0.2
EBITDA IFRS					**110.6**
Net income from fair value adjustments of investment properties					9.4
Depreciation and amortisation					− 1.3
Income from other investments					− 0.2
Financial income					4.0
Financial expenses					− 54.6
EBT					**67.9**
Income taxes					− 15.2
Profit for the period					**52.7**

Apr. 1 - Jun. 30, 2012 € million	Rental	Sales	Total Segments	Ancillary costs	Group
Segment revenues	**187.4**	**81.6**	**269.0**	**83.0**	**352.0**
EBITDA (adjusted for non-recurring effects)	**108.0**	**10.1**	**118.1**	**0.0**	**118.1**
Non-recurring items					− 1.7
Period adjustments from assets held for sale					− 0.7
EBITDA IFRS					**115.7**
Net income from fair value adjustments of investment properties					33.1
Depreciation and amortisation					− 1.3
Income from other investments					− 0.1
Financial income					1.0
Financial expenses					− 84.3
EBT					**64.1**
Income taxes					− 18.7
Profit for the period					**45.4**

26 Contingent liabilities

The property transfer obligations have decreased compared with December 31, 2012 by € 28.2 million from € 70.1 million to € 41.9 million. A detailed description of the contingent liabilities is to be found in the consolidated financial statements for the year ended December 31, 2012.

27 Related party transactions

Monterey Holdings I S.à r.l., Luxembourg, has assumed the existing obligations towards the members of the Management Board for the payments under the long-term incentive plan (LTIP). DAIG discloses, within Other assets, a receivable from Monterey Holdings I S.à r.l., Luxembourg, of € 14.8 million (Dec. 31, 2012: € 15.0 million) in the amount of the obligations assumed.

A new long-term incentive agreement was concluded on June 28, 2013. This regulates, on the one hand, the replacement of the previous LTIP agreements, including a new LTIP agreement concluded in the second quarter, subject to the condition precedent of an IPO as well as the terms of the newly granted LTIP. The condition precedent occurred with the completion of the stock market listing on July 11, 2013.

Accordingly, at the time of the first listing, the Management Board members are granted one-off remuneration of € 6.3 million gross in settlement of all claims under the previous LTIP.

On the IPO, the individual Management Board members bought 171,424 shares of the Company at a price of € 16.50 per share. 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 5 years (5 annual tranches) with a cliff vesting of 20% per calendar year of the total number of notional shares granted. 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 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 every anniversary of the commencement of trading, but at the latest on September 30, 2019 all amounts under the LTIP will become due (long-stop date).

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 contract
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 Group.

Accounting for a cash-settled plan requires that the fair value of the remuneration plan is determined at every balance-sheet reporting date and recognised in profit or loss for the respective part of the year. Changes in the fair value of tranches which are already vested are also recognised in profit or loss at every reporting date.

On the basis of the first issue price of € 16.50 per share and an assumed level of performance target achievement of 100%, the volume is € 15.4 million over the total term of the LTIP, which would correspond to annual expense of € 3.1 million given a straight-line spread over the term of the LTIP. The annual expense may deviate considerably upwards or downwards, depending on the development of the market value of the share and the respective percentage of target achievement.

28 Subsequent events

Refinancing

After the reporting date, two further refinancings were successfully completed, the loan agreements to which were signed in the reporting period.

In a consortium with two other German covered bond banks (Pfandbriefbanken), Berlin Hannoverische Hypothekenbank paid out a further loan for € 470.3 million on July 2, 2013. The loan has a weighted interest rate of 3.52% and runs until June 30, 2020. The normal securities – assignments, pledge agreements and land charges – were also provided for this loan. The loan will be used for repayments to the Securitisation Group on July 18 as well as for the repayment of existing prior charges and the settlement of transaction costs.

On July 5, 2013 the Pfandbriefbank provided financing of € 193.5 million. The loan has a term of five years and the weighted interest rate is 3.25%. Securities will be provided in the form of assignments, pledge agreements and land charges. The loan will be used for repayments to the Securitisation Group on July 18 as well as the settlement of transaction costs.

IPO

In June 2013, Deutsche Annington Immobilien SE applied for admission of a public offering of its no-par value registered shares in Germany and Luxembourg on the basis of a stock exchange prospectus in accordance with the German Securities Prospectus Act (Wertpapierprospektgesetz [WpPG]). Furthermore, the shares were offered in a private placement according to US law (Rule 144A under the U.S. Securities Act of 1933).

The prospectus was approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht [Bafin]) on June 19, 2013; the public offering began on June 20 and ended on July 2, 2013 on the basis of a price range of € 18.00 to € 21.00.

