DEUTSCHE ANNINGTON

Interim Financial Report

Deutsche Annington Immobilien SE

First Half-Year of 2015

in € million

Key figures	H1 2015	H1 2014	Change in %
Rental income	628.0	376.7	66.7
Adjusted EBITDA Rental	426.6	236.0	80.8
Income from sale of properties	221.4	138.9	59.4
Adjusted EBITDA Sales	19.5	22.4	-12.9
Adjusted EBITDA	446.1	258.4	72.6
Total cost of modernisation and maintenance work	265.2	141.5	87.4
thereof maintenance	107.1	69.1	55.0
thereof capitalised maintenance	40.1	11.0	264.5
thereof modernisation	118.0	61.4	92.2
FFO interest expense	-153.1	-98.9	54.8
FFO 1	264.3	130.3	102.8
thereof attributable to shareholders	251.5	130.3	93.0
thereof attributable to hybrid equity	12.8	–	–
FFO 2	283.8	152.7	85.9
AFFO	224.6	119.5	87.9
FFO 1 per share in €*	0.74	0.54	35.9

* Based on the shares qualifying for a dividend on the reporting date: Jun. 30, 2015: 358,462,018, Jun. 30, 2014: 240,242,425

Key balance sheet figures	Jun. 30, 2015	Dec. 31, 2014	Change in %
Fair value of the real estate portfolio	21,299.2	12,759.1	66.9
EPRA NAV	10,087.5	6,578.0	53.4
LTV in %*	56.4	49.7	6.7 pp
EPRA NAV per share in €**	28.14	24.22	16.2

* Adjusted to reflect effects in connection with the acquisitions of Franconia and GAGFAH
** Based on the shares qualifying for a dividend on the reporting date: Jun. 30, 2015: 358,462,018; Dec. 31, 2014: 271,622,425

Non-financial figures	H1 2015	H1 2014	Change in %
Number of units managed	389,950	211,726	84.2
thereof own apartments	348,216	184,682	88.5
thereof apartments owned by others	41,734	27,044	54.3
Number of units purchased	148,709	11,307	–
Number of units sold	4,050	1,892	114.1
thereof Privatise	1,221	1,190	2.6
thereof Non-Core	2,829	702	303.0
Vacancy rate in %	3.5	3.8	-0.3 pp
EPRA vacancy rate in %	3.2	3.4	-0.2 pp
Monthly in-place rent in €/m²	5.58	5.56	0.4
Monthly in-place rent in €/m² (like-for-like incl. DeWAG/ excl. GAGFAH/Vitus/Franconia)	5.73	5.58	2.7
Number of employees (as at June 30)	5,877	3,283	79.0

in € million

Other financial figures	H1 2015	H1 2014	Change in %
Net income from fair value adjustments of investment properties	–	20.8	–
EBITDA IFRS	386.1	225.8	71.0
EBT	144.2	100.6	43.3
Profit for the period	84.9	70.0	21.3
Cash flow from operating activities	313.2	194.1	61.4
Cash flow from investing activities	-2,110.9	-263.2	–
Cash flow from financing activities	546.5	-149.5	–

Contents

Dear Shareholders, Ladies and Gentlemen,

Following the major steps taken over the past few months, I am delighted to be able to report that we remain fully on track across the board. The integration of GAGFAH is on schedule and our operational business is also showing positive development, as we expected. By way of example, we were able to improve the FFO 1 (Funds From Operations) by 103 % compared with the first half of 2014, bringing it up to € 264.3 million or € 0.74 per share. On the cut-off date of June 30, 2015, the vacancy rate remained at the very low level of 3.5 % (previous year: 3.8 %). Our EPRA NAV (net asset value) rose by 53.4 % from € 6,578.0 million at the end of 2014 to € 10,087.5 million at the end of the first half of 2015. This corresponds to a NAV of € 28.14 per share.

This exceptional performance is thanks to our employees and I'd like to take this opportunity to thank them for their commitment. Based on this healthy development, we clocked up another success on the acquisition front, too: on July 8, 2015, we acquired the SÜDEWO Group, which is based in the German federal state of Baden-Württemberg, along with just under 20,000 residential units. The new apartments will allow us to double our presence in south-west Germany, an important strategic region for us. Just like our previous acquisitions, the portfolio is located in regions that hold the promise of continued very positive development: the properties are concentrated in locations including the cities of Stuttgart, Ulm and Mannheim, have a low vacancy rate of only 2.4 % and offer attractive growth potential.

We have achieved rapid and strong growth over the past few months and years. It makes sense to ask whether the company can cope with this dynamic development in financial and operational terms. Based on our experience of previous integration processes, I can assure you: the strategy that we are currently implementing is one that we have planned meticulously and we know exactly what we are doing:

By making these acquisitions, we are not investing in short-term profits, but in sustainable returns for our investors. At the same time, the acquisitions allow us to secure and improve the service we offer our customers. And one of the keys to ensuring that we can achieve both lies in further economies of scale, which we are also achieving via our acquisitions.

The fact that we have achieved such rapid growth is because the overall framework for the implementation of our plans has been very favourable over the past two years. We want to exploit the opportunities we identify for ourselves in a targeted manner.

Please allow me to stress one thing again: our business model is not based on achieving short-term growth gains as a result of acquisitions, but on long-term profitability from a stable operating business. We want to be judged on how well we accomplish this goal.

This approach based on sustainable corporate success is also reflected in our commitment to making ongoing investments in our portfolio. We want to offer our customers attractive homes in affordable apartments. This means that our apartments have to meet modern standards and allow people to stay in them for long periods of their lives stretching well into old age. This is why we will be investing the substantial sum of up to

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

€ 640 million in maintenance and modernisation this year, too. This equates to around € 31 per square metre, a figure that is well above the sector average. Investments like these only pay off over time, and this forms a firm part of our business model.

In order to finance the purchase of the SÜDEWO Group, we successfully implemented a capital increase of around € 2.3 billion at the beginning of July. We will use € 1.9 billion of the issue proceeds for the acquisition of the SÜDEWO Group. The remaining approximately € 300 million will be used to further reduce the company's financial liabilities. We remain focused on our target of getting the company's loan-to-value ratio back below the 50 % mark again. At present, the loan-to-value ratio comes in at 56.4 %, i.e. on a par with the value for the prior quarter of 56.3 %; taking the capital increase and the SÜDEWO acquisition into account, the pro forma value amounts to 50.0 %.

So what will the second half of 2015 bring? Within the Management Board, we expect the positive development to continue over the next six months, which has prompted us to confirm and substantiate our forecast for 2015: we expect to see rent growth (on a like-for-like basis) of between 2.6 % and 2.8 % for 2015 as a whole. This is likely to push rental income up to around € 1.4 billion. We are still aiming to achieve a vacancy rate of around 3 % at the end of the year. We predict a figure of between € 560 and € 580 million for FFO 1. The EPRA NAV (Net Asset Value) will increase to € 27.50–28.50 per share. We suggest a dividend of € 0.94 per share for the year, representing an increase of 27 % on the previous year.

On behalf of my Management Board colleagues and our management team, I would like to thank you for the trust you have placed in the path we have chosen to follow – a path that we will remain on in the future, with our new name VONOVIA, for the benefit of all of you.

Bochum, August 2015

Yours
Rolf Buch
CEO

Rolf Buch (CEO)

Interim Group Management Report

Fundamental Information about the Group

Company and business model

The company

The entry of a mixed cash and non-cash capital increase in the Düsseldorf Commercial Register (Handelsregister) on March 6, 2015 signalled the completion of the voluntary public takeover offer made by Deutsche Annington Immobilien SE (DAIG SE) for all shares in GAGFAH S.A. on December 1, 2014, creating the second-largest listed property Group in continental Europe, with properties worth a total of approximately € 21 billion. As a result, the second quarter of 2015 was shaped by intensive integration work that should have been largely completed by the time 2015 draws to a close.

The newly formed DAIG SE Group (DAIG) will be renamed the Vonovia SE Group in the course of 2015. This move to rename the company will be underpinned by a refined corporate mission statement.

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

A structured action plan will combine the strengths of the former DAIG SE and the former GAGFAH S.A. within Vonovia SE to make the latter a major player on the residential real estate market. This integration of two strong and complementary market leaders will create potential in terms of both scale and strategy for the benefit of the tenants and owners of the newly formed merged company within the context of society as a whole.

The aims of the merger include strengthening the regional presence of the two companies in Germany, realising operational and financial economies of scale, pursuing strategic potential by exploiting innovative products and services and optimising structures.

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

With effect from April 1, 2015, the properties in the acquired Franconia portfolio were also included in the interim consolidated financial statements.

As at June 30, 2015, DAIG managed a total of 348,216 residential units of our own, 82,196 garages and parking spaces as well as 3,370 commercial units. We also managed 41,734 residential units for other owners. DAIG provides housing in some 700 cities and communities throughout Germany.

On June 14, 2015, DAIG also concluded a share transfer agreement with a group of investors regarding the acquisition of the SÜDEWO company portfolio. The group of investors and the company portfolio received advice from, and were managed by, Patrizia Immobilien AG. The portfolio of the SÜDEWO Group comprises around 19,800 residential units, most of which are located in Baden-Württemberg. The purchase price was around € 1.1 billion (net), plus assumed debt totalling € 0.8 billion. The acquisition was completed on July 8, 2015.

In order to finance the purchase price and further reduce its debt, DAIG implemented a capital increase in the second quarter of 2015, issuing 107,538,606 new shares with subscription rights at a price of € 20.90. The listing prospectus for these shares was approved by the German Federal Financial Supervisory Authority (BaFin) on June 16, 2015. The new shares were created on July 3, 2015 by way of an entry in the Düsseldorf Commercial Register, making the capital increase in a net amount of € 2,216 million effective.

As a result, the capital increase and the acquisition of the SÜDEWO Group will be reflected in DAIG's consolidated financial statements as of the third quarter of 2015.

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

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

Portfolio structure

With effect from April 1, 2015, a stock of 4,110 residential units, 202 commercial properties and 1,949 garages and parking spaces was added to the DAIG portfolio as a result of the "Franconia" acquisition.

The acquisition portfolio was as follows at the time of the takeover:

Franconia Residential Portfolio

				In-place rent	
	Residential units	Residential space (in thou. m²)	Vacancy (in %)	(p. a. € million)	(€/m²/ month)
Franconia	**4,110**	**251.1**	**3.0**	**17.0**	**5.80**

The overall portfolio was as follows as at June 30, 2015:

Deutsche Annington housing stocks

			Vacancy rate	In-place rent	
Jun. 30, 2015	Residential units	Residential space (in thou. m²)	(in %)	(p. a. € million)	(€/m²/month)
Strategic	**278,366**	**17,231**	**2.5**	**1,152.3**	**5.72**
Operate	192,106	11,762	2.5	774.5	5.64
Upgrade Buildings	49,411	3,091	2.6	205.4	5.69
Optimise Apartments	36,849	2,378	2.5	172.4	6.19
Non-strategic	**31,676**	**1,958**	**6.9**	**104.9**	**4.81**
Privatise	**21,477**	**1,465**	**4.7**	**93.8**	**5.60**
Non-Core	**16,697**	**1,023**	**11.4**	**48.3**	**4.50**
Total	**348,216**	**21,677**	**3.5**	**1,399.3**	**5.58**

Strategic

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

Operate

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

Upgrade Buildings

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

Optimise Apartments

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

Non-Strategic

A recent portfolio review has also identified locations and sub-portfolios that DAIG does not necessarily require for its further strategic development, meaning that they have been summarised in the "Non-Strategic" portfolio.

The "Non-Strategic" portfolio tends to contain locations and properties of average quality; the income contribution from property management is stable, or even slightly increasing in some sub-markets to the extent possible.

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

Privatise and Non-Core

Privatise

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

Non-Core

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

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

Regional distribution of the housing stocks by German state

Jun. 30, 2015	Residential units	Residential space (in thou. m²)	Vacancy (in %)	In-place rent (p. a. € million)	In-place rent (€/m²/month)
North Rhine-Westphalia	124,757	7,875	4.0	482.3	5.32
Saxony	44,976	2,566	4.0	151.3	5.13
Berlin	30,670	1,916	1.4	127.8	5.64
Lower Saxony	26,251	1,665	4.9	102.8	5.42
Hesse	25,179	1,591	2.1	130.8	7.00
Schleswig-Holstein	24,336	1,453	3.6	88.9	5.32
Bavaria	20,054	1,307	1.8	95.3	6.19
Baden-Württemberg	14,801	943	3.1	68.2	6.23
Bremen	12,312	743	4.3	42.4	5.02
Hamburg	10,995	692	0.9	52.2	6.34
Rhineland-Palatinate	5,605	383	3.9	24.4	5.52
Thuringia	2,638	165	4.1	10.7	5.65
Brandenburg	2,422	162	4.7	10.9	5.87
Mecklenburg-Western Pomerania	1,666	111	8.9	6.2	5.22
Saxony-Anhalt	1,524	103	10.8	5.1	4.63
Saarland	30	2	10.0	0.1	4.76
Total	**348,216**	**21,677**	**3.5**	**1,399.3**	**5.58**

Housing stocks 25 largest locations

Jun. 30, 2015	Residential units	Residential space (in thou. m²)	Vacancy (in %)	In-place rent (p. a. € million)	In-place rent (€/m²/month)
Dresden	37,887	2,148	2.8	130.5	5.22
Berlin	30,670	1,916	1.4	127.8	5.64
Dortmund	20,238	1,248	2.9	72.5	5.00
Essen	12,267	760	4.9	46.2	5.34
Frankfurt am Main	11,779	723	1.1	64.6	7.53
Kiel	11,453	665	1.7	41.3	5.26
Bremen	11,105	677	4.1	39.1	5.07
Hamburg	10,995	692	0.9	52.2	6.34
Gelsenkirchen	8,492	521	7.3	27.3	4.73
Bochum	7,561	434	2.9	27.0	5.34
Hanover	7,237	463	2.1	32.4	5.95
Cologne	6,375	447	1.1	36.8	6.94
Duisburg	5,558	336	5.3	19.5	5.11
Munich	5,222	346	0.8	27.8	6.74
Bonn	5,197	365	1.8	27.3	6.36
Herne	4,998	303	5.0	17.1	4.94
Bielefeld	4,647	307	2.5	17.8	4.97
Heidenheim an der Brenz	3,937	240	5.8	15.9	5.91
Osnabrück	3,915	248	4.4	15.2	5.35
Düsseldorf	3,517	227	2.7	19.0	7.20
Braunschweig	3,301	204	0.4	13.2	5.42
Gladbeck	3,219	198	3.2	11.6	5.05
Zwickau	3,103	174	11.3	7.9	4.29
Wiesbaden	2,622	176	2.8	15.8	7.72
Herten	2,616	167	5.6	8.8	4.67
Subtotal of the 25 largest locations	**227,911**	**13,985**	**2.9**	**914.6**	**5.62**
Other locations	120,305	7,692	4.6	484.7	5.52
Total	**348,216**	**21,677**	**3.5**	**1,399.3**	**5.58**

Management system

Performance indicators

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

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

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

Financial and non-financial indicators

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

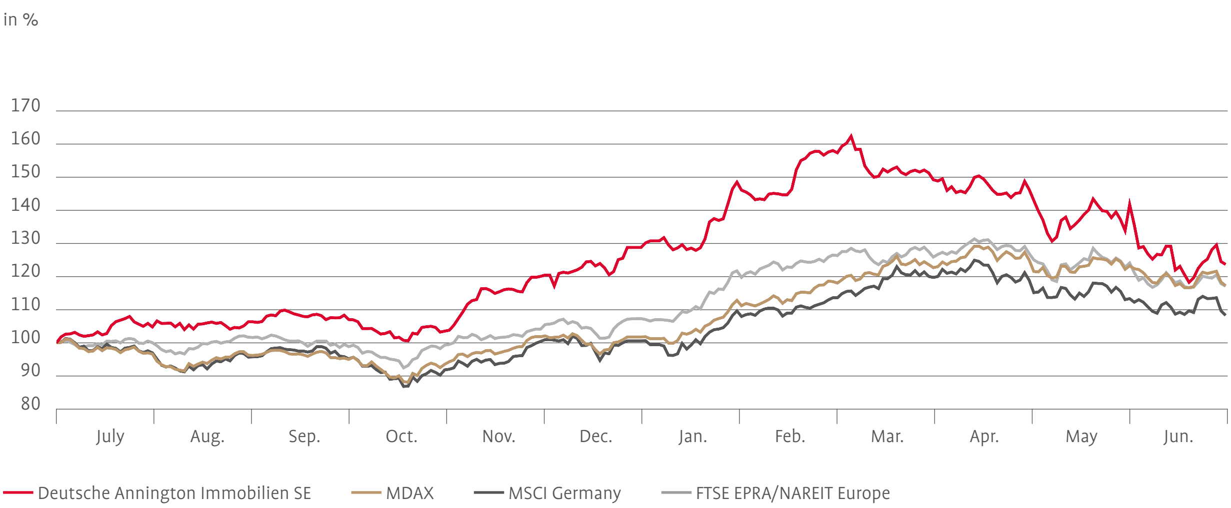
Share and capital market

Share price performance

The closing price of Deutsche Annington's shares on June 30, 2015 was € 25.30, down on the closing price seen on December 30, 2014. Deutsche Annington's shares have, however, outperformed the MDAX, MSCI and EPRA indices. This positive development is largely due to the GAGFAH transaction. In addition to what was generally poorer share price performance on the markets, the drop in the price of DAIG's shares in the first half of 2015 can be explained primarily by the increase in yields on ten-year government bonds. More recently, the share price has been recovering in line with the market, but also due to measures to step up communications and the conclusion of further transactions.

