INTERIM FINANCIAL REPORT

Third Quarter of 2014

DEUTSCHE ANNINGTON

Key Figures	9M 2014	9M 2013	Change (%)
€ million			
Rental income	572.7	546.1	4.9
Adjusted EBITDA Rental	364.5	335.7	8.6
Income from disposal of properties	213.0	226.1	-5.8
Adjusted EBITDA Sales	35.7	27.4	30.2
Adjusted EBITDA	400.2	363.1	10.2
Total maintenance and modernisation work	243.3	147.4	65.1
thereof maintenance	106.4	105.1	1.2
thereof capitalised maintenance	16.9	15.7	7.6
thereof modernisation	120.0	26.6	351.1
Interest expense FFO	-153.5	-166.3	-7.7
FFO 1	205.0	163.4	25.5
FFO 2	240.7	190.8	26.1
AFFO	188.4	147.7	27.6
FFO 1 per share in €*	0.85	0.73	17.1

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

Key Balance Sheet Figures	Sep. 30, 2014	Dec. 31, 2013	Change (%)
Fair value	11,392.3	10,326.7	10.3
NAV	5,094.8	4,782.2	6.5
LTV (%)*	52.8	50.2	2.6 pp
NAV per share in €**	21.21	21.33	-0.6

* Adjusted for effects in connection with the acquisition of Vitus
** Based on the shares qualifying for a dividend on the reporting date Sep. 30, 2014: 240,242,425; Dec. 31, 2013: 224,242,425

Non-Financial Figures	9M 2014	9M 2013	Change (%)
Number of units managed	210,702	206,376	2.1
thereof own apartments	183,983	178,565	3.0
thereof apartments owned by others	26,719	27,811	-3.9
Number of units bought	11,386	-	100.0
Number of units sold	2,651	3,415	-22.4
thereof Privatise	1,778	2,001	-11.1
thereof Non-Core	873	1,414	-38.3
Vacancy rate (%)	3.6	3.9	-0.3 pp
Monthly in-place rent in €/m²	5.59	5.37	4.1
Monthly in-place rent in €/m² (like-for-like without DeWAG)	5.51	5.39	2.3
Number of employees (as at September 30)	3,436	2,815	22.1

Other Financial Figures	9M 2014	9M 2013	Change (%)
€ million			
Income from fair value adjustments of investment properties	26.9	540.1	-95.0
EBITDA IFRS	357.4	343.5	4.0
EBT	175.8	674.0	-73.9
Profit for the period	122.0	474.3	-74.3
Cash flow from operating activities	305.9	130.5	134.3
Cash flow from investing activities	-1,379.2	159.7	-
Cash flow from financing activities	722.4	-479.4	-

Contents

Dear Shareholders,

Following three successful quarters, Deutsche Annington is now on the home straight for this year and, as before, we can be satisfied with the developments. Very satisfied even, because overall we are now better positioned than we had anticipated at the start of the year. This is not only thanks to our business strategy – which the Management Board fully supports – but also to the increasing numbers of our staff, all of whom have made a committed contribution to our success.

What were the highlights of the past few months? Our acquisition of more than 5,000 residential units marked the successful continuation of our growth strategy in the third quarter. This portfolio, whose integration we are planning from the first quarter of 2015, spans the Berlin metropolitan area, as well as the cities of Dresden, Leipzig and Erfurt. The acquired residential units fit our existing portfolio well and can be optimally integrated into our efficient and price-conscious management platform. By gaining units in metropolitan areas of eastern Germany, we are raising our nationwide presence as Germany's largest housing company.

As scheduled, we concluded our Vitus transaction at the start of the fourth quarter. At the same time, as part of our active portfolio management strategy, we sold on around 9,600 units of this portfolio to LEG.

Deutsche Annington focuses on continuously and sustainably improving its stocks. The € 160 million modernisation programme for 2014 is almost complete. As part of this process, by the end of the year we will have renovated 10,000 residential units for energy efficiency and will have converted another 3,000 units to meet the needs of older people. This will increase the volume of our energy-efficient units in the current financial year to more than 3.0 %, which greatly exceeds the German average of around 1 %. Overall in 2014, a maintenance and investment volume of approximately € 330 million will be dedicated to our stocks.

The inclusion of our share in the MDAX was a major leap forward: Since September 22, the Deutsche Annington share has been traded on the MDAX. This predominately reflects the significant increase in the fleet float and the trading volume. With a market capitalisation of € 5.5 billion as at the reporting date, the company is already in the upper quartile of the second-highest stock exchange segment.

We are pleased to be admitted to this selective index, because this increases our company's profile with both institutional and private investors.