To this end, by resolution of the general shareholders' meeting of June 9, 2013, the share capital was increased by € 199,880,000.00 to € 200,000,000.00 using capital reserves as part of a capital increase from company funds. The capital increase was entered in the Düsseldorf commercial register on June 12, 2013. By resolution of the general shareholders' meeting on June 30, 2013, a further cash capital increase of € 22,222,223.00 was performed against the issuance of new no-par value registered shares. With a view to the public offering, the shares from the capital increase were subscribed by J.P. Morgan Securities plc., London, on behalf of the consortium of banks underwriting the stock exchange placement. The capital increase was entered in the Düsseldorf commercial register on July 2, 2013. In the interim consolidated financial statements as at June 30, 2013, these funds are shown as "Contributions made to perform the resolved capital increase".

On July 2, 2013, the shares were admitted to trading on the Prime Standard of the regulated market by Frankfurt Stock Exchange. The German Securities Code (WKN) is: A1ML7J; the ticker symbol: ANN.

The Company is therefore subject to the rules of the German Securities Trading Act (WpHG).

A listing of the initially planned 22,222,223 newly issued registered shares, the 27,424,749 existing shares and the 7,447,045 existing shares from the over-allotment option failed on July 3, 2013 and was therefore postponed.

Subsequently, a listing was sought in a private placement in Germany and Luxembourg. Bafin approved the supplemental prospectus at an offer price of € 16.50 on July 10, 2013 so that on July 11, 2013 the share was first listed at a price of € 17.10. In advance of this private placement, by resolution of the general shareholders' meeting on July 10, 2013, the share capital was again increased by € 2,020,202 by the issuance of new no-par value registered shares against a cash contribution. These newly issued shares were also subscribed by J.P. Morgan Securities plc., London. The shares were entered in the Düsseldorf commercial register on July 10, 2013.

In the private placement, 24,242,425 newly issued shares and 10,606,060 old shares including 4,545,454 relating to the over-allotment option, that is a total of 34,848,485 shares, were placed.

The Company raised gross proceeds of € 400.0 million from the issuance of the new no-par value registered shares. After deduction of the expected capital procurement costs, the net proceeds amount to € 377.7 million.

The Company is expecting the capital procurement costs to amount to € 22.3 million, including offering costs of € 13.3 million and underwriting costs of € 9.0 million. Whilst the offering costs were recognised as prepaid expenses in the interim consolidated financial statements as at June 30, 2013, the underwriting costs were not incurred until the closing date (July 15, 2013). Furthermore, capital procurement costs of € 3.3 million were incurred which are attributable to the existing old shares and therefore are passed on to the former sole shareholder, Monterey Holdings I S.à r.l., and were also recognised as prepaid expenses in the interim consolidated financial statements as at June 30, 2013.

Of the net proceeds, € 218.6 million was used on July 22, 2013, to repay the portfolio financing of Deutsche Annington WOGE Vier GmbH & Co. KG, Düsseldorf, and € 43.9 million for further repayments on other financial liabilities. The remaining cash and cash equivalents will also be used to reduce borrowings.

As part of the repayment of the financing of Deutsche Annington WOGE Vier GmbH & Co. KG, Düsseldorf, on July 22, 2013 from the net proceeds of the private placement, the existing interest hedging instruments were cancelled, resulting in an interest expense of € 2.2 million due to the negative fair value of the instruments.

Early repayment of the remaining GRAND securitisation through Term Loan

On June 3, 2013, Deutsche Annington Immobilien SE agreed a loan (Term Loan) totalling € 2.5 billion with JP Morgan Limited and Morgan Stanley Bank International Limited, which was approved by the Supervisory Board on June 10, 2013. On July 18, 2013, € 2.3 billion was drawn down under this loan agreement and the outstanding portfolios of the GRAND securitisation amounting to € 2,236.9 million repaid ahead of schedule. As a result of these repayments, the cash restricted bank balances shown as at June 30, 2013 were reduced by € 95.3 million (see note [16] Cash and cash equivalents).

As part of the repayment of the GRAND securitisation, the existing interest hedging instruments of GRAND plc, a combination of swaps and caps, were transferred to Deutsche Annington Immobilien SE, the negative fair value being offset against amounts payable to the relevant REF Note Issuer. After the successful placement of the first fixed rate bonds, Deutsche Annington Immobilien SE reduced the volume of these interest hedging transactions to € 1.0 billion. These remaining instruments are for hedging the interest rate risk of the floating-rate Term Loan amounting to € 1.0 billion. The interest expense incurred on reduction of the volume amounted to € 9.5 million.

Following the repayment in full of the GRAND securitisation, the remaining "S" REF Notes in the Group will be offset against the "S" Loan at the level of Deutsche Annington Immobilien SE.

The capital procurement costs in connection with the Term Loan were recognised under prepaid expenses in the interim consolidated financial statements as at June 30, 2013.