On the cut-off date of June 30, 2015, Deutsche Annington's market capitalisation came in at around € 9.1 billion, with a free float – based on Deutsche Börse's definition – of 94.07 %.

Development of the share price from July 1, 2014 to June 30, 2015*



* DAIG vs MSCI Germany, EPRA Europe and MDax Jul. 1, 2014 – Jun. 30, 2015

Share information

Following the tender of more than 90 % of the voting rights in GAGFAH S.A. in the first quarter of 2015, the outside shareholders of GAGFAH S.A. had a further put option under Luxembourg law. As a result of the exercise of this put option, which could be exercised in the period leading up to May 10, 2015, a further 4,355,790 shares in DAIG SE were issued in the second quarter of 2015 as part of the consideration paid to the tendering shareholders of GAGFAH S.A. This pushed the subscribed capital of DAIG SE up by € 4,355,790, from € 354,106,228 to € 358,462,018, split into 358,462,018 registered shares with no-par value. The new shares are fully entitled to a dividend with effect from January 1, 2015.

Share information as at June 30, 2015

First day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	358.5 million
Share capital in €	€ 358,462,018
ISIN	DE000A1ML7J1
WKN	A1ML7J
Symbol	ANN
Common code	94567408
Class	Registered shares with no-par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market

In addition, DAIG SE made the decision, in June 2015, to increase its subscribed capital by € 107,538,606, from € 358,462,018 to € 466,000,624, making a subscription offer to the existing shareholders at a subscription price of € 20.90 until June 30, 2015. The subscription offer met with a 98.1 % acceptance rate. The remaining shares resulting from the capital increase were sold on the market by the consortium lead manager that was supporting the transaction, J.P. Morgan Securities plc. The capital increase became effective in July.

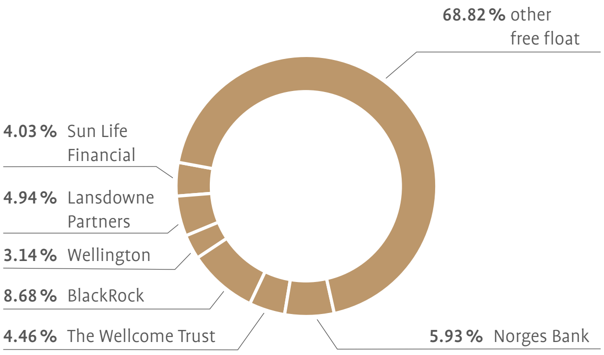
Free float increased further

On April 20, 2015, the shareholder Abu Dhabi Investment Authority informed us that it had fallen below the disclosure threshold of 3 %.

The only shareholder that was not part of the free float based on Deutsche Börse's definition was Norges Bank, which, based on the subscribed capital on the cut-off date of June 30, 2015, held a stake of 5.93 % according to the notification of voting rights received most recently, on May 27, 2014. This resulted in a free float of 94.07 % on the cut-off date.

In detail, the shareholder structure of DAIG SE as at June 30, 2015 is as follows:

Shareholder structure



Investor relations activities

In the first six months of the 2015 financial year, the Management Board participated in regular capital market conferences in Europe and the US. The Management Board also provided investors with information on the integration progress made at two roadshows in Europe and the US in the first half of the year. These were followed, in July, by roadshows in Asia, the US and then in Europe, focusing on the capital increase (rights issue) and the acquisition of SÜDEWO.

In the middle of June 2015, our Capital Markets Day also took place in Berlin with 55 analysts and investors. The event included a management presentation, round table discussions and a property tour. The discussions focused on innovative measures within various areas of the company, such as product management, financing, IT, M&A and valuation.

This shows that we remain committed to providing the capital market with comprehensive information on a regular basis. In addition to further property and operations tours, for example, a large number of teleconferences were held to give investors and analysts key details on current issues and KPIs.

Not least thanks to the successful acquisitions, we are noticing a further increase in the interest shown in Deutsche Annington by international investors in particular, but also by German-speaking private investors.

Our activities aim to expand our shareholder base in other regions, too, on an ongoing basis.

Annual General Meeting

This year's Annual General Meeting was held in Düsseldorf on April 30, 2015. All of the items on the agenda met with broad approval. No objections were recorded.

The 2016 Annual General Meeting will be held in Düsseldorf again on May 12, 2016.

The dividend payment for 2014 totalling € 0.78 per share was made on May 4, 2015.

Corporate Governance

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

Report on Economic Position

Development of the economy and the industry

German economic growth gaining ground

According to the Kiel Institute for the World Economy (IfW), the German economy remains on an upward trajectory. After GDP growth slowed slightly to 0.3 % in the first quarter of 2015, a number of indicators – including, not least, favourable production figures – are pointing towards growth of 0.5 % in the second quarter of 2015. The IfW predicts that GDP will grow by 1.8 % this year. Favourable developments on the job market coupled with robust income growth and temporary factors such as higher monetary social benefits and purchasing power gains resulting from the drop in oil prices have meant that private consumption has been growing at a fast pace since the third quarter of 2014. Corporate investment once again increased considerably at the start of the year. The upturn in investment is likely to go from strength to strength in an environment of exceptionally favourable financing conditions now that geopolitical risks, and risks associated with the latent crisis in the euro zone – with the exception of Greece – have lessened on the whole. This is corroborated by improved unit sales and earnings prospects, also due to the depreciation of the euro, and the trend towards rising capacity utilisation levels. Residential construction investments have also shown strong growth of late. The depreciation of the euro is also likely to fuel a more rapid expansion in exports in the summer half-year after a rather subdued start to the year. The Federal Ministry of Economic Affairs and Energy (BMWi) expects the European Central Bank (ECB) to stick to its expansive monetary policy. The main refinancing rate has been unchanged at 0.05 % since September 2014.

The job market is still showing positive development, albeit at a slower pace than in the first quarter, according to the German Federal Employment Agency (Bundesagentur für Arbeit). According to the Federal Employment Agency, the unemployment rate came in at 6.2 % in June 2015, down by 0.3 percentage points on the previous year.

Consumer price development is starting to pick up again. The rate of inflation – in relation to the consumer price index – was up by 0.7 % year-on-year in May 2015, rising for the fourth consecutive month. In April, the rate of inflation came in at 0.5 %. As in the previous months, the development in the price of mineral oil products had a dampening effect.

Housing market

Continued rise in real estate prices and rents

During the first five months of this year, quoted rents continued to increase at a moderate rate of 0.3 and 0.4 percentage points nationwide in April and May respectively. This is based on a report by the property portal ImmobilienScout24 after evaluation of the IMX property index. Due to the rent ceiling that has now been imposed, experts from ImmobilienScout24 predict a slightly negative price development in the medium term.

According to ImmobilienScout24, the prices quoted for owner-occupier apartments have also continued to increase nationwide since the beginning of the year. The prices for new-build apartments showed a pronounced increase in April, rising by 0.7 percentage points, and continued to rise by 1 percentage point in May. A slight increase in prices is said to be on the agenda for the next few months. April also saw a marked month-on-month increase in the prices for existing owner-occupier apartments of 1.1 percentage points, with these prices rising by 1.2 percentage points in May. ImmobilienScout24 expects this development to continue, possibly at a slightly slower pace, in the months to come.

Record performance for the residential investment market

According to experts from Dr. Lübke & Kelber Research, the German residential investment market achieved a transaction volume of around € 16.59 billion in 2015 total in the period from January to June (inclusive). This points towards the prospect of a new record result in German residential real estate trading in 2015, which could outstrip the record result witnessed in 2005. The result in the first half of 2015 was characterised, in particular, by DAIG's takeover of GAGFAH although, even leaving this transaction out of the equation, the volume was still up by around 16 % on the prior year. German investors and public limited real estate companies dominate the course of events on the buyer side. In addition, "B locations", which often offer a more favourable risk-return profile, remain a focal point for investors.

Tenancy Amendment Act comes into force

The German Tenancy Amendment Act was passed by the German Bundestag (lower house of parliament) on March 5, 2015. The Act was promulgated in the Federal Law Gazette on April 27, 2015. Among other things, the Act envisages capping rents at a level that must not exceed 10 % of the standard local comparative rent in housing markets that are evidently tense when apartments are relet. The Act includes a time limit and has excluded new buildings and first-time lets after extensive modernisation from the provisions. The provisions have applied to Berlin since June 1, 2015. As of July 1, 2015, the legislation will also apply to Hamburg and to 22 towns/cities in the German federal state of North Rhine-Westphalia. As of August 1, it will also apply in 144 towns/cities and municipalities in Bavaria. The real estate industry has criticised a number of aspects of the legislation, including the use of the "standard local comparative rent" as a point of reference for rent increases as part of the rent ceilings. The real estate industry associations agree that the Act does not make any contribution towards creating the required number of new and affordable residential properties.

Economic development of the group

Business development in the first half of 2015

DAIG's business development in the first half of 2015 was extremely successful on the whole. With effect from March 6, 2015, we acquired the majority of the shares, namely a stake of 88.8 % in the GAGFAH Group, by way of a corresponding entry in the Düsseldorf Commercial Register. By way of a tender for the rest of the GAGFAH S.A. shares within the framework of the Luxembourg Takeover Act, DAIG's share of the subscribed capital of GAGFAH S.A. rose to 93.8 %, which marks a major step in the expansion of our property portfolio.

GAGFAH S.A. and its subsidiaries are included in the consolidated financial statements of DAIG SE. This acquisition resulted in a significant change in assets, equity and liabilities. It also pushed the number of employees up to around 5,900. The amount of investment properties rose by € 8.2 billion as a result of the acquisition. The inclusion of GAGFAH S.A. increased the non-derivative financial liabilities by € 4.8 billion.

The portfolios of the acquired DeWAG, Vitus and Franconia have been fully incorporated into DAIG's portfolio and processes and also made a contribution to the successful first half of 2015.

With effect from April 1, 2015, the business figures of the Franconia portfolio were included in the Group's reporting for the first time.

Overall development of business

In the first half of 2015, DAIG's operating KPIs continued to show positive development on the whole. At the end of the first half of 2015, DAIG managed 348,216 residential units of its own. The key performance indicators for the first half of 2015 include the half-yearly values for DeWAG and Vitus, while the GAGFAH Group is included with the values for the months from March to June 2015 and the Franconia portfolio is included with the values for the period from April to June 2015. By contrast, DAIG's business figures for the first half of 2014 include DeWAG for the months from April to June 2014, but do not include the acquisitions of GAGFAH, Vitus and Franconia.

In the first half of 2015, income from property management was in line with our expectations and came in at a total of € 927.8 million (H1 2014: € 551.3 million). Income from the sale of properties stood at € 221.4 million (H1 2014: € 138.9 million). The GAGFAH portfolio contributed € 284.8 million towards income from property management and € 78.2 million towards income from the sale of properties in the first half of 2015. The DeWAG portfolio contributed € 41.7 million (H1 2014: € 20.9 million) towards income from property management and € 7.4 million (H1 2014: € 19.4 million) towards income from the sale of properties in the first half of 2015. The Vitus portfolio contributed € 58.2 million towards income from property management and € 16.1 million towards income from the sale of properties in the first half of 2015. The Franconia portfolio contributed € 7.3 million towards income from property management.

Our key performance indicators also developed in line with expectations. All in all, FFO 1 came in at € 264.3 million in the first half of 2015, up by 102.8 % on the first half of 2014. EBITDA IFRS amounted to € 386.1 million in the first half of 2015 and was therefore 71.0 % above the figure from the first half of 2014.

Adjusted EBITDA increased by 72.6 % from € 258.4 million in the first half of 2014 to € 446.1 million in the first half of 2015. Our NAV rose by 53.4 % from € 6,578.0 million at the end of 2014 to € 10,087.5 million at the end of the first half of 2015.

Results of operations

The following primary KPIs show the development of DAIG's results of operations at the end of the first half of 2015. These KPIs have been influenced by inclusion of the GAGFAH Group with the earnings contribution for the months from March to June 2015, as well as by the earnings contribution made by the DeWAG/Vitus portfolio in the first half of 2015 and the earnings contribution made by Franconia in the second quarter of 2015. DAIG's business figures for 2015 are compared against those for the first half of 2014, which include DeWAG for the months from April to June 2014, but do not include the acquisitions of GAGFAH, Vitus and Franconia.

Key performance indicators of Deutsche Annington

in € million	H1 2015	H1 2014
Income from property management	927.8	551.3
thereof rental income	628.0	376.7
Adjusted EBITDA Rental	426.6	236.0
Income from sale of properties	221.4	138.9
Adjusted EBITDA Sales	19.5	22.4
EBITDA IFRS	386.1	225.8
Adjusted EBITDA	446.1	258.4
FFO 1	264.3	130.3
FFO 2 (incl. profit from property sales)	283.8	152.7
AFFO	224.6	119.5
Number of employees (as at June 30)	5,877	3,283
Number of units purchased	148,709	11,307
Number of units sold	4,050	1,892
thereof Privatise	1,221	1,190
thereof Non-Core	2,829	702
Vacancy rate in %	3.5	3.8
Monthly in-place rent (€/m²)	5.58	5.56
Number of residential units in portfolio	348,216	184,682

Property Management

Our core Rental business continued to show positive development in the second quarter of 2015, following in the footsteps of the positive first quarter of 2015. Based on the expanded portfolio, we were able to boost our **adjusted EBITDA Rental** considerably, namely by 80.8 % from € 236.0 million in the first half of 2014 to € 426.6 million in the first half of 2015.