The admission to the MDAX is an additional highlight of a successful eighteen-month journey that began last summer with the IPO. We subsequently acquired over 45,000 apartments, established our own craftsmen's organisation and concluded the private equity issue at shareholder level. In parallel, we have successfully steered the organisation's operations onto a sustainable and long-term course for success. This has impressed not only our shareholders, but also other experts in the real estate market. Our company thus received the PLATOW real estate award in September.

More important for us than any award, however, is our performance with the customer. In this we are always where we are needed, on our estates – with our own capable staff, with new ideas – and with investment volumes significantly higher than that of our competition.

Our operating figures continue to develop well. The like-for-like increase in actual monthly rents (on the basis of a comparable volume of residential units) has picked up further in comparison with the first half of the year and now amounts to 2.3 %. The vacancy rate once again fell in comparison with the reporting date for the prior period, declining by 0.3 percentage points to 3.6 %. FFO 1 (funds from operations) rose by 25.5 % to € 205.0 million in comparison with the same period in the previous year. As at the reporting date, the net asset value (NAV) had increased by 6.5 % to € 5,094.8 million in comparison with the 2013 year-end figure.

Klaus Freiberg
Member of the Management Board, COO

Rolf Buch
Chairman of the Management Board, CEO

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

Due to our favourable business performance, we are confirming the forecast for the current year which we had revised upwards following the first half of the year, and expect an FFO 1 at the upper end of the range between € 280 million and € 285 million. Assuming a stable business situation until the end of the year, the company will suggest a dividend of € 0.78 per share for the year 2014 at the Annual General Meeting, which represents around 70 % of the FFO 1.

We expect a significant improvement of the FFO 1 figure to between € 340 million and € 360 million for 2015. The NAV per share will rise to € 24 – 25. We will once again increase the volume of investment for our modernisation programme to more than € 200 million. We will continue to adhere to our dividend policy over the coming year and will propose distribution of approximately 70 % of our FFO 1 to our shareholders. In addition, we will also further optimise our capital structure and our leverage in the medium term.

Bochum, Oktober 30, 2014

Rolf Buch
(CEO)

Klaus Freiberg
(COO)

Dr A. Stefan Kirsten
(CFO)

INTERIM GROUP MANAGEMENT REPORT

Fundamental Information about the Group

BUSINESS MODEL

The company

With some 184,000 residential units worth a total of € 11.4 billion, Deutsche Annington Immobilien SE is one of the leading real estate companies in Europe.

Today, the Deutsche Annington Immobilien Group (DAIG) is the biggest housing company in Germany measured by fair value and the number of residential units. As at September 30, 2014, we managed a total of 183,983 residential units of our own, 45,682 garages and parking spaces as well as 1,261 commercial units. We also managed 26,719 residential units for other owners. The Deutsche Annington Immobilien Group provides housing in 547 towns and municipalities throughout Germany.

Portfolio structure

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

TOTAL HOUSING STOCKS OF DEUTSCHE ANNINGTON

			Vacancy rate		In-place rent		
as at September 30, 2014	Units	Living area (thousand m²)	(%)	Change (% points)	(p.a. € million)	(€/m²/ month)	Change like-for-like (%)*
Operate	72,776	4,618	3.0	-0.2	302.7	5.63	+ 1.7
Upgrade Buildings	47,965	3,032	2.9	-0.1	195.9	5.55	+ 2.6
Optimise Apartments	33,527	2,132	3.2	0.7	148.5	6.00	+ 3.6
RENTAL ONLY	**154,268**	**9,782**	**3.0**	**-0.1**	**647.1**	**5.69**	**+ 2.4**
Privatise	20,205	1,383	4.9	-0.2	86.0	5.44	+ 1.7
Non-Core	9,510	598	11.5	0.3	27.3	4.30	+ 0.9
TOTAL	**183,983**	**11,763**	**3.6**	**-0.3**	**760.4**	**5.59**	**+ 2.3**

* Excluding DeWAG

HOUSING STOCKS BY GERMAN STATE

				In-place rent	
as at September 30, 2014	Units	Living area (thousand m²)	Vacancy rate (%)	(p.a. € million)	(€/m²/ month)
North Rhine-Westphalia	94,786	5,938	3.9	359.1	5.25
Hesse	22,554	1,433	2.0	113.8	6.74
Bavaria	16,685	1,109	1.9	79.1	6.06
Berlin	13,604	881	1.5	61.1	5.87
Schleswig-Holstein	11,131	694	5.1	41.4	5.24
Lower Saxony	5,910	401	8.2	23.0	5.19
Baden-Württemberg	5,700	394	3.4	26.2	5.74
Rhineland-Palatinate	5,019	355	3.4	22.0	5.35
Saxony	3,183	199	8.3	10.8	4.93
Hamburg	1,836	110	2.6	9.6	7.51
Saxony-Anhalt	1,263	87	18.6	3.9	4.54
Thuringia	1,017	65	7.8	3.9	5.37
Mecklenburg-Western Pomerania	642	49	2.8	3.3	5.72
Brandenburg	576	42	4.2	2.9	5.87
Bremen	63	5	6.3	0.3	5.98
Saarland	14	1	0.0	0.1	4.69
TOTAL	**183,983**	**11,763**	**3.6**	**760.4**	**5.59**