Placement of corporate bonds

With the completion of the stock exchange listing and receipt of the net proceeds of € 377.7 million, the Company was granted an investment grade rating BBB by the rating agency Standard & Poor's. On the basis of this rating, on July 25, 2013 DAIG placed a bond with an amount of € 700 million, a term of 3 years and a coupon of 2.125% (WKN: A1HNTJ; ISIN: DE000A1HNTJ5) in the unregulated open market on the Frankfurt Stock Exchange as well as another bond with an amount of € 600 million, a term of 6 years and a coupon of 3.125% (WKN: A1HNW5; ISIN: DE000A1HNW52). The interest payment date is in each case July 25 of a year beginning in 2014. The bonds were issued at a nominal value of € 698.6 million and € 599.6 million.

The net proceeds from the bond placement were immediately used to repay Tranche A of the Term Loan of July 18, 2013 amounting to € 1.3 billion.

The capital procurement costs connected with the bond placement were recognised under prepaid expenses in the interim consolidated financial statements as at June 30, 2013.

Supervisory Board

Dr Wulf H. Bernotat, Chairman (since June 18, 2013) Former Chief Executive Officer of E.ON SE
Guy Hands, Chairman (until June 18, 2013) Chairman and Chief Investment Officer of Terra Firma Capital Partners Limited
Robert Nicolas Barr, Deputy Chairman (since May 21, 2013; until May 20, 2013 dormant) Operational Managing Director of Terra Firma Capital Partners Limited
Arjan Breure Financial Managing Director of Terra Firma Capital Partners Limited
Fraser Duncan Business Consultant
Prof. Dr Edgar Ernst, (since June 18, 2013) President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.
Neil Hasson (until June 18, 2013) Managing Director of Citi Property Investors
Hildegard Müller (since June 18, 2013) Chairwoman of the Executive Board of Bundesverband der Energie- und Wasserwirtschaft
Tim Pryce (since June 18, 2013) Chief Executive Officer of Terra Firma Capital Partners Limited
Prof. Dr Klaus Rauscher Business Consultant
Clara-Christina Streit (since June 18, 2013) Former Senior Advisor with McKinsey & Company, Inc.

Management Board

Rolf Buch, CEO (since April 1, 2013)
Robert Nicolas Barr (until May 20, 2013)
Klaus Freiberg, COO
Dr A. Stefan Kirsten, CFO

Düsseldorf, August 5, 2013

Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

REVIEW REPORT*

To Deutsche Annington Immobilien SE, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements of the Deutsche Annington Immobilien SE --comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the condensed interim consolidated financial statements as of June 30, 2013-- together with the interim group management report of the Deutsche Annington Immobilien SE for the period ended June 30, 2013, that are part of the semi annual financial report according to § 37w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Essen, August 8, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hain	Salzmann
Wirtschaftsprüfer	Wirtschaftsprüferin

* The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements of Deutsche Annington Immobilien SE for the first half-year 2013 give a true and fair view of the Group's net assets, financial position and results of operations, and the interim consolidated management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Bochum, August 5, 2013

Rolf Buch   Klaus Freiberg   Dr A. Stefan Kirsten

Management Board

GLOSSARY

Adjusted EBITDA

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

Adjusted EBITDA Rental

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

Adjusted EBITDA Sales

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

Cash flow

Metric for assessing the financial and earning power of a company (see also Cash flow statement).

Core/Non-Core properties

Properties which are assigned to the company's Core or Non-Core housing stocks. Non-Core properties are properties which are less suited to property management with our processes and due to their characteristics or location. Furthermore, significant numbers of these properties have below-average growth potential and will be sold in the medium term in line with the corporate strategy. Core properties are our properties in the Rental Only and Privatise portfolios.

Corporate Governance

Corporate governance lays down the rules for good, value-driven corporate management. The aim is to protect the shareholders' interests and ensure a responsible corporate policy geared to long-term added value.

EPRA (European Public Real Estate Association)

Organisation domiciled in Brussels which represents the interests of the large European property companies in the public eye and supports the development and market presence of the European publicly listed real estate companies.

EPRA NAV

EPRA NAV is used as an indicator of Deutsche Annington's long-term equity and is calculated based on the net asset value ("EPRA NAV") excluding the fair value of derivative financial instruments (net) and deferred taxes. The EPRA NAV includes fair value adjustments for all trading properties which are not recognised at fair values as part of the NAV in the IFRS financial statements.

EPRA NNNAV

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

EPRA vacancy rate

The estimated annual rental income of vacant space at market rents in relation to the estimated market rental value of the whole portfolio.

Fair value

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of the Deutsche Annington properties is determined regularly by external property appraisers.

FFO (funds from operations)

FFO represents a metric based on the cash flow available from operating activities. In addition to adjusted EBITDA, FFO allows for recurring cash-effective net interest expenses from non-derivative financial instruments as well as income taxes. This metric is not determined on the basis of any specific international reporting standard but is to be regarded as a supplement to other performance indicators determined in accordance with IFRS.