Adjusted EBITDA Rental

in € million	H1 2015	H1 2014
Rental income	628.0	376.7
Maintenance expenses	-107.1	-69.1
Property management costs	-94.3	-71.6
Adjusted EBITDA Rental	**426.6**	**236.0**

Rental income rose by 66.7 % from € 376.7 million in the first half of 2014 to € 628.0 million in the first half of 2015. The GAGFAH portfolio contributed € 190.7 million, the DeWAG portfolio € 30.7 million (Q2 2014: € 15.4 million), the Vitus portfolio € 37.6 million and the Franconia portfolio € 4.9 million to this amount. Leaving the addition of the acquired portfolios out of the equation, rental income rose from € 376.7 million in the first half of 2014 (incl. DeWAG in the second quarter) to € 394.8 million in the first half of 2015.

The monthly in-place rent per square metre rose from € 5.56 at the end of the first half of 2014 to € 5.58 at the end of the first half of 2015. The fact that the increase is so low is due to the acquisitions, some of which were included in the current value based on lower average rents than for last year's portfolio. At the end of the first half of 2015, for example, the GAGFAH portfolio was included in the Group value at a monthly in-place rent of € 5.45/m², the DeWAG portfolio at a monthly in-place rent of € 6.91/m², the Vitus portfolio at a monthly in-place rent of € 5.10/m² and the Franconia portfolio at a monthly in-place rent of € 5.82/m². On a like-for-like basis, on the other hand, the monthly in-place rent per square metre came in at € 5.73 at the end of the first half of 2015, up by 2.7 % compared with the end of the first half of 2014. This value includes the DeWAG portfolio, which was already part of the portfolio in the previous year, for the first time. The development in vacancy also had a positive impact on rental income.

The vacancy rate dropped from 3.8 % at the end of the first half of 2014 to 3.5 % at the end of the first half of 2015. The EPRA vacancy rate came in at 3.2 % at the end of the first half of 2015 compared with 3.4 % at the end of the first half of 2014.

Maintenance expenses amounted to € 107.1 million in the first half of 2015, with € 29.8 million attributable to the GAGFAH portfolio, € 4.3 million to the DeWAG portfolio (H1 2014: € 3.2 million), € 6.4 million to the Vitus portfolio and € 1.8 million to the Franconia portfolio. The spend on the real-estate portfolio excluding the acquired portfolios came in at € 64.7 million, down slightly on the previous year in a manner that was proportionate to the smaller size of the portfolio due to disposals. Compared with a volume of € 61.4 million in the first half of 2014, we almost doubled our value-enhancing modernisation programme in the first half of 2015, increasing it by more than 92.2 % to total € 118.0 million. This means that, including capitalised maintenance of € 40.1 million, we invested a total volume of € 265.2 million (H1 2014: € 141.5 million) in modernisation and maintenance work on our properties in the first half of 2015.

Maintenance and modernisation

in € million	H1 2015	H1 2014
Maintenance expenses	107.1	69.1
Capitalised maintenance	40.1	11.0
Modernisation measures	118.0	61.4
Total cost of modernisation and maintenance work*	**265.2**	**141.5**
thereof sales of own craftsmen's organisation	168.8	78.6
thereof bought-in services	96.4	62.9

* incl. intra-Group profits in the first half of 2015: € 11.5 million (thereof € 0.4 million capitalised maintenance and € 1.5 million modernisation); H1 2014: € 8.0 million (thereof € 0.2 million capitalised maintenance and € 0.8 million modernisation).

Related to square metres of living area, this is an increase in the modernisation and maintenance expenses of 14 % from € 12.36 in the first half of 2014 to € 14.15 in the first half of 2015. This is largely due to the increase in the modernisation volume.

Property management costs cover all expenses for the Rental segment which cannot be allocated to maintenance expenses. In addition, we also include other income from property management which is offset by costs such as income from condominium administration for other owners or public-sector rent subsidies. In the first half of 2015, the property management costs came in at € 94.3 million, up on the value for the first half of 2014 due to the acquisitions € 22.7 million. This increase was largely due to the additional property management costs associated with the GAGFAH portfolio.

Sales

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

In the first half of 2015, sales in the Privatise portfolio were as follows:

Sales in the privatise portfolio

in € million	H1 2015	H1 2014
Number of units sold	1,221	1,190
Income from sale of properties	123.6	118.3
Fair value of properties sold*	-92.8	-88.6
Adjusted profit/loss from sale of properties	**30.8**	**29.7**
Fair value step-up in %	33.2	33.5

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

As expected, the number of units sold (1,221) in the first half of 2015 was slightly above the figure from the previous year. Sales proceeds rose from € 118.3 million in the first half of 2014 to € 123.6 million in the first half of 2015. The fair value step-up was on a par with the high prior-year level at around 33 %. In 2015, 328 units from the GAGFAH portfolio and 44 from the DeWAG portfolio (H1 2014: 110 units) were privatised. No units from the Vitus or Franconia portfolios were privatised in the first half of 2015.

Sales in the Non-Core portfolio

in € million	H1 2015	H1 2014
Number of units sold	2,829	702
Income from sale of properties	97.8	20.6
Fair value of properties sold*	-97.0	-19.1
Adjusted profit/loss from sale of properties	**0.8**	**1.5**
Fair value step-up in %	0.8	7.9

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

We continued with our strategy of selling properties where opportunities present themselves, meaning that we disposed of properties that do not fit with our strategy in the medium to long-term (Non-Core). In the first half of 2015 and at 2,829 residential units, these sales were well above the value for the comparative period in 2014, as was to be expected. 1,074 Non-Core properties were sold from the GAGFAH portfolio, 427 from the Vitus portfolio, whereas no Non-Core properties were sold from the DeWAG or Franconia portfolios in the first half of 2015.

All in all, the Sales segment developed as follows in the first half of 2015:

Adjusted EBITDA sales

in € million	H1 2015	H1 2014
Income from sale of properties	221.4	138.9
Carrying amount of properties sold	-204.8	-120.9
Revaluation from disposal of assets held for sale	15.2	11.3
Profit/loss from sale of properties (IFRS)	**31.8**	**29.3**
Revaluation (realised) of assets held for sale	-15.2	-11.3
Revaluation from disposal of assets held for sale	15.0	13.2
Adjusted profit/loss from sale of properties	**31.6**	**31.2**
Selling costs	-12.1	-8.8
Adjusted EBITDA sales	**19.5**	**22.4**

The adjusted profit on the disposal of properties rose by 1.3 % from € 31.2 million in the first half of 2014 to € 31.6 million in the first half of 2015. In the Sales segment, we make adjustments for effects not relating to the period from assets held for sale. This adjustment is made to show the effect of property sales on the result only in the period in which the sale takes place. The total adjustment in the first half of 2015 was € -0.2 million, compared with € 1.9 million in the first half of 2014.

In the first half of 2015, selling costs came in at € 12.1 million, 37.5 % up on the value for the first half of 2014 (€ 8.8 million). This is largely due to an increase in the number of sales on the whole. At € 19.5 million, the adjusted EBITDA Sales in the first half of 2015 was down on the figure of € 22.4 million for the first half of 2014.

Non-recurring items

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

The following table gives a detailed list of the non-recurring items for the first half of 2015:

Non-recurring items

in € million	H1 2015	H1 2014
Business model optimisation/ Development of new fields of business	2.1	1.3
Acquisition costs	50.7	25.3
Refinancing and equity measures	0.6	–
Severance payments/ Pre-retirement, part-time work arrangements	6.8	4.1
Total non-recurring items	**60.2**	**30.7**

In the first half of 2015, the non-recurring items were mainly determined by € 50.7 million in acquisition costs, mainly in connection with the takeover of GAGFAH.

In the first half of 2015, the adjusted EBITDA rose all in all to € 446.1 million, up by 72.6 % on the figure for the first half of 2014 (€ 258.4 million). Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, EBITDA IFRS came in at € 386.1 million in the first half of 2015, 71.0 % above the comparable figure for the previous year.

FFO

In the first half of 2015, we were able to increase our primary key performance indicator for the sustained operating performance of our core business, FFO 1, by € 134.0 million or 102.8 % as against the first half of 2014 to € 264.3 million, largely due to our acquisitions of GAGFAH, DeWAG, Vitus and Franconia.

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

Funds From Operations (FFO)

in € million	H1 2015	H1 2014
Net income or loss for the period	**84.9**	**70.0**
Financial result	237.1	142.6
Income taxes	59.3	30.6
Depreciation and amortisation	4.8	3.4
Net income from fair value adjustments of investment properties	–	-20.8
= EBITDA IFRS	**386.1**	**225.8**
Non-recurring items	60.2	30.7
Effects from assets held for sale	-0.2	1.9
= Adjusted EBITDA	**446.1**	**258.4**
Adjusted EBITDA Sales	19.5	22.4
= Adjusted EBITDA Rental	**426.6**	**236.0**
FFO interest expense	-153.1	-98.9
Current income tax	-9.2	-6.8
= FFO 1	**264.3**	**130.3**
Capitalised maintenance	-39.7	-10.8
= AFFO	**224.6**	**119.5**
FFO 2 (FFO 1 incl. profit from property sales)	**283.8**	**152.7**
FFO 1 per share in €*	0.74	0.54
AFFO per share in €*	0.63	0.50

* Based on the shares qualifying for a dividend on the reporting date of Jun. 30, 2015: 358,462,018; Jun. 30, 2014: 240,242,425

At € -237.1 million, the financial result in the first half of 2015 was down considerably on the value for the first half of 2014 (€ -142.6 million). This was largely due to the financing costs for our acquisitions. At € -153.1 million, the operating FFO-related interest result in the first half of 2015 was down by 54.8 % on the value for the first half of 2014 due to acquisitions.

Reconciliation of net interest result to net cash interest

in € million	H1 2015	H1 2014
Income from other long-term loans	1.0	1.0
Interest income	0.7	1.4
Interest expenses	-238.8	-145.0
Financial result*	**-237.1**	**-142.6**
Adjustments:		
Transaction costs	53.8	2.1
Prepayment penalty and commitment interest	0.9	24.1
Effects from the valuation of non-derivative financial instruments	-14.8	13.8
Derivatives	35.4	-4.1
Interest accretion to provisions	4.6	5.5
Accrued interest	27.9	31.1
Other effects	4.1	2.3
Interest payment balance	**-125.2**	**-67.8**
Accrued interest adjustment	-27.9	-31.1
FFO interest expense	**-153.1**	**-98.9**

* Excluding income from other investments

Profit for the period

In the first half of 2015, the profit for the period came in at € 84.9 million, up considerably on the figure for the first half of 2014 (€ 70.0 million). The profit for the first half of 2015 is shaped by a marked improvement in operating profit, but also by special effects relating to acquisition and transaction costs and increased tax expenses. The profit for the first half of 2014 was largely influenced by net income from fair value adjustments to investment properties in the amount of € 20.8 million.

Assets position

Asset and capital structure

Group balance sheet structure

	Jun. 30, 2015		Dec. 31, 2014	
	in € million	in %	in € million	in %
Non-current assets	23,776.9	97.4	12,980.0	87.9
Current assets	624.7	2.6	1,779.2	12.1
Assets	**24,401.6**	**100.0**	**14,759.2**	**100.0**
Equity	8,730.9	35.8	5,962.2	40.4
Non-current liabilities	14,687.2	60.2	8,292.9	56.2
Current liabilities	983.5	4.0	504.1	3.4
Equity and liabilities	**24,401.6**	**100.0**	**14,759.2**	**100.0**

The **equity** of DAIG increased by € 2,768.7 million in the course of the first half of 2015 from € 5,962.2 million to € 8,730.9 million. The main driver behind this increase was the mixed cash and non-cash capital increase on March 6, 2015 within the framework of the takeover of the GAGFAH Group. The increase in non-controlling interests by a total of € 157.7 million is largely attributable to the GAGFAH transaction. The profit for the first half of 2015 also contributed € 84.9 million to the increase, as did actuarial gains from pension obligations, which contributed € 29.6 million, and changes from hedge accounting, which contributed € 8.3 million. On the other hand, equity dropped due to the dividend payment of € 276.2 million and as a result of transaction costs being taken into account. For further information relating to developments in equity, we refer to the information provided in note [20] "Equity" in the notes to the consolidated financial statements.

The **equity ratio** on the balance sheet date of June 30, 2015 came in at 35.8 % compared to 40.4 % on December 31, 2014. The reduction in the equity ratio is associated with the first-time inclusion of the GAGFAH Group.

On June 30, 2015, the **total assets** of the DAIG Group came in at € 24,401.6 million, compared with € 14,759.2 million at the end of 2014, largely due to the inclusion of the GAGFAH Group, which accounts for € 8,553.4 million. The Group's **non-current assets** mainly include investment properties of € 21,196.5 million (Dec. 31, 2014: € 12,687.2 million). The total value of the real estate assets including properties used by the Group and assets held for sale came in at € 21,296.7 million (Dec. 31, 2014: € 12,757.1 million) (GAV or Gross Asset Value). Due to the inclusion of the GAGFAH portfolio, the investment properties increased by € 8,184.8 million compared with December 31, 2014. Due to the purchase price allocations for the acquisitions, non-current assets contain goodwill totalling € 2,292.8 million, with € 106.0 million attributable to the acquisitions of DeWAG and Vitus and € 2,186.8 million to the provisional purchase price allocation for the GAGFAH Group.

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

As at June 30, 2015, non-current liabilities largely include non-derivative financial liabilities totalling € 12,203.9 million and deferred tax liabilities of € 1,624.9 million. The increase in non-derivative liabilities is due to the inclusion of the GAGFAH Group; on the one hand due to the financing of the purchase price obligation and on the other due to the inclusion of GAGFAH financial liabilities in the DAIG Group. The non-current provisions include pension obligations of € 476.0 million, residual pollution provisions of € 22.4 million and non-current provisions for personnel expenses under pre-retirement part-time work arrangements totalling € 17.5 million. The non-current liabilities also include the long-term portion of the LTIP programmes.

In addition to other provisions, **current liabilities** largely include current payment obligations for debt repayments and interest on loans of € 266.4 million.

Fair values

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

Major market developments and measurement parameters that have an impact on DAIG's fair values are assessed every quarter. If necessary, the property portfolio is revalued. No adjustment was made to the fair values in the second quarter of 2015. The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses. The fair values of the GAGFAH Group portfolio, which was included for the first time in the first quarter of the year, were revalued in an external expert opinion and, as part of the provisional allocation of the total purchase price, were reported at a fair value of € 8,184.8 million. Otherwise, there are no major changes in the first half of 2015 compared with December 31, 2014.

The fair value of the real estate portfolio of the DAIG of residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was approx. € 21,299.2 million as at June 30, 2015.

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

EPRA key financial indicators

The European Public Real Estate Association (EPRA) has developed a range of key financial indicators (EPRA performance measures), which should improve the transparency, comparability and relevance of real estate companies' published financial information. As part of their "Best Practice Recommendations", EPRA recommends that European listed real estate companies incorporate these indicators when compiling their financial reports. Based on this recommendation, Deutsche Annington made the decision that EPRA NAV and the EPRA vacancy rate are suitable parameters for reflecting the development of its business activities and publishes these key figures accordingly. Further information on the presentation of NAV can be found in the section on net assets.

Vacancy rate

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

in € million	Jun. 30, 2015	Jun. 30, 2014
Market rent for vacant apartments	50.8	29.5
Market rent for the residential real estate portfolio	1,566.0	858.2
EPRA vacancy rate in %	3.2	3.4

Net asset value

In this presentation of NAV in 2014, DAIG has moved closer into line with the approach taken by major market players and has focused more on the EPRA Best Practice Guidelines when it comes to the consideration of deferred taxes. During the period under review, the net asset value (NAV), in accordance with EPRA standards, increased in line with equity as a result of capital measures, namely by € 3,509.5 million from € 6,578.0 million to € 10,087.5 million or by 53.4 %.