HOUSING STOCKS 25 LARGEST LOCATIONS

as at September 30, 2014	Units	Living area (thousand m²)	Vacancy rate (%)	In-place rent (p.a. € million)	In-place rent (€/m²/month)
Dortmund	17,443	1,066	2.9	60.8	4.90
Berlin	13,604	881	1.5	61.1	5.87
Frankfurt am Main	10,618	658	1.0	57.0	7.29
Essen	9,421	579	5.1	34.7	5.27
Bochum	7,550	434	2.5	26.3	5.19
Gelsenkirchen	7,420	454	6.0	24.2	4.73
Duisburg	4,894	295	4.1	17.1	5.05
Munich	4,861	322	1.1	25.3	6.61
Cologne	4,631	304	2.4	24.0	6.74
Herne	4,541	278	4.8	15.2	4.80
Bonn	4,170	292	1.8	21.6	6.26
Gladbeck	3,211	197	3.4	11.3	4.98
Düsseldorf	2,760	180	2.6	15.1	7.18
Herten	2,661	170	5.1	9.0	4.63
Wiesbaden	2,347	157	3.2	13.7	7.53
Aachen	2,284	151	3.3	9.7	5.55
Marl	2,092	138	6.2	7.9	5.09
Geesthacht	1,980	113	2.9	7.5	5.70
Bottrop	1,847	116	3.4	6.9	5.15
Bergkamen	1,845	120	5.0	6.2	4.59
Hamburg	1,836	110	2.6	9.6	7.51
Kassel	1,826	114	3.8	6.8	5.16
Augsburg	1,809	100	2.4	7.6	6.49
Castrop-Rauxel	1,744	102	3.5	6.1	5.14
Recklinghausen	1,644	108	3.2	6.2	4.90
Subtotal of the 25 largest locations	**119,039**	**7,439**	**3.1**	**490.9**	**5.68**
Other locations	64,944	4,324	4.7	269.5	5.45
Total	**183,983**	**11,763**	**3.6**	**760.4**	**5.59**

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 practise guidance of EPRA (European Public Real Estate Association).

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

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

Financial and non-financial indicators

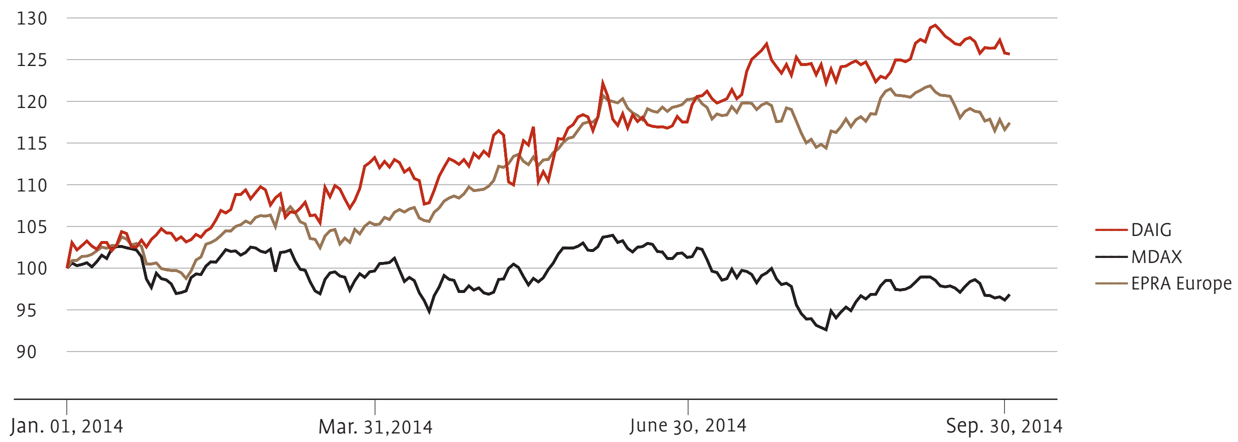
For a description of the financial and non-financial indicators of the management system, please refer to the statements in the combined management report for the 2013 financial year, which remain valid. The management report is available on the Deutsche Annington website, www.deutsche-annington.com.