FFO1/FFO1 before maintenance/FFO2/AFFO

The Deutsche Annington Immobilien Group differentiates between

> FFO 1 (excluding adjusted EBITDA Sales), which is determined by adjusting adjusted EBITDA for the respective periods to reflect net cash interest payments and current income taxes but not the operating result of sales activities (adjusted EBITDA Sales).
> FFO 1 before maintenance, in which FFO 1 is adjusted for maintenance expense.
> AFFO, which refers to capex-adjusted FFO 1 in which FFO 1 is adjusted for capitalised maintenance.
> FFO 2, which is determined by adding profit from the disposal of properties to FFO 1 for the respective periods.

Financial covenants

Set of conditions in individual loan agreements in which the borrower undertakes, for the duration of the loan agreement, to comply with certain financial key figures laid down in relation to equity, debt, earnings or liquidity.

GRAND financing

In 2006, 31 companies of the Deutsche Annington Immobilien Group sold REF Notes to German Residential Asset Note Distributor PLC (Grand) in a securitisation transaction. Grand itself refinanced the acquisition of the REF Notes on the capital market by issuing secured floating-rate notes. The 31 issuing companies involved in the securitisation transactions in 2006 provided securities in the form of land charges, account pledge agreements and assignments. Furthermore, company shares were pledged. At the end of 2012, the GRAND securitisation was restructured. The restructuring enables the Deutsche Annington Immobilien Group to repay the liabilities of € 3.8 billion under the securitisation in tranches over a period of five years.

IFRS (International Financial Reporting Standards)

International accounting standards particularly for publicly listed companies.

Investment properties

Investment properties are properties that are held for the purpose of earning rental income or for capital appreciation. 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.

LTV ratio (loan-to-value ratio)

The loan-to-value ratio (LTV ratio) is the ratio of the nominal amount of financial liabilities (excluding so-called EK 02 tax liabilities), less cash and cash equivalents, to the sum of investment properties, trading properties, owner-occupied apartments and assets held for sale at a given reporting date.

Maintenance

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

Market capitalisation

Current price of a share multiplied by the total number of shares listed on the stock exchange. The market capitalisation is determined for individual companies but also for industries or for entire share markets and makes them comparable among each other.

Modernisation measures

Typical modernisation measures are the refurbishment of bathrooms, the installation of new doors and windows, the installation of central heating systems, the renovation of balconies and the retrofitting of prefabricated balconies as well as the implementation of energy-saving projects, such as the installation of double-glazed windows and heat insulation, e.g. facade insulation, insulation of the top storey ceilings and the cellar ceiling.

Monthly in-place rent

The monthly in-place rent is measured in € per square metre. It is the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements at the end of the relevant month before deducting non-transferrable ancillary costs divided by the living area of the rented residential units. The in-place rent is often referred to as the net cold rent.

Prime Standard

The most important market segment of the Frankfurt Stock Exchange with the highest transparency standards and regulation requirements. Listing on the Prime Standard is the prerequisite for inclusion in the DAX, MDAX, SDAX and TecDAX.

Rental performance

Describes the number of new lets within a reporting period. It counteracts the tenant turnover rate.

Revaluation of assets held for sale

The difference in value between the fair value and the sale price of the properties for which a purchase contract has been signed but for which no economic transfer of title has yet taken place. On the basis of IFRS, this difference in value at the time of contract signature is to be taken into account.

Revaluation (realised) from disposal of assets held for sale

The difference in value between the fair value and the sale price of the properties for which economic transfer of title is taking place, for which, in prior periods, a purchase contract had been signed and for which economic transfer of title has taken place in the reporting period.

Securitisation

Procurement of funds by converting receivables into securities, e.g. bonds. The primary aim is to make these receivables tradable on organised capital markets, e.g. stock exchanges. Investors (savers) and borrowers (e.g. companies or the state) enter into a direct creditor/debtor relationship with each other. The purchaser of the securitised receivables therefore assumes the risk of market price fluctuations of the security and the risk of default. In contrast to taking out a loan from a bank, the debtor generally has a large number of anonymous creditors and has to prove his credit standing publicly by means of detailed and regular reporting as well as by means of a rating where possible.

Vacancy rate

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

CONTACT AND FINANCIAL CALENDAR

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Financial Calendar

November 6, 2013	**Interim Report Q3 2013**
February 28, 2014	**2013 Annual Report**
April 30, 2014	**Interim Report Q1 2014**
May 12, 2014	**Annual General Meeting**
July 31, 2014	**Interim Report H1 2014**

Notes

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

Editor's note: Rounding differences may occur in the tables.

Disclaimer

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