The goodwill is included in the presentation of NAV. In order to increase transparency, "adjusted NAV" is also reported.

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

in € million	Jun. 30, 2015	Dec. 31, 2014
Equity attributable to DAIG shareholders	**7,523.8**	**4,932.6**
Deferred taxes on investment properties/properties held for sale	2,445.5	1,581.0
Fair value of derivative financial instruments*	158.9	88.1
Deferred taxes on derivative financial instruments	-40.7	-23.7
EPRA NAV	10,087.5	6,578.0
Goodwill	-2,292.8	-106.0
Adjusted NAV	**7,794.7**	**6,472.0**
EPRA NAV per share in €**	**28.14**	**24.22**

* Adjusted for effects from cross currency swaps
** Based on the number of shares on the reporting date Jun. 30, 2015: 358,462,018; Dec. 31, 2014: 271,622,425

Financing position

Cash flow

The following table shows the Group cash flow:

Statement of cash flow

in € million	H1 2015	H1 2014
Cash flow from operating activities	313.2	194.1
Cash flow from investing activities	-2,110.9	-263.2
Cash flow from financing activities	546.5	-149.5
Net increase in cash and cash equivalents	**-1,251.2**	**-218.6**
Cash and cash equivalents at beginning of the period	1,564.8	547.8
Cash and cash equivalents at the end of the period	**313.6**	**329.2**

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

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

The cash flow from **financing activities** in the first half of 2015 is characterised by the equity and debt capital financing measures in connection with the takeover of the GAGFAH Group. The equity financing amounted to € 114.5 million. The debt capital financing measures amounted to € 1,967.5 million, with € 1,000 million resulting from the draw-down from the EMTN (European Midterm Notes Programme) tap issue and € 923.0 million resulting from the interim financing of the GAGFAH transaction. The repayments relate to the repayment of the bridge facility, which has already been repaid in full, and both regular and unscheduled repayments from the former DAIG and the former GAGFAH area. Transaction costs associated with the equity and debt capital financing measures resulted in payouts in the amount of € 71.6 million. Interest payments made in the first half of 2015 came in at € 127.5 million, up considerably on the prior-year value of € 72.3 million. Payouts were also made in the first half of 2015 for the dividend payment totalling € 276.2 million to DAIG shareholders, and dividend payments to non-controlling shareholders amounting to € 19.4 million.

Financing

Responsibility for financing the Group as a whole and the Group companies individually lies with DAIG. The latter raises the funds required, in line with the financing strategy, in a flexible manner on the international equity and debt capital markets. Within this context, DAIG mainly makes use of its Dutch subsidiary Vonovia Finance B.V. The Dutch financing company, which was set up as Deutsche Annington Finance B.V., Amsterdam, was renamed Vonovia Finance B.V. by way of an entry in the Amsterdam Commercial Register made on July 7, 2015.

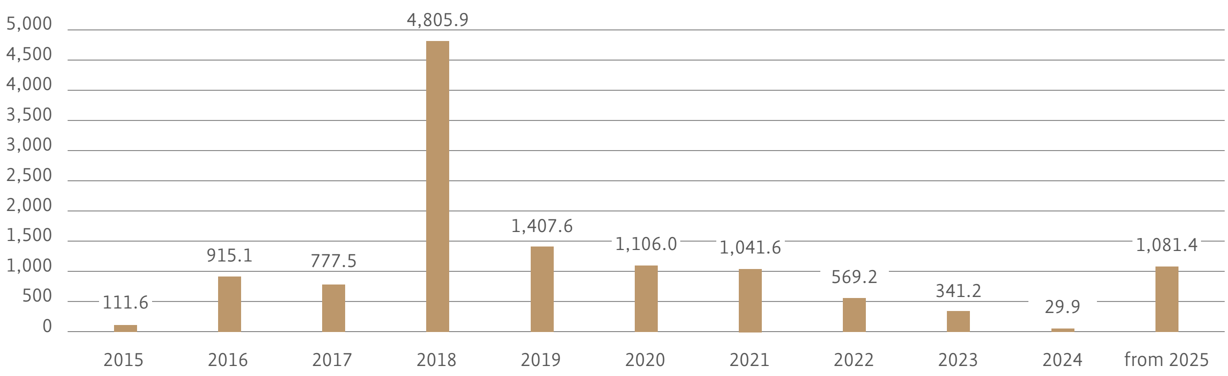
As a result of the IPO in 2013, together with the investment grade rating granted by Standard & Poor's Rating Service, DAIG now enjoys access to the equity and debt capital markets at all times, allowing it to ensure balanced and flexible financing with a balanced maturity profile in line with its financing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

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

The maturity profile of DAIG's financing was as follows as at June 30, 2015:

Maturity profile

on Jun. 30, 2015 in € million



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

Compliance with financial covenants

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

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

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

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

in € million	Jun. 30, 2015	Dec. 31, 2014
Non-derivative financial liabilities	12,470.3	6,664.8
Foreign currency effects [1]	-154.4	-84.0
Cash and cash equivalents	-313.6	-1,564.8
Funds held for Franconia purchase [2]	–	322.5
Funds held for GAGFAH purchase [2]	–	1,000.0
Adjusted Net Debt	**12,002.3**	**6,338.5**
Fair value of the real estate portfolio	**21,299.2**	**12,759.1**
LTV	**56.4 %**	**49.7 %**

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

in € million	Jun. 30, 2015	Dec. 31, 2014
Non-derivative financial liabilities	12,470.3	6,664.8
Total assets	24,401.6	14,759.2
LTV Bond Covenants	**51.1 %**	**45.2 %**

These financial covenants have been fulfilled as expected.

Capital increases from authorised capital

As a result of the entry in the Commercial Register made on March 6, 2015, the equity of DAIG SE was increased by € 2,657.7 million as a result of the mixed cash and non-cash capital increase as part of the completion of the voluntary public takeover offer made by DAIG SE for all shares in GAGFAH S.A. The mixed cash and non-cash capital increase was approved by the German Federal Financial Supervisory Authority (BaFin) on the basis of the prospectus dated March 5, 2015. The capital increase was made using the authorised capital.

As a result of an extended put option under Luxembourg law, the company's equity was increased by a further 4,355,790 shares or € 128.3 million with effect from May 22, 2015.

Taking into account the capital increase with subscription rights by 107,538,606 shares from authorised capital, which was resolved on June 30, 2015 but has not yet been completed, the 2013 authorised capital amounts to € 1,900,790.00 and the 2015 authorised capital amounts to € 63,257,928.00.

Increase in the borrowing volume

In order to secure the public takeover offer, Deutsche Annington had arranged an acquisition credit line of € 6.5 billion. Only tranche A, amounting to around € 1 billion, was drawn on. The credit line had already been repaid in full by June 30, 2015.

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

Cash and cash equivalents as at June 30, 2015, totalled € 313.6 million. On December 31, 2014, this item also included marketable securities in the amount of € 850.0 million. The drop in cash and cash equivalents is largely due to the settlement of the cash purchase price component for the GAGFAH Group and from the purchase price payment for the Franconia portfolio.

Of these bank balances, € 71.2 million (Dec. 31, 2014: € 32.8 million) are restricted with regard to their use. This includes € 31.8 million

Subsequent Events

Events after the balance sheet date

Entry of the capital increase with subscription rights in the Commercial Register on July 3, 2015 and net proceeds from the capital increase on July 7, 2015

The capital increase with subscription rights at a price of € 20.90 per share became effective when it was entered in the Düsseldorf Commercial Register on July 3, 2015, creating 107,538,606 new shares. The company received the net proceeds from the capital increase, totalling € 2,216 million, on July 7, 2015.

Completion of the acquisition of the SÜDEWO Group

On June 14, 2015, DAIG SE had concluded a share transfer agreement with a group of investors regarding the acquisition of the SÜDEWO company portfolio at a price of around € 1.1 billion, plus assumed liabilities of € 0.8 million. This acquisition was completed after the antitrust authorities granted their approval on July 8, 2015. The SÜDEWO Group will be included in DAIG's consolidated financial statements as of July 2015. Its integration into DAIG's property management processes will largely be completed following the integration of the GAGFAH Group in the second quarter of 2016.

Opportunities and Risks

For the purposes of the quarterly financial statements as at June 30, 2015, there are no opportunities and risks extending beyond, or material changes in the opportunities and risks set out in the combined management report for the 2014 financial year and those already presented in the quarterly financial statements as at March 31, 2015.

In addition to the acquisition of the GAGFAH Group, which had already been completed this year, the acquisition of the SÜDEWO Group, which brings with it a further 19,800 or so residential units, was announced on June 14, 2015 and completed on July 8, 2015. Since April 1, 2015, the properties belonging to the Franconia portfolio have also been included in DAIG's consolidated financial statements.

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

As a result, reference is once again made explicitly to the opportunities and risks associated with acquisitions as set out, in particular, in the combined management report for the 2014 financial year. These include market, portfolio and environmental risks, as well as integration, financial, tax and legal risks. There is also the risk that the advantages expected to come from the merger, in particular the expected synergies, fail to materialise to the expected extent, or within the period originally planned. This can also result in the goodwill stated no longer being justified after an impairment test, meaning that goodwill amortisation may put significant pressure on the consolidated result and, as a result, the company's equity.

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

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

Forecast Report

Further course of the group

Expected development of the overall economic environment

German economy continues on an upward trend

According to the Federal Ministry of Economic Affairs and Energy (BMWi), the German economy continued its upswing in the first quarter of the year, after macroeconomic output had already increased considerably in the closing quarter of 2014. According to the Kiel Institute for the World Economy (IfW), GDP is expected to increase by 1.8 % in 2015. In 2016, the rate of growth could accelerate to 2.1 %.

Experts from the IfW believe that, although private consumption momentum will remain high, the pace of growth will no longer be as high as in the last few quarters. The upturn in investment is likely to go from strength to strength and – boosted by the continuation of a favourable overall monetary framework – looks set to become one of the main forces driving the economy in 2016. In an international environment that remains difficult, exports are performing well and are receiving additional stimulus from the depreciation of the euro, whereas imports are likely to expand at a much faster rate due to the high economic momentum in Germany. Employment remains on an upward trajectory. The number of people in work is expected to increase by an average of 220,000 in 2015 and 320,000 in 2016. Initial signs are, however, starting to emerge that the introduction of the minimum wage has already resulted in job losses. After the drop in oil prices put a significant damper on inflation, the inflation rate is starting to pick up again and is expected to come in at just under 2 % in 2016. Driven by the favourable economy, public-sector budgets are still reporting surpluses, according to the IfW.

The IfW sees the main risks for the German economy as relating to the foreign trade environment. Severe negative effects could come from the exacerbation of geopolitical tension, for example from the Ukraine conflict, or from state bankruptcy in Greece or the latter's exit from the monetary union. Nevertheless, the risks associated with a further escalation in the Greek crisis from Germany's perspective are seen to be much lower than they were a few years ago. The IfW also believes that there is a risk that economic policy will see the solid economy as a sign that it can "rest on its laurels".

Housing market: Less momentum in price development

The regional building societies (Landesbausparkassen – LBS) expect the demand for real estate to remain buoyant with rising prices in 2015, although the momentum is expected to be lower than in the last three years, with prices tipped to rise by between 2 % and 3 %. According to Deutsche Bank, the increase in supply will have a dampening effect, although demand is expected to remain high due to favourable financing conditions, low returns on alternative investments, high net immigration, further urbanization and smaller household sizes. All in all, the price pressure could weaken slightly. In line with the slightly slower increase in real estate prices, the increase in net rents was also less pronounced. Evaluations by the real estate service provider ImmobilienScout24 confirm a further increase in quoted rents and prices since the start of 2015. A slight increase in the prices of new-build apartments is also likely for the coming months and the increase in the price of existing apartments could well continue, albeit at a slightly slower pace. According to ImmobilienScout24, the rent ceiling that came into force in June had still to make itself felt in May. It remains to be seen how the market will react to this restriction. The rent ceiling is likely to put a damper on rent increases in the medium term. The first federal state to implement the new provisions was Berlin, which applied them on June 1, 2015. Hamburg and 22 towns/cities in the German federal state of North Rhine-Westphalia will follow on July 1, 2015 and 144 towns/cities and municipalities in Bavaria will follow on August 1, 2015.

According to a study conducted by the German Economics Institute in Cologne (IW), developments on the German real estate market are justified from a fundamental perspective. It says that the increase in prices is largely due to catch-up effects and that even a further increase in prices would not necessarily suggest the emergence of a speculative bubble. Experts from the research institute empirica did not believe that there was any bubble across Germany at the end of the second quarter of 2015. Nevertheless, rents and purchase prices in 173 out of 402 administrative districts and self-governing towns/cities are no longer developing in tandem, with the bubble index indicating a high risk for 83 districts. There are only signs of excessive new construction volumes in 10 districts. According to research by the Deutsche Bank, due to increasing levels of disposable income and low interest rates, residential property ownership in Germany remains relatively affordable on the whole compared to other countries and over a prolonged period. The extent to which residential property can be classed as affordable often, however, varies considerably from region to region.

New residential construction in Germany still lagging behind demand

The number of apartments completed in Germany once again rose considerably last year. The completion figures of around 245,300 apartments in 2014 and an estimated 255,000 in 2015 nevertheless continue to lag behind demand, which the Central Federation of the German Construction Industry (HDB) puts at around 300,000 new apartments, and the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) at around 272,000 new apartments, on average every year in the period leading up to 2020. According to the German Tenants' Association (DMB), the actual demand for new builds is as high as 400,000 apartments a year, with particular demand for affordable rented apartments. The German Association for Private Housing and Real Estate Companies (BFW) describes the stagnating number of building permits issued in the first quarter of 2015 as "ringing alarm bells". According to the HDB, demand is being driven largely by ongoing immigration and demographic change, which is resulting in increasingly smaller households. Although the population figures are expected to decline, the BBSR predicts that Germany's major cities, as well as a large number of smaller cities and university towns, will continue to grow.

Expected development of business

Forecast for the 2015 financial year

Deutsche Annington got off to a very successful start to the 2015 financial year. We were able to considerably expand our portfolio thanks to the merger with GAGFAH. We were also able to expand our portfolio by another approximately 20,000 units as a result of the acquisition of SÜDEWO. We adjusted the forecast expectations for the 2015 financial year set out in the first quarter of 2015 accordingly.

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

	Actual 2014 (DAIG excl. GAGFAH)	Forecast for 2015 in the 2014 Annual Report (DAIG excl. GAGFAH)	Forecast for 2015 quarterly report Q1 2015 (DAIG incl. GAGFAH)	Current forecast for 2015 quarterly report H1 2015 (incl. SÜDEWO)
EPRA NAV/share *	€23.04	€ 23 – 24	approx. €27	€ 27.50 – 28.50
FFO 1	€ 286.6 million	€ 340 – 360 million	€ 530 – 550 million	€ 560 – 580 million
FFO 1/share*	€1.00	€ 1.19 – 1.27	€ 1.41 – 1.45	€ 1.20 – 1.24
CSI	Increase of 5.7 % (=+3 index points)	Increase of up to 5 %	Increase of up to 5 %	Increase of up to 5 %
Monthly in-place rent per sqm (like for like)	€5.55	Increase of 2.6 – 2.8 %	Increase of 2.6 – 2.8 %	Increase of 2.6 – 2.8 %
Vacancy rate	3.4%	around 3.3 %	around 3%	around 3%
Maintenance incl. capitalised maintenance	€ 173.8 million	around € 200 million	around € 320 million	around € 340 million
Modernisation	€ 171.7 million	> € 200 million	€ 280 – 300 million	€ 280 – 300 million
No. of apartment sales Privatise	2,238	approx. 1,600	approx. 2,200	approx. 2,900
Step-up Privatise	37.6 %	approx. 30 %	approx. 30 %	approx. 30 %
No. of apartment sales Non-Core	1,843	Continue with sales where opportunities present	Continue with sales where opportunities present	Continue with sales where opportunities present
Step-up Non-Core	10.9 %	on prior-year level	0 %	0 %

* Due to the recent subscription right share issue, which allowed the new shares to be purchased at a discount, the key figures per share have been adjusted to make them comparable to the values including the rights issue (TERP adjustment). The adjustment factor is calculated based on the last share price prior to the deduction of subscription rights (€ 26.46) divided by the assumed share price following the issue of new shares (€ 25.18) (TERP, theoretical ex-rights price). This results in an adjustment factor of 1.051, by which the actual values and the original forecasts for EPRA NAV/share and FFO1/share were divided in order to ensure comparability. The correction to the forecast for Q1 2015 was made, in derogation of the above, based on a provisional adjustment value of 1.0605, as, at the time of the publication of the SÜDEWO transaction, it was not yet possible to calculate a final adjustment factor. The above-mentioned adjusted figures were published in the SÜDEWO announcement presentation and applied here.

Our forecast for the 2015 financial year is based on the current projection for the Group as a whole, that takes current business developments and possible risks and opportunities into account.

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

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

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

We want to continue to increase the value of our company in 2015. We expect the EPRA NAV per share to have risen to € 27.50 – 28.50 by the end of 2015.

We also plan to continue to improve our long-term operational earnings power significantly in the current reporting year, also thanks to the acquisitions we made in 2014 and 2015. We predict that the FFO 1 will increase to somewhere in the range of € 560 million to € 580 million in 2015. This corresponds to an FFO 1 per share of between € 1.20 and € 1.24 and includes the acquisitions of DeWAG and the Vitus Group, which were concluded in 2014, the GAGFAH merger (10 months) and the pro rata annual values from the Franconia and SÜDEWO acquisitions, which were realised in 2015. SÜDEWO is only included in the forecast with an FFO 1 contribution for the second half of 2015. Since the purchase of SÜDEWO was financed in full using equity (107.5 million new shares), this produces a drop in FFO 1 per share in 2015. The full earnings contributions made by all acquisitions, including planned synergies, will come to fruition in 2016. Otherwise, the forecast does not include any major acquisitions of further property portfolios.

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

In the Rental segment, we aim to continue to systematically pursue our strategy in 2015 and invest in our portfolio of properties. Our investment programme for 2015 still has a volume of between € 280 million and € 300 million. The focus will remain on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. In addition, we plan to perform ongoing maintenance work, including capitalised maintenance, with a volume of around € 340 million. All in all, this corresponds to an investment volume of up to € 640 million, or up to € 31 per square metre in 2015. We continue to expect an increase from 2.6 % to 2.8 % in the monthly in-place rent per square metre like-for-like in 2015. We expect the vacancy rate to come in at around 3.3 % at the end of 2015. All in all, we expect rental income to rise from € 789 million in 2014 (DAIG excl. GAGFAH) to around € 1.4 billion at the end of 2015.

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

In the Sales segment, we will continue to pursue our strategy of selective disposals. In the Privatise segment, we expect around 2,900 apartments to be sold with a step up on the fair value of these apartments of around 30 %. We will also continue to sell buildings from the “Non-Core” sub-portfolio at prices that are roughly in line with the fair value in 2015, insofar as corresponding opportunities present themselves.

Düsseldorf, August 13, 2015

Rolf Buch
(CEO)

Thomas Zinnöcker
(CRO)

Klaus Freiberg
(COO)

Dr A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

January 1 to June 30

€ million	Notes	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014	Apr. 1 – Jun. 30, 2015	Apr. 1 – Jun. 30, 2014
Income from property letting		913.8	542.3	532.9	281.6
Other income from property management		14.0	9.0	8.1	4.5
Income from property management	5	**927.8**	**551.3**	**541.0**	**286.1**
Income from sale of properties		221.4	138.9	98.4	78.7
Carrying amount of properties sold		-204.8	-120.9	-89.0	-66.7
Revaluation of assets held for sale		15.2	11.3	7.9	5.2
Profit on disposal of properties	6	**31.8**	**29.3**	**17.3**	**17.2**
Net income from fair value adjustments of investment properties	7	**0.0**	**20.8**	**0.0**	**1.0**
Capitalised internal expenses		65.3	34.2	38.8	20.7
Cost of materials	8	-425.4	-246.4	-253.6	-127.1
Personnel expenses	9	-138.1	-87.9	-77.4	-43.8
Depreciation and amortisation		-4.8	-3.4	-2.8	-1.8
Other operating income		36.9	19.8	17.1	10.0
Other operating expenses		-113.2	-74.9	-51.3	-35.1
Financial income		2.7	2.8	2.0	1.4
Financial expenses	10	-238.8	-145.0	-140.0	-85.2
Profit before tax		**144.2**	**100.6**	**91.1**	**43.4**
Income tax	11	-59.3	-30.6	-36.5	-11.7
Profit for the period		**84.9**	**70.0**	**54.6**	**31.7**
Attributable to: DAIG shareholders		60.8	67.3	41.2	30.4
DAIG hybrid capital investors		14.8	–	7.4	–
Non-controlling interests		9.3	2.7	6.0	1.3
Earnings per share (basic and diluted) in €	12	**0.19**	**0.29**	**0.12**	**0.13**

Consolidated Statement of Comprehensive Income

January 1 to June 30

€ million	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014	Apr. 1 – Jun. 30, 2015	Apr. 1 – Jun. 30, 2014
Profit for the period	**84.9**	**70.0**	**54.6**	**31.7**
Cash flow hedges				
Change in unrealised gains/losses, net	64.1	-22.4	-25.3	3.5
Net realised gains/losses	-52.1	2.6	52.0	-3.2
Tax effect	-3.7	6.1	-8.0	0.4
Items which will in future be recognised in profit or loss	8.3	-13.7	18.7	0.7
Actuarial gains/losses from pensions and similar obligations				
Change in actuarial gains/losses, net	44.1	-24.8	73.8	-12.7
Tax effect	-14.5	8.2	-24.3	4.2
Items which will not be recognised in profit or loss in the future	29.6	-16.6	49.5	-8.5
Other comprehensive income	37.9	-30.3	68.2	-7.8
Total comprehensive income	**122.8**	**39.7**	**122.8**	**23.9**
Attributable to: DAIG shareholders	93.9	37.0	101.1	22.6
DAIG hybrid capital investors	14.8	–	7.4	–
Non-controlling interests	14.1	2.7	14.3	1.3

Also see the corresponding explanations in the Notes.

Consolidated Balance Sheet

€ million	Notes	Jun. 30, 2015	Dec. 31, 2014
ASSETS			
Intangible assets	13	2,296.3	108.5
Property, plant and equipment		62.0	29.0
Investment properties	14	21,196.5	12,687.2
Financial assets	15	191.8	93.2
Other assets		15.2	47.0
Income tax receivables		0.1	0.1
Deferred tax assets		15.0	15.0
Total non-current assets		**23,776.9**	**12,980.0**
Inventories	16	32.9	2.2
Trade receivables	17	88.3	65.1
Financial assets	15	1.4	2.0
Other assets		111.6	77.5
Income tax receivables		14.9	13.8
Cash and cash equivalents	18	313.6	1,564.8
Assets held for sale	19	62.0	53.8
Total current assets		**624.7**	**1,779.2**
Total assets		**24,401.6**	**14.759.2**

€ million	Notes	Jun. 30, 2015	Dec. 31, 2014
EQUITY AND LIABILITIES			
Subscribed capital		358.5	271.6
Capital reserves		4,771.8	2,076.0
Retained earnings		2,447.6	2,643.4
Other reserves		-54.1	-58.4
Total equity attributable to DAIG shareholders		**7,523.8**	**4,932.6**
Equity attributable to hybrid capital investors		1,021.4	1,001.6
Total equity attributable to DAIG shareholders and hybrid capital investors		**8,545.2**	**5,934.2**
Non-controlling interests		185.7	28.0
Total equity	20	**8,730.9**	**5,962.2**
Provisions	21	546.4	422.1
Trade payables		0.9	1.0
Non derivative financial liabilities	22	12,203.9	6,539.5
Derivative financial liabilities	23	138.0	54.5
Liabilities from finance leases	24	98.8	88.1
Liabilities to non-controlling interests		38.4	46.3
Other liabilities	26	35.9	8.6
Deferred tax liabilities		1,624.9	1,132.8
Total non-current liabilities		**14,687.2**	**8,292.9**
Provisions	21	338.5	211.3
Trade payables		83.4	51.5
Non derivative financial liabilities	22	266.4	125.3
Derivative financial liabilities	23	91.1	21.9
Liabilities from finance leases	24	4.7	4.4
Liabilities to non-controlling interests		8.0	7.5
Income tax liabilities	25	44.4	0.0
Other liabilities	26	147.0	82.2
Total current liabilities		**983.5**	**504.1**
Total liabilities		**15,670.7**	**8,797.0**
Total equity and liabilities		**24,401.6**	**14,759.2**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

January 1 to June 30

€ million	Notes	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Profit for the period		84.9	70.0
Net income from fair value adjustments of investment properties	7	–	-20.8
Revaluation of assets held for sale	6	-15.2	-11.3
Depreciation and amortisation		4.8	3.4
Interest expenses/income		237.1	142.6
Income taxes	11	59.3	30.6
Results from disposals of investment properties		-16.6	-18.0
Results from disposals of other non-current assets		1.5	–
Changes in inventories		-7.7	0.6
Changes in receivables and other assets		32.9	12.3
Changes in provisions		-38.7	-9.5
Changes in liabilities		-23.3	-3.6
Income tax paid		-5.8	-2.2
Cash flow from operating activities*		**313.2**	**194.1**
Proceeds from disposals of investment properties and assets held for sale		212.3	194.5
Proceeds from disposals of intangible assets and property, plant and equipment		0.1	0.1
Disposal of shares in consolidated companies (net of cash inflow)		7.4	–
Proceeds received from disposals of financial assets		–	0.8
Acquisition of investment properties	14	-157.4	-76.0
Acquisition of intangible assets and property, plant and equipment		-4.6	-5.0
Acquisition of shares in consolidated companies (net of cash outflow)**	3	-2.171.0	47.2
Acquisition of financial assets		–	-429.3
Interest received		2.3	4.5
Cash flow from investing activities		**-2,110.9**	**-263.2**

€ million	Notes	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Capital contributions on the issue of new shares (including premium)	20	114.5	304.0
Cash paid to shareholders of DAIG SE		-276.2	-168.2
Cash paid to non-controlling shareholders		-19.4	-11.5
Cash proceeds from issuing financial liabilities	22	1,967.5	705.7
Cash repayments of financial liabilities	22	-1,042.0	-854.8
Payment of transaction costs in connection with the issue of shares		-4.8	-3.0
Other transaction costs		-66.8	-10.8
Prepayment penalty and commitment interest		-0.9	-41.5
Securities received for swaps		2.1	–
Disposal/Acquisition of shares in consolidated companies (net of cash inflow)		0.0	2.9
Interest paid		-127.5	-72.3
Cash flow from financing activities		**546.5**	**-149.5**
Net changes in cash and cash equivalents		**-1,251.2**	**-218.6**
Cash and cash equivalents at beginning of the period		1,564.8	547.8
Cash and cash equivalents at the end of the period ***	18	**313.6**	**329.2**

Also see the corresponding explanations in the Notes.

* The cash flow from operating activities includes cash transaction costs for the acquisition of shares in consolidated companies in the amount of € 30.8 million (June 30, 2014: € 7.8 million).
** thereof € 228.2 million for acquisition shares of Franconia Group and € 67.9 million for acquisition Franconia portfolio
*** thereof restricted cash € 71.2 million (June 30, 2014: € 52.5 million)

Consolidated Statement of Changes in Equity

				Other reserves	
				Can be reclassified	
€ million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedges	Available-for-sale financial assets
As at Jan. 1, 2014	**224.2**	**1.430.1**	**2.178.5**	**-27.3**	**0.0**
Profit for the period			67.3		
Other comprehensive income					
Changes in the period			-16.6	-15.4	0.0
Reclassification adjustments recognised in income				1.7	
Total comprehensive income			50.7	-13.7	0.0
Capital increase	16.0				
Premium on the issue of new shares		288.0			
Transaction costs on the issue of new shares		-2.0			
Dividend distributed by DAIG SE			-168.2		
Changes recognised directly in equity			-0.4		
As at Jun. 30, 2014	**240.2**	**1.716.1**	**2.060.6**	**-41.0**	**0.0**
As at Jan. 1, 2015	271.6	2,076.0	2,643.4	-58.4	0.0
Profit for the period			60.8		
Other comprehensive income					
Changes in the period			28.8	44.4	0.0
Reclassification adjustments recognised in income				-40.1	
Total comprehensive income			89.6	4.3	0.0
Capital increase	86.9				
Premium on the issue of new shares		2,699.2			
Transaction costs on the issue of new shares		-2.9			
Acquisition of GAGFAH					
Dividend distributed by DAIG SE			-276.2		
Changes recognised directly in equity[2]		-0.5	-9.2		
As at Jun. 30, 2015	**358.5**	**4,771.8**	**2,447.6**	**-54.1**	**0.0**

[1] The profit for the period of DAIG's hybrid investors was calculated taking deferred taxes into account.
[2] The main changes within "Changes recognised directly in equity" relate to the GAGFAH dividend for the 2014 financial year, as well as effects from the initial consolidation of the combined purchase of shares and properties of the Franconia portfolio, which was completed on April 1, 2015.

Also see note [20] in the Notes.

Total	Equity of DAIG shareholders	Equity of DAIG hybrid investors 1)	Equity of DAIG shareholders and hybrid investors	Non-controlling interests	Total equity
-27.3	**3,805.5**		**3,805.5**	**12.5**	**3,818.0**
	67.3		67.3	2.7	70.0
-15.4	-32.0		-32.0		-32.0
1.7	1.7		1.7		1.7
-13.7	37.0		37.0	2.7	39.7
	16.0		16.0		16.0
	288.0		288.0		288.0
	-2.0		-2.0		-2.0
	-168.2		-168.2		-168.2
	-0.4		-0.4		-0.4
-41.0	**3,975.9**		**3,975.9**	**15.2**	**3,991.1**
-58.4	**4,932.6**	**1,001.6**	**5,934.2**	**28.0**	**5,962.2**
	60.8	14.8	75.6	9.3	84.9
44.4	73.2		73.2	4.8	78.0
-40.1	-40.1		-40.1		-40.1
4.3	93.9	14.8	108.7	14.1	122.8
	86.9		86.9		86.9
	2,699.2		2,699.2		2,699.2
	-2.9		-2.9		-2.9
				140.3	140.3
	-276.2		-276.2		-276.2
	-9.7	5.0	-4.7	3.3	-1.4
-54.1	**7,523.8**	**1,021.4**	**8,545.2**	**185.7**	**8,730.9**

Selected explanatory notes in accordance with IFRS

Accounting policies

1 Basis of presentation

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

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

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

The interim consolidated financial statements as at June 30, 2015, comprising both the company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the EU for interim financial statements in accordance with IAS 34. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been considered.

Accounting and measurement as well as the explanations and disclosures are based on the same accounting and measurement policies as those applied to the consolidated financial statements for the 2014 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of DAIG as at June 30, 2015, a condensed form compared with the consolidated financial statements for the year ended December 31, 2014 has been chosen.

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

2 Consolidation principles

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

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

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

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

3 Scope of consolidation and business combinations including acquisitions after the balance sheet date

Including Deutsche Annington Immobilien SE, 189 companies (Dec. 31, 2014: 114), thereof 157 (Dec. 31, 2014: 95) domestic companies and 32 (Dec. 31, 2014: 19) foreign companies have been comprised in the consolidated financial statements of DAIG as at June 30, 2015.

The changes as at June 30, 2015 largely result from the acquisition of the GAGFAH Group (67 subsidiaries) and Franconia Group (10 subsidiaries) as well as from one merger and one sale.

Acquisition of GAGFAH S.A.

As part of the voluntary public takeover offer made by Deutsche Annington Immobilien SE to the shareholders of GAGFAH S.A., Luxembourg, on December 1, 2014, a total of 230,954,655 shares in GAGFAH S.A. were tendered after the end of the additional acceptance period on February 9, 2015, 24:00 hours CET. This corresponds to around 93.82 % of the current GAGFAH S.A. subscribed capital and voting rights. 88.79 % of the shares tendered were taken over by Deutsche Annington Immobilien SE and 5.03 % by the co-investor J.P. Morgan Securities plc, London.

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

Pursuant to Art. 16 in conjunction with Art. 15 of the Luxembourg law on public takeover bids dated May 19, 2006 ("Luxembourg Takeover Act"), 12,355,521 GAGFAH S.A. shares were tendered to Deutsche Annington SE in the period leading up to May 10, 2015. 12,196,224 were attributable to the combined consideration consisting of a cash payment of € 122.52 and an additional consideration of five new shares in Deutsche Annington for every 14 GAGFAH S.A. shares, and 159,297 were attributable to the cash consideration, under which a cash payment of € 18.68 was made per share. This is a transaction that is linked to the actual share purchase. As a result, DAIG's share of the subscribed capital of GAGFAH S.A. rose from 88.79 % to 93.80 %.

The provisional consideration transferred for the acquisition of 93.80 % of the shares in the subscribed capital of GAGFAH S.A. comprises the following:

€ million	
Net cash purchase price component	2,022.5
Equity instruments	2,671.5
Contingent purchase price obligation	12.1
Total consideration	**4,706.1**

The combined consideration for 14 GAGFAH S.A shares as part of the original tender comprised, in each case, a cash payment of € 122.52 and an additional consideration of five new registered shares in Deutsche Annington Immobilien SE. The share component relates to 78,060,390 no-par value shares from the non-cash capital increase implemented by Deutsche Annington Immobilien SE, which were exchanged by Deutsche Annington

Immobilien SE for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 32.58 per share on March 6, 2015 and amounts to € 2,543.2 million. The cash component amounts to € 1,912.8 million.

The share component granted as part of the extended tender under Luxembourg law relates to 4,355,790 no-par value shares in Deutsche Annington Immobilien SE, which Deutsche Annington Immobilien SE exchanged for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 29.45 per share on May 8, 2015. Since May 10, 2015 was a Sunday, the end of the tender period fell on May 8, 2015. The share component amounts to € 128.3 million. The cash consideration was valued at a price set as part of the tender process in the amount of € 18.68 per share. The total value of the cash purchase price component is € 109.7 million.

The contingent consideration is an option held by the co-investor J.P. Morgan Securities plc, with regard to the 5.03 % share of the subscribed capital of GAGFAH S.A. that was originally acquired. It was stated at fair value using the Black Scholes model. The maximum consideration under this option is achieved from 12,385,559 shares based on a guaranteed price per share of € 18.00.

The provisional allocation of the total purchase price to the acquired assets and liabilities (PPA) of GAGFAH Group as at the date of first-time consolidation is based on an external valuation report that was commissioned for this purpose to calculate the fair values of these assets and liabilities.

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

€ million	
Investment Properties	8,184.8
Property, plant and equipment	26.9
Financial assets	20.8
Cash and cash equivalents	154.8
Fair value other assets	166.1
Total assets	**8,553.4**
Non-controlling interests	-140.3
Non-derivative financial liabilities	-4,825.5
Derivative financial liabilities	-108.8
Provisions for pensions	-163.2
Other provisions	-128.7
Deferred tax liabilities	-456.5
Other liabilities	-211.1
Total liabilities	**-6,034.1**
Fair value net assets	**2,519.3**
Consideration	4,706.1
Goodwill	**2,186.8**

As part of the segmentation and valuation of the real estate portfolio of the GAGFAH Group that was included as a result of first-time consolidation, the fair values were determined at € 8,184.8 million. With regard to the valuation of investment properties, we refer to the comments set out in note [14] Investment Properties.

It has not yet been possible to arrive at a definitive assessment of the multi-employer plans because not all of the current data is available. As a result, the obligation was included in other provisions at a provisional value of € 27.6 million on June 30, 2015.

The non-controlling interests were revalued, taking into account the transaction linked to the actual share purchase as part of the extended tender under the Luxembourg put option, the current valuation of investment properties and other effects, and amount to € 140.3 million.

Since March 1, 2015, the GAGFAH Group has recognised income from property management in the amount of € 284.4 million, as well as an earnings contribution in terms of earnings before fair value adjustments of investment properties, interest, taxes, depreciation and amortisation (EBITDA IFRS) of € 129.6 million. If the GAGFAH Group had already been fully included in the consolidated Group as of January 1, 2015, it would have contributed to the income from property management in the amount of € 423.2 million and to EBITDA IFRS in the amount of € 183.0 million.

In the 2015 financial year, transaction costs of € 33.1 million were recognised as other operating expenses.

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

Acquisition of SÜDEWO completed after the balance sheet date

On June 14, 2015, a subsidiary of Deutsche Annington Immobilien SE concluded a purchase agreement with a group of investors regarding the acquisition of a stake of 94.3 % in the SÜDEWO Group. The portfolio of the SÜDEWO Group comprises approximately 19,800 residential units, most of which are located in Baden-Württemberg.

The acquisition date, i.e. the time at which DAIG gained control of the SÜDEWO Group, is July 8, 2015. This transaction shall be treated as a business combination in accordance with IFRS 3. As of this point in time, the companies in the SÜDEWO Group have been included in the consolidated financial statements of Deutsche Annington Immobilien SE for the first time.

The provisional consideration for the acquisition of the shares comprises the following:

€ billion	
Cash and cash equivalents	1.063
Put option	0.065
Total consideration	**1.128**

The price for the acquisition of 94.3 % of the shares amounts to € 1.063 billion.

The purchase agreement includes a put option relating to a tender for the rest of the shares. This put option is part of the consideration to be transferred and is stated accordingly based on the anticipated-acquisition method. It is recognised at the present value of the exercise price.

The provisional allocation of the total purchase price to the acquired assets and liabilities of the SÜDEWO Group as at the date of first-time consolidation is based on an expert calculation of the fair values of the assumed assets and liabilities.

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

€ billion	
Investment properties	1.74
Cash and cash equivalents	0.17
Fair value other assets	0.02
Total assets	**1.93**
Non-derivative financial liabilities	-0.82
Derivative financial liabiliites	-0.03
Provisions for pensions	-0.01
Other provisions	-0.01
Deferred tax liabilities	-0.23
Other liabilities	-0.04
Total liabilities	**-1.14**
Fair value net assets	**0.79**
Consideration	1.13
Goodwill	**0.34**

It has not yet been possible to arrive at a definitive assessment of the multi-employer plans because not all of the data is available. As a result, the obligation was included in other provisions at a provisional value of € 12.7 million.

Out of the trade receivables that were acquired, an amount of € 1.1 million is likely to have been uncollectible at the time of acquisition. The gross amount of the acquired trade receivables was € 5.4 million. The net carrying amount, which corresponds to the fair value, was € 4.3 million.

If the SÜDEWO Group had already been fully included in the consolidated Group as of January 1, 2015, it would have contributed to the income from property management in the amount of € 70.6 million and to EBITDA IFRS in the amount of € 49.1 million.

In the 2015 financial year, transaction costs of € 4.6 million were recognised as other operating expenses.

All in all, 22 domestic companies and one foreign company will be included in the scope of consolidation as a result of the acquisition of the SÜDEWO Group.

4 Accounting policies

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

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

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

Estimates, assumptions and management judgement

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

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

Options exercised and judgements made by the management in the process of applying the accounting policies that may have a significant effect on the amounts recognised in the consolidated financial statements once again include discretionary decisions within the context of acquisition transactions as to whether the acquisition of a portfolio constitutes a business combination in accordance with IFRS 3 or the acquisition of assets and liabilities.

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

Changes in accounting policies due to new Standards and Interpretations

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

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

The first-time application of IFRIC 21 “Levies” resulted in changes to other liabilities.

Notes to the consolidated income statement

5 Income from property management

€ million	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Rental income	628.0	376.7
Ancillary costs	285.8	165.6
Income from property letting	**913.8**	**542.3**
Other income from property management	14.0	9.0
Income from property management	**927.8**	**551.3**

6 Profit on disposal of properties

€ million	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Income from disposal of investment properties	81.4	69.8
Carrying amount of investment properties sold	-64.8	-51.8
Profit on disposal of investment properties	**16.6**	**18.0**
Income from sale of assets held for sale	140.0	69.1
Retirement carrying amount of assets held for sale	-140.0	-69.1
Revaluation of assets held for sale	15.2	11.3
Profit on disposal of assets held for sale	**15.2**	**11.3**
	31.8	**29.3**

The fair value adjustment of investment properties held for sale led to a positive result of € 15.2 million as at June 30, 2015 (1st half of 2014: € 11.3 million). After value adjustment, these properties were transferred to "Assets held for sale".

7 Net income from fair value adjustments of investment properties

Major market developments and measurement parameters that have an impact on DAIG's fair values are assessed every quarter. If necessary, the property portfolio is revalued. No adjustment was made to the fair values in the first half of 2015.

8 Cost of materials

€ million	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Expenses for ancillary costs	279.1	160.6
Expenses for maintenance	109.2	61.3
Other cost of purchased goods and services	37.1	24.5
	425.4	**246.4**

9 Personnel expenses

€ million	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Wages and salaries	113.6	73.7
Social security, pensions and other employee benefits	24.5	14.2
	138.1	**87.9**

As at June 30, 2015, 5,877 people (1st half of 2014: 3,283) were employed at DAIG. This figure includes 1,757 employees who have joined as a result of the GAGFAH Group takeover.

10 Financial expenses

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

During the reporting period interest expense was reduced by 14.8 € million resulting from the application of the effective interest method. In the first half of 2014, financial expenses were increased by € 13.8 million through the use of the effective interest method.

Interest expense contains interest accretion to provisions, thereof € 4.2 million (1st half of 2014: € 4.5 million) relating to provisions for pensions and € 0.4 million (1st half of 2014: € 1.0 million) for other provisions.

In the first quarter 2015, transaction costs of € 53.8 million were recognised as expenses, mainly in connection with the financing of the takeover of GAGFAH Group (1st half of 2014: € 2.1 million).

In addition, interest from prepayment penalties and commitment interest negatively impacted results in the amount of € 0.9 million (1st half of 2014: € 24.1 million).

During the reporting period reduction of net interest expenses in connection with swaps amounted to € 18.7 million (1st half of 2014: € 4.3 million); however, the adjustment of a contingent purchase price liability related to a put option in favor of the co-investor J.P. Morgan Securities plc, London, totalling € 53.9 million plus the value adjustments of purchase price obligations from other put options amounting to € 0.2 million, had a negative impact (1st half of 2014: € 0.2 million purchase price obligations from other put options).

11 Income taxes

Income taxes at € 7.9 million relate to current tax (1st half of 2014: tax income of € 4.9 million) and € 51.4 million (1st half of 2014: € 35.5 million) to deferred taxes. Current tax includes tax income for previous years in the amount of € 1.3 million (1st half of 2014: tax income of € 11.7 million).

The income tax expense is based on the average effective Group tax rate to be expected for the financial year as a whole. The anticipated effective Group tax rate for 2015 for current and deferred taxes is 41.12 % (1st half of 2014: 30.39 %). The increase in the Group tax rate is mainly due to foregone offsetting in connection with the provisions of the so-called interest threshold. The Group tax rate contains German corporate income tax and trade tax.

12 Earnings per share

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

	Jan. 1 – Jun. 30, 2015	Jan. 1 – Jun. 30, 2014
Profit for the period attributable to DAIG shareholders (in € million)	60.8	67.3
Weighted average number of shares	325,758,899	234,496,569
Earnings per share (basic and diluted) in €	**0.19**	**0.29**

In March 2015 and May 2015 a combined cash and real capital increase was performed against the issuance of 82,483,803 and 4,355,780 new shares respectively. As a result, the total number of shares as at June 30, 2015, is 358,462,018.

At the end of the periods under review, no diluting financial instruments were in circulation. The basic earnings per share correspond to the diluted earnings per share.

Notes to the consolidated balance sheet

13 Intangible assets

The intangible assets mainly include goodwill resulting from the acquisitions of DeWAG, Vitus and GAGFAH.

€ million	Jun. 30, 2015	Dec. 31, 2014
Goodwill DeWAG	10.7	10.7
Goodwill Vitus	95.3	95.3
Goodwill GAGFAH (preliminarily)	2,186.8	–
	2,292.8	**106.0**

14 Investment Properties

€ million	
Balance on Jan. 1, 2015	12,687.2
Additions due to business combination	8,184.8
Additions due to acquisition of Franconia portfolio	298.1
Additions	0.5
Capitalised modernisation costs	155.8
Grants received	-0.1
Transfer from advance payments	25.7
Transfer to assets held for sale	-105.9
Disposals	-64.8
Revaluation of assets held for sale	15.2
Balance on Jun. 30, 2015	**21,196.5**
Balance on Jan. 1, 2014	10,266.4
Additions due to changes in scope of consolidation	2,049.3
Additions	13.0
Capitalised modernisation costs	197.9
Grants received	-1.2
Transfer from property, plant and equipment	1.1
Transfer to property, plant and equipment	-1.2
Transfer from assets held for sale	1.3
Transfer to assets held for sale	-124.5
Disposals	-111.1
Net income from fair value adjustments of investment properties	371.1
Revaluation of assets held for sale	25.1
Balance on Dec. 31, 2014	**12,687.2**

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

Major market developments and measurement parameters that have an impact on DAIG's fair values are assessed every quarter. If necessary, the property portfolio is revalued. No adjustment was made to the fair values in the first half of 2015. The development in value resulting from our extensive modernisation measures is reflected in the capitalised modernisation expenses. Otherwise, there are no major changes in the first half of 2015 compared with December 31, 2014.

The main valuation parameters and valuation results of the entire portfolio as at June 30, 2015 are as follows:

Valuation parameters	Average	min.*	max.*
Management costs residential	€ 245 per residential unit p.a.	195	350
Repair and maintenance costs residential	€ 9.35 per m² p.a.	5.92	12.29
Apartment improvement costs for reletting	€ 4.15 per m² p.a.	0.00	15.57
Maintenance cost total	€ 13.50 per m² p.a.	5.92	25.68
Cost increase/inflation	1.7 % p.a.		
Market rent	€ 6.00 per m² p.a.	2.00	13.00
Market rent increase	1.1 % p.a.	0.2 %	1.6 %
Stabilised vacancy rate	3.2 %	0.5 %	25.8 %
Discount rate	6.0 %	4.8 %	8.5 %
Capitalised interest rate	4.9 %	3.5 %	7.5 %

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

Valuation results	
Net initial yield	4.9 %
Actual rent multiplier	14.4-fold
Fair value per m²	€ 951 per m² of lettable area

Contractual obligations

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

15 Financial assets

€ million	Jun. 30, 2015 non-current	Jun. 30, 2015 current	Dec. 31, 2014 non-current	Dec. 31, 2014 current
At equity investments	4.1	–	–	–
Other investments	2.6	–	1.7	–
Loans to other investments	33.5	–	33.6	–
Securities	7.1	–	2.9	–
Other long-term loans	4.6	–	4.4	–
Derivatives	136.8	–	50.6	–
Restricted cash	3.1	–	–	–
Dividends from other investments	–	1.4	–	2.0
	191.8	**1.4**	**93.2**	**2.0**

As part of the takeover of GAGFAH S.A, hybrid financial instruments were identified that meet the requirements set out in IAS 39 for the separation of an embedded derivative financial instrument. These are standard market extension/termination rights whose value is largely determined by the borrowers' credit risk. The financial instruments do not contain any embedded derivatives resulting in obligations for the borrowers ("option writer options"). As at the reporting date, the embedded derivatives have a fair value totaling € 9.4 million; furthermore, the positive market values of the cross currency swaps in the amount of € 127.4 million (Dec. 31, 2014: € 50.6 million) are reported under derivatives.

16 Inventories

Inventories contain deferred land taxes that can be passed on in the amount of € 28.0 million resulting from the application of IFRIC 21.

17 Trade receivables

€ million	Jun. 30, 2015	Dec. 31, 2014
Receivables from the sale of properties	62.6	49.8
Receivables from property letting	24.7	14.6
Other receivables from trading	1.0	0.7
	88.3	**65.1**

18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cheques and deposits at banking institutions with an original term of up to three months totalling € 313.6 million (Dec. 31, 2014: € 714.8 million), as well as marketable securities in the prior period of € 850.0 million.

Of these bank balances, € 71.2 million (Dec. 31, 2014: € 32.8 million) are restricted with regard to their use. This includes € 31.8 million added as part of the takeover of GAGFAH Group.

19 Assets held for sale

The assets held for sale include properties totalling € 62.0 million (Dec. 31, 2014: € 53.8 million) for which notarised purchase contracts had already been signed at the balance sheet date.

20 Equity

Subscribed capital

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

Out of the 82,483,803 no-par value shares from the capital increase, 4,423,413 shares were subscribed to in cash by J.P. Morgan Securities plc at a price of € 25.89. The remaining 78,060,390 shares were valued at the Xetra closing price of € 32.58 per share on March 6, 2015 as part of the non-cash capital increase.

Pursuant to Art. 16 in conjunction with Art. 15 of the Luxembourg law on public takeover bids dated May 19, 2006 ("Luxembourg Takeover Act"), 12,355,521 GAGFAH S.A. shares were tendered to Deutsche Annington SE in the period leading up to May 10, 2015. 12,196,224 are attributable to the combined and 159,297 to the cash consideration. This is a transaction that is linked to the actual share purchase.

On the basis of the resolution passed by the Management Board of Deutsche Annington Immobilien SE on May 15, 2015 and the consent of the Supervisory Board's finance committee issued on May 18, 2015, the subscribed capital of Deutsche Annington Immobilien SE was increased, as part of the extended tender under Luxembourg law, by € 4,355,790.00 from € 354,106,228.00 to € 358,462,018.00 as a result of the issue of 4,355,790 new shares from the 2013 authorised capital in return for a mixed non-cash contribution. The new shares were issued at a price of € 1.00 per share and carry full dividend rights as of January 1, 2015. The capital increase was entered in the Commercial Register on May 22, 2015.

The share component relates to 4,355,790 no-par value shares in Deutsche Annington Immobilien SE, which were exchanged by Deutsche Annington Immobilien SE for the GAGFAH S.A. shares. The share component was valued at the XETRA closing price of € 29.45 per share on May 8, 2015. Since May 10, 2015 was a Sunday, the end of the tender period fell on May 8, 2015.

Development of the subscribed capital

in €	
As at January 1, 2015	**271,622,425.00**
Capital increase in return for non-cash contributions on March 6, 2015	78,060,390.00
Capital increase in return for cash contributions on March 6, 2015	4,423,413.00
Capital increase against mixed non-cash contributions on May 22, 2015	4,355,790.00
As at June 30, 2015	**358,462,018.00**

Capital increase that has been resolved but not completed as at the balance sheet date

On June 14, 2015, the Management Board made the decision, following authorisation by the Supervisory Board on June 12, 2015, to increase the company's registered subscribed capital by € 107,538,606.00, from € 358,462,018.00 to € 466,000,624.00, in return for cash contributions. The capital increase was implemented using the 2015 authorised capital by issuing 107,538,606 new registered no-par value shares, each accounting for a proportional amount of € 1.00 of the company's subscribed capital and carrying full dividend rights as of January 1, 2015, as well as subscription rights for the existing shareholders. The subscription price is € 20.90 per share. The net proceeds from the capital increase, totalling € 2,216.6 million, are to be used basically to finance the acquisition of the SÜDEWO Group. The capital increase was entered in the Commercial Register on July 3, 2015.

Authorised capital

Development of the authorised capital 2013

in €	
2013 authorised capital	
As at January 1, 2015	83,331,111.00
Offer capital increase from March 6, 2015	-77,074,531.00
Offer capital increase from May 22, 2015	-4,355,790.00
As at June 30, 2015	**1,900,790.00**

The Management Board is authorised, with the consent of the Supervisory Board, to increase the company's subscribed capital by up to € 1,900,790.00 once or several times on or before June 29, 2018 by issuing up to 1,900,790 new registered no-par value shares in return for cash contributions and/or contributions in kind (2013 authorised capital). Shareholders are to be granted the statutory subscription right to the new shares as a general rule.

The Management Board is, however, authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in full or in part, once or several times, subject to the detailed conditions set out in Section 5 of the Articles of Association.

Cancellation of the 2014 authorised capital

The authorisation to increase the subscribed capital adopted by the Annual General Meeting on May 9, 2014, and expiring on May 8, 2019, was cancelled upon the new 2015 authorised capital becoming effective.

2015 authorised capital

On the basis of the resolution passed by the Annual General Meeting on April 30, 2015, the Management Board is authorised, with the consent of the Supervisory Board, to increase the company's subscribed capital by up to € 170,796,534.00 once or several times on or before April 29, 2020 by issuing up to 170,796,534 new registered no-par value shares in return for cash contributions and/or contributions in kind (2015 authorised capital). Shareholders shall generally be granted a subscription right.

The shares may be acquired by one or several financial institutions provided that such institutions undertake to offer them for subscription to the shareholders (known as an "indirect subscription right"). The Management Board is authorised, with the consent of the Supervisory Board, to exclude subscription rights for one or several capital increases as part of the authorised capital subject to the detailed conditions set out in Section 5a of the Articles of Association.

The capital increase that has been resolved, but had not yet been completed on June 30, 2015, will reduce the 2015 authorised capital by € 107,538,606.00, bringing it down from € 170,796,534.00 to € 63,257,928.00.

Conditional capital

2013 conditional capital

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

2015 conditional capital

A conditional capital was resolved in order to issue shares required to satisfy conversion rights stemming from convertible bonds, bonds with warrants, profit-participation rights and/or profit-linked bonds (or a combination of these instruments) (hereinafter collectively "bonds") that are issued on the basis of the authorization of the issuance resolved by the General Meeting held on April 30, 2015. The subscribed capital is conditionally increased by up to € 177,053,114.00 through the issuance of up to 177,053,114 new no-par value registered shares with an entitlement to dividend (2015 conditional capital).

Based on the resolution passed by the company's Annual General Meeting on April 30, 2015, the Management Board was authorised, with the consent of the Supervisory Board, to issue bonds carrying conversion rights, bonds carrying option rights, profit-sharing rights and/or profit participation bonds (or combinations of these instruments) (hereinafter collectively referred to as "bonds") in bearer or registered form, once or several times on or before April 29, 2020, with a nominal amount of up to € 5,311,000,000.00 with or without definite maturity, and to grant the holders of the bonds conversion or option rights for the shares of the company in a proportionate amount of the subscribed capital of up to € 177,053,114.00 according to the detailed terms and conditions of the bonds carrying option/conversion rights and/or the terms and conditions of the profit-sharing rights. The Terms and Conditions in question may also provide for mandatory conversion at maturity or at other points in time, including the obligation to exercise the conversion or option right. The bonds may also be issued against contributions in kind.

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

Capital reserves

Capital reserves amounts to € 4,771.8 million (Dec. 31, 2014: € 2,076.0 million).

The capital reserves increased by € 2,699.2 million in the first half of 2015 as a result of the premium on the issue of new shares. The capital procurement costs of € 4.3 million attributable to the company in connection with the issuing of the new shares were offset against the capital reserves allowing for deferred tax effects of € 1.4 million.

Development of capital reserves

in €	
As at January 1, 2015	**2,075,982,333.34**
Capital increase from March 6, 2015	2,575,267,982.84
Capital increase from May 22, 2015	123,922,225.50
Transaction costs on the issue of new shares	-2,883,563.55
Other changes recognised directly in equity	-476,640.00
As at June 30, 2015	**4,771,812,338.13**

Dividend

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

21 Provisions

The provisions as at June 30, 2015, comprise provisions for pensions totalling € 476.0 million (Dec. 31, 2014: € 360.9 million), tax provisions for current income tax of € 96.9 million (Dec. 31, 2014: € 66.0 million) and other provisions totalling € 312.0 million (Dec. 31, 2014: € 206.5 million).

The increase in pension provisions is largely due to the initial consolidation as part of the acquisition of GAGFAH Group (see note [3] Scope of consolidation and business combinations including acquisitions after the balance sheet date).

Furthermore, the development in pension provisions was affected by the increase in the discount rate to 2.25 % (Dec. 31, 2014: 1.9 %) and by the 0.25 percentage point reduction in the pension trend to 1.75 % (Dec. 31, 2014: 2.0 %). Actuarial gains were recognised in other comprehensive income.

22 Non-derivative financial liabilities

	Jun. 30, 2015		Dec. 31, 2014	
€ million	non-current	current	non-current	current
Non-derivative financial liabilities				
Banks	6,992.9	167.4	2,418.5	58.8
Other creditors	5,211.0	14.0	4,121.0	10.5
Deferred interest from non-derivative financial liabilities	–	85.0	–	56.0
	12,203.9	**266.4**	**6,539.5**	**125.3**

The US dollar corporate bonds issued in 2013 are translated at the exchange rate prevailing on the balance sheet date in line with applicable IFRS provisions. Allowing for the hedging rate prescribed through the interest hedging transaction entered into, this financial liability would be € 154.4 million lower than the recognised value.

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

€ million	Jun. 30, 2015	Dec. 31, 2014
Bonds*	1,300.0	1,300.0
Bonds (US dollar)*	739.8	739.8
Bonds (EMTN)*	2,000.0	1,000.0
Bond (Hybrid)*	700.0	700.0
Portfolio loans:		
Norddeutsche Landesbank (1)*	139.2	140.9
Corealcredit Bank AG (1)*	155.4	158.7
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (1)*	575.4	582.5
Nordrheinische Ärzteversorgung	34.7	35.4
AXA S.A. (Société Générale S.A.)*	158.2	161.9
Norddeutsche Landesbank (2)*	125.0	126.5
Berlin Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	428.7	435.4
Pfandbriefbank AG*	176.9	180.2
Deutsche Hypothekenbank*	182.0	184.2
Mortgages	928.7	901.3
GAGFAH:		
GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF 2013-1)*	1,874.1	–
GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF 2013-2)*	683.3	–
Taurus*	1,037.9	–
Portfolio loans		
HSH Nordbank*	282.3	–
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin) (2)*	229.4	–
Corealcredit Bank AG (2)*	94.5	–
Mortgages	341.5	–
	12,187.0	**6,646.8**

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

As at June 30, 2015, scheduled repayments of € 965.4 million and unscheduled repayments of € 76.6 million had been made across the entire DAIG Group. New loans of € 1,967.5 million were taken out.

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

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

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

GERMAN RESIDENTIAL FUNDING 2013-1 (CMBS GRF-1)
On June 19, 2013, GAGFAH concluded a loan agreement with a volume of € 1,998.1 million and a term of five years, which reaches maturity on August 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-1 Limited (GRF 2013-1). There is the option of extending the agreement for one year. The weighted average interest rate is 2.78 % as at June 30, 2015. The outstanding loan volume currently amounts to € 1,874.1 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loans (CMBS), the issuer executed a corresponding swap transaction. In accordance with IFRS 10, GRF 2013-1 is included by way of full consolidation in the consolidated financial statements of DAIG.

GERMAN RESIDENTIAL FUNDING 2013-2 (CMBS GRF-2)
On October 17, 2013, GAGFAH concluded a loan agreement with a volume of € 699.7 million and a term of five years, which reaches maturity on November 20, 2018, with GERMAN RESIDENTIAL FUNDING 2013-2 Limited (GRF 2013-2). There is the option of extending the agreement for one year. The weighted average interest rate is 2.68 % as at June 30, 2015. The outstanding loan volume currently amounts to € 683.3 million. The loans underlying the loan agreement are fully secured by way of land charges, account pledge agreements and assignments. The loans were refinanced as part of a commercial mortgage-backed securities (CMBS) structure. The corresponding bonds are variable-interest loans that are admitted to trading on the Irish Stock Exchange. In order to hedge the risk of changes in interest rates associated with the securitised loan (CMBS), the issuer executed corresponding swap transactions. In accordance with IFRS 10, GRF 2013-2 is included by way of full consolidation in the consolidated financial statements of DAIG.

Taurus 2013 PLC
On February 20, 2013, a loan agreement with a volume of € 1,060.5 million was agreed between Taurus 2013 PLC and GAGFAH. On May 13, 2013, this agreement was increased by € 17 million to € 1,077.5 million. The outstanding loan volume currently amounts to € 1,037.9 million. This loan has a term of five years with an option to extend it for one year. As a result, the normal maturity date of the loan is May 14, 2018. The loan is largely a fixed-rate loan with a variable component that currently accounts for less than 4 %. The weighted average interest rate is 3.35 % as at June 30, 2015. The loan is fully secured by way of land charges, account pledge agreements and assignments.

HSH Nordbank AG

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

In September 2008, GAGFAH took out a loan of € 37.2 million with HSH Nordbank, which had a value of € 36.0 million as at June 30, 2015. The variable rate loan has interest rate hedging in the form of a derivative financial instrument and the interest rate comes in at 5.39 % on the cut-off date. The loan reaches maturity on August 31, 2015. Securities were provided in the form of land charges, account pledge agreements and assignments.

In October 2013, GAGFAH took out another loan provided by HSH Nordbank AG with an initial volume of € 91 million and a final maturity date of October 21, 2020. The loan currently has a value of € 89.7 million. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate currently comes in at 3.73 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

In April 2014, GAGFAH concluded two loan agreements with a volume of € 176 million with HSH Nordbank AG. The loan consists of two tranches: the first tranche, which has a current volume of € 127.8 million (€ 55.3 million syndicated to UniCredit Bank AG), reaches maturity on April 22, 2021, whereas the second tranche, which has a volume of € 28.8 million, reaches maturity earlier, on April 22, 2017. Both tranches are variable rate loans and are currently hedged in part by a CAP. Based on the current EURIBOR interest rate, the weighted average interest rate is 1.82 %. Securities were provided in the form of land charges, account pledge agreements and assignments.

Berlin Hyp AG

On September 29, 2014, GAGFAH concluded a loan agreement with Berlin-Hannoversche Hypothekenbank AG with a total volume of € 230 million that reaches maturity on October 20, 2021. The entire amount was drawn down on December 18, 2014. The loan is fully secured, largely by way of land charges, account pledge agreements and assignments. The loan is a variable rate loan with an interest rate that is based on the 3M EURIBOR. The loan has interest rate hedging in the form of a derivative financial instrument in an amount of € 160 million. Based on the financing structure, the outstanding loan amount of € 229.4 million is currently subject to a weighted average interest rate of around 2.05 % as at June 30, 2015.

Corealcredit Bank AG

The variable rate loan between GAGFAH and Corealcredit Bank AG amounts to € 94.5 million as at June 30, 2015. Based on the current interest rate hedging strategy and the current EURIBOR interest rate, the weighted average interest rate on the loan comes in at 2.94 % on the cut-off date. The normal maturity date of the three tranches is October 14, 2016, although there is an option to extend them by one year. Securities were provided in the form of land charges, account pledge agreements and assignments.

23 Derivative financial instruments

	Jun. 30, 2015		Dec. 31, 2014	
€ million	non-current	current	non-current	current
Derivatives				
Purchase price liabilities from put options	–	87.8	–	21.7
Cash flow hedges (interest rate swaps)	138.0	–	54.5	–
Stand-alone interest rate swaps	–	0.3	–	–
Deferred interest from derivatives	–	3.0	–	0.2
	138.0	**91.1**	**54.5**	**21.9**

The nominal volume of a free-standing interest rate swap assumed in the context of the GAGFAH integration amounted to € 37.2 million on the reporting date. The interest rate conditions amount to 4.250 %, with the term ending on August 30, 2015. As of June 30, 2015 the negative market value of the interest rate swap amounted to € 0.3 million.

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

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

24 Liabilities from finance leases

The liabilities from finance leases include € 92.8 million (Dec. 31, 2014: € 92.5 million) for the Spree-Bellevue property, € 6.5 million in connection with the finance leases for heat generation plants, and € 4.2 million for liabilities from finance leases relating to hereditary building rights assumed as part of the GAGFAH integration.

25 Income tax liabilities

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

26 Other liabilities

As part of the application of the IFRIC 21, the other liabilities report the yet unpaid land taxes attributable to 2015 in the amount of € 29.1 million.

Other notes and dislosures

27 Additional financial instruments disclosures

Measurement categories and classes: € million	Measurement category in acc. with IAS 39	Carrying amounts Jun. 30, 2015
Assets		
Cash and cash equivalents		
Cash on hand and deposits at banking institutions	LaR	313.6
Trade and other receivables		
Receivables from the sale of properties	LaR	62.6
Receivables from property letting	LaR	24.7
Other receivables from trading	LaR	1.0
Financial assets		
Associated companies valued at equity	n.a.	4.1
Restricted cash (non current)	LaR	3.1
Loans to other investments	LaR	33.5
Other long-term loans	LaR	4.6
Dividends from other investments	LaR	1.4
Long-term securities	AfS	7.1
Other investments	AfS	2.6
Derivative financial assets		
Cash flow hedges (cross currency swaps)	n.a.	127.4
Embedded derivatives	FLHfT	9.4
Deferred interest from derivatives	n.a.	–
Liabilities		
Trade and other payables		
Liabilities from property letting	FLAC	41.1
Liabilities from other goods and services	FLAC	43.2
Non-derivative financial liabilities		
Liabilities to banks	FLAC	7,160.3
Liabilities to other lenders	FLAC	5,225.0
Deferred interest from other non-derivative financial liabilities	FLAC	85.0
Derivative financial liabilities		
Purchase price liabilities from put options	FLHfT	87.8
Stand-alone interest rate swaps	FLHfT	0.3
Cash flow hedges (interest rate swaps)	n.a.	138.0
Deferred interest from derivatives	n.a.	3.0
Liabilities from finance leases	n.a.	103.5
Liabilities to non-controlling interests	FLAC	46.4
thereof aggregated by measurement categories in accordance with IAS 39:		
Loans and receivables	LaR	444.5
Available-for-sale financial assets	AfS	9.7
Financial liabilities held-for-trading	FLHfT	97.5
Financial liabilities measured at amortised cost	FLAC	12,601.0
Financial assets and financial liabilities not covered by IAS 39		
Employee benefits in accordance with IAS 19		
Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations		7.6
Amount by which the fair value of plan assets exceeds the corresponding obligation		0.7
Provisions for pensions and similar obligations		476.0

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/ IAS 28	Fair value Jun. 30, 2015	Fair value hierarchy level
313.6						313.6	1
	62.6					62.6	2
	24.7					24.7	2
	1.0					1.0	2
					4.1	4.1	n.a.
3.1						3.1	1
	33.5					50.3	2
	4.6					4.6	2
	1.4					1.4	2
				7.1		7.1	1
		2.6				2.6	n.a.
						127.4	2
			9.4			9.4	2
						–	2
	41.1					41.1	2
	43.2					43.2	2
	7,160.3					7,366.7	2
	5,225.0					5,414.5	2
	85.0					85.0	2
			87.8			87.8	3
			0.3			0.3	2
						138.0	2
						3.0	2
					103.5	165.2	2
	46.4					46.4	3
316.7	127.8	–	–	–	–	461.3	
–	–	2.6	–	7.1	–	9.7	
–	–	–	97.5	–	–	97.5	
–	12,601.0	–	–	–	–	12,996.9	

Measurement categories and classes:

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

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

The following table shows the assets and liabilities which are recognised in the balance sheet at fair value and their classification according to the fair value hierarchy:

€ million	Jun. 30, 2015	Level 1	Level 2	Level 3
Assets				
Investment properties	**21,196.5**			21,196.5
Available-for-sale financial assets				
Non-current securities	**7.1**	7.1		
Assets held for sale				
Investment properties (contract closed)	**62.0**		62.0	
Derivative financial assets				
Cash flow hedges (cross currency swaps)	**127.4**		127.4	
Embedded derivatives	**9.4**		9.4	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	**87.8**		66.0	21.8
Stand alone interest rate swaps	**0.3**		0.3	
Cash flow hedges (interest rate swaps)	**138.0**		138.0	

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

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

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

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

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

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

For the measurement of interest rate swaps and cross currency swaps, cash flows are initially calculated and then discounted. In addition to the tenor-specific zero-rates, the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either DAIG's own credit risk or the counterparty risk is taken into account in the calculation. For the consolidated financial statements, DAIG's own credit risk was relevant for EUR interest rate swaps. This credit risk is derived for major risks from rates observable on the capital markets and ranges of between 40 and 120 basis points, depending on the residual maturities of financial instruments. Regarding the positive market values of the cross-currency swaps, a counterparty risk of between 60 and 140 basis points was taken into account.

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

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

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

The contingent purchase price liability in connection with the takeover of GAGFAH S.A. is an option held by the co-investor J.P. Morgan Securities plc. The number of shares and the difference between the current and the guaranteed price per share represent the significant valuation parameters. It was stated at fair value using the Black Scholes model (Level 2).

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

€ million	Jan. 1	Change scope of consolidation	Change affecting net income	cash-effective	Jun. 30
2015					
Purchase price liabilities from put options	**21.7**	12.1	54.1	-0.1	87.8

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

As part of the acquisition of GAGFAH S.A. an option was agreed with the co-investor J.P. Morgan Securities plc. As at the date of first time consolidation, this option had a fair value of € 12.1 million. On the reporting date the fair value amounted to € 66.0 million.

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

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

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

28 Financial risk management

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

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

29 Cash flow hedges

At the reporting date, the nominal volume of the interest rate swaps included in cash flow hedging amounted to € 3,613,5 million (December 31, 2014: € 734.1 million). Interest rates vary between 0.683 % and 4.470 % with original swap periods of between three and ten years.

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

As part of the cash flow hedge accounting, non-current derivatives were shown as at March 31, 2015 at their negative fair values totalling € 138.0 million (Dec. 31, 2014: € 54.5 million) under other financial liabilities. This compared with non-current derivatives with positive fair values totalling € 127.4 million (Dec. 31, 2014: € 50.6 million) shown under financial assets.

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

30 Segment reporting

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

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

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

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

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

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

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

Internal reporting is generally based on the IFRS reporting standards.

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

€ million	Rental	Sales	Other*	Group
Jan. 1 – Jun. 30, 2015				
Segment revenues	**628.0**	**221.4**	**299.8**	**1,149.2**
Carrying amount of properties sold		-204.8		
Revaluation from disposal of assets held for sale		15.0		
Maintenance	-107.1			
Operating expenses	-94.3	-12.1	-299.8	
EBITDA (adjusted)	**426.6**	**19.5**	**0.0**	**446.1**
Non-recurring items				-60.2
Period adjustments from assets held for sale				0.2
EBITDA IFRS				**386.1**
Net income from fair value adjustments of investment properties				0.0
Depreciation and amortisation				-4.8
Income from other investments				-1.0
Financial income				2.7
Financial expenses				-238.8
EBT				**144.2**
Income taxes				-59.3
Profit for the period				**84.9**

* Includes ancillary costs of € 285.8 million and other income from property management of € 14.0 million.

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

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

€ million	Rental	Sales	Other*	Group
Apr. 1 – Jun. 30, 2015				
Segment revenues	**364.4**	**98.4**	**176.6**	**639.4**
Carrying amount of properties sold		-89.0		
Revaluation from disposal of assets held for sale		7.8		
Maintenance	-63.3			
Operating expenses	-57.0	-7.2	176.6	
EBITDA (adjusted)	**244.1**	**10.0**	**0.0**	**254.1**
Non-recurring items				-21.3
Period adjustments from assets held for sale				0.1
EBITDA IFRS				**232.9**
Net income from fair value adjustments of investment properties				0.0
Depreciation and amortisation				-2.8
Income from other investments				-1.0
Financial income				2.0
Financial expenses				-140.0
EBT				**91.2**
Income taxes				-36.5
Profit for the period				**54.7**

* Includes ancillary costs of € 168.5 million and other income from property management of € 8.1 million.

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

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

31 Contingent liabilities

The property transfer obligations decreased by € 1.2 million from € 1.7 million as at December 31, 2014 to € 0.5 million. A detailed description of contingent liabilities can be found in the consolidated financial statements as at December 31, 2014.

32 Share-based payments for executives

The Long-Term Incentive Plan (LTIP or Pre-IPO LTIP) that was in place prior to the IPO in 2013 was unwound at the time of the IPO and replaced by a new LTIP (LTIP 2013). As a result of the departure of Monterey Holdings S.à r.l. (MHI) as a majority shareholder in 2014, key criteria of this LTIP were met, meaning that it once again had to be replaced by a new LTIP 2015.

With effect from January 1, 2015, the Supervisory Board passed a resolution on a new virtual share programme (share-based payment plan) (LTIP 2015) for the Management Board members of DAIG, which was confirmed by the Annual General Meeting held on April 30, 2015. This programme constitutes a long-term variable remuneration instrument to encourage the executives to participate in the company's long-term development. This means that, on January 1, the Management Board members are granted a fixed number of phantom stocks (Performance Share Units or "PSU"), which are paid out at the end of a four-year performance period based on the extent to which a pre-defined target achievement level has been reached. The payout amount is limited to 250 % of the original award amount. As a result, this LTIP 2015 constitutes a form of cash-settled share-based remuneration pursuant to IFRS 2; in turn, the payout claim can be lost entirely if the defined target achievement level has not been reached.

The level of target achievement that determines the payout amount under the LTIP 2015 is calculated based on the following parameters: Relative Total Shareholder Return (RTSR), Performance of NAV per Share, Performance of FFO I per Share and the Customer Satisfaction Index (CSI), which are all assigned an equal weighting of 25 %.

The long-term incentive system for the first management level directly below the Management Board is closely linked to the provisions that apply to the Management Board (New Management LTIP). In addition, there are also predecessor incentive systems for management level I that are yet to expire.

In accordance with IFRS 2, the LTIP 2015 programme has resulted in total expenses of € 0.5 million as at June 30, 2015.

As part of the acquisition of GAGFAH, share-based remuneration programmes for managers were assumed. These are remuneration plans featuring cash compensation. The virtual stocks are granted over a period of three consecutive years, with one tranche being granted per year. The conditions for exercise are the corresponding target achievement level and an uninterrupted length of service in each vesting period. In accordance with IFRS 2, this LTIP programme has resulted in total income of € 0.8 million as at June 30, 2015 due to share price performance.

All in all, the consolidated financial statements as at June 30, 2015 include obligations arising from share-based remuneration in the amount of € 12.6 million.

33 Events after the balance-sheet date

Subsequent events that are relevant from an equity perspective

Explanatory information on the equtiy after the balance sheet date are provided in the note relating to equity [20].

Completion of the acquisition of the SÜDEWO Group

On June 14, 2015, DAIG concluded a share transfer agreement with a group of investors regarding the acquisition of the SÜDEWO company portfolio at a value of around € 1.1 billion, plus assumed liabilities of € 0.8 billion. This acquisition was completed after the antitrust authorities granted their approval on July 8, 2015. The SÜDEWO Group will be included in DAIG's consolidated financial statements as of July 2015. Its integration into DAIG's property management processes will largely be completed following the integration of the GAGFAH Group in the second quarter of 2016.

Düsseldorf, August 13, 2015

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

Responsibility Statement

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

Düsseldorf, August 13, 2015

Rolf Buch
(CEO)

Thomas Zinnöcker
(CRO)

Klaus Freiberg
(COO)

Dr A. Stefan Kirsten
(CFO)

Gerald Klinck
(CCO)

Review Report

To Deutsche Annington Immobilien SE, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements of the Deutsche Annington Immobilien SE – comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the condensed interim consolidated financial statements – together with the interim group management report of the Deutsche Annington Immobilien SE for the period from January 1 to June 30, 2015, 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 17, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hain
Wirtschaftsprüfer
[German Public Auditor]

Salzmann
Wirtschaftsprüferin
[German Public Auditor]

Information

Glossary

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation)

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

Adjusted EBITDA Rental

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

Adjusted EBITDA Sales

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

Adjusted NAV

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

Cash-generating unit (CGU)

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

CMBS (commercial mortgage-backed securities)

Securities backed by mortgages. The properties used as collateral are commercial.

Core/Non-Core properties

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

Covenants

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

CSI (customer satisfaction index))

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

EPRA (European Public Real Estate Association)

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

EPRA NAV

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

EPRA vacancy rate

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

Fair value

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

Fair value step-up

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

FFO (funds from operations)

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

FFO 1/FFO 1 before maintenance/FFO 2/AFFO

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

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

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

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

LTV ratio (loan-to-value ratio)

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

Maintenance

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

Modernisation measures

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

Monthly in-place rent

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

Rating

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

Rental income

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

TERP

The TERP (theoretical ex-rights price) is the assumed share price following the issue of recent shares after a capital increase. The TERP is calculated by determining the arithmetic mean of the prices of new and old shares and dividing this by the total number of new and old shares.

$$\text{TERP} = \frac{\text{Number of old shares} * \text{share price} + \text{number of new shares} * \text{subscription price}}{\text{Number of old shares} + \text{Number of new shares}}$$

Vacancy rate

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

Contact

Deutsche Annington Immobilien SE

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

Your Contacts

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

Investor Relations
Thomas Eisenlohr
CFA, Head of Investor Relations
Phone +49 234 314-2384
Fax +49 234 314-2884
E-mail: thomas.eisenlohr@deutsche-annington.com

Financial Calendar

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

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

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

Imprint
Published by the Management Board of
Deutsche Annington Immobilien SE
Concept and realisation: Berichtsmanufaktur GmbH, Hamburg
Management Board photo: Catrin Moritz
As at: August 19, 2015

www.deutsche-annington.com