SHARE AND CAPITAL MARKET DEVELOPMENT

The positive development of our share price also continued in the third quarter of 2014. On September 30, 2014, the Xetra closing price was € 22.98. This corresponded to an increase of 25.7 % since the beginning of the year.

The shares' outperformance in respect of the two benchmark indices MDAX and EPRA Europe was further extended. In the current year up until the reporting date, the EPRA Europe increased 17.4 %, while the MDAX lost 3.2 % in the same period. The market capitalisation of Deutsche Annington amounted to roughly € 5.5 billion as at September 30, 2014.

DEVELOPMENT OF THE SHARE PRICE SINCE THE START OF THE YEAR
in %



Highlights of the third quarter: Admission to the MDAX and Capital Market Day

Following the clear increase of the free float in our stock and the respective liquidity of the share as a result of the placement by the former majority shareholder Monterey Holdings I S. à r. l in the second quarter, the increased tradeability soon bore fruit. DAIG was admitted to the MDAX, the second largest German stock exchange index, by Deutsche Börse with effect as at September 22, 2014. At the same time, international indices were reweighted in September, meaning the share also benefited above all from the significantly increased free float. DAIG was also admitted to Global Property Index GPR, and DAIG's weighting in the EPRA index was significantly increased.

All this has again stimulated investor interest. In addition to increased demand from international sector specialists, DAIG has also noticed a significant increase in interest from global and German generalists.

As at the reporting date, 17 national and international analysts published their assessments of the Deutsche Annington share.

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

INFORMATION ON THE SHARE

1st day of trading	July 11, 2013
Subscription price	€ 16.50
Total number of shares	240.2 million
Share capital in €	240,242,425
ISIN	DE000A1ML7J1
WKN	A1ML7J
Symbol	ANN
Common Code	94567408
Class	Registered shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market

Capital Market Day 2014
Our Capital Market Day for this year was held on September 17, 2014 at our company headquarters in Bochum. With 32 international participants – consisting of both analysts and investors – the event proved very popular.

In contrast to traditional events of this type, at which the Management Board covers the various aspects of the strategy in great detail, we decided to focus on the actual implementation of our strategy at various levels using practical examples, rather than the strategy.

This is part of our goal to highlight the process strengths of our platform and the defining characteristics of Deutsche Annington in comparison to its competitors.

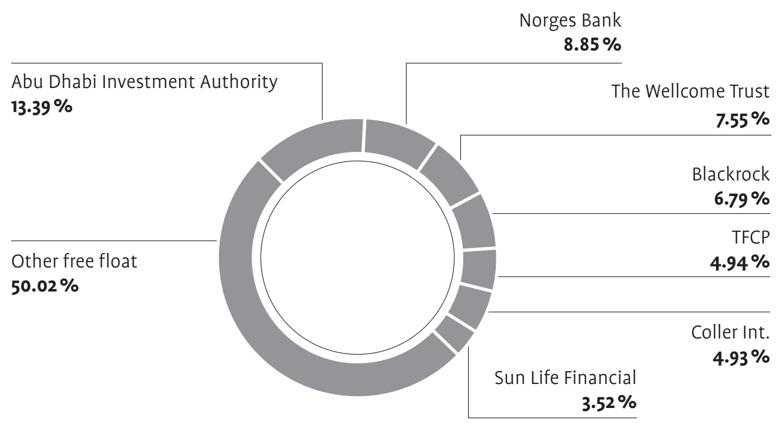
The thoroughly positive feedback received from all participants confirmed our choice of format for the Capital Market Day that was not only innovative, but which also informed internal and external participants of important findings. Our aim is to make Deutsche Annington's Capital Market Day a fixed and important component in the calendars of investors and analysts. We will therefore be repeating the event in the same way next year.

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

The shareholder structure has further diversified since June 30, 2014. As a result of our recently received notification of voting rights, Abu Dhabi Investment Authority (ADIA) now holds 13.39 % of the shares, while other large shareholders includes Norges Bank with 8.85 % of shares, The Wellcome Trust with 7.55 % of shares and BlackRock with 6.79 % of the shares. TFCP Capital Investments Limited disclosed a shareholding of 4.94 %. In addition, Coller International Partners hold 4.93 % and Sun Life Financial 3.52 % of the shares.

The rest of the free float, i. e. shareholders below the disclosure threshold of 3 % increased to 50.02 %. The entire free float as defined by Deutsche Börse further increased and amounts to 77.76 % as at the reporting date September 30, 2014.

SHAREHOLDER STRUCTURE
as at September 30, 2014



Investor relations activities
The aim of DAIG's investor relations activities is to regularly inform investors and analysts of the current expected business and market development. This took place with decidedly positive resonance in the first nine months of the financial year via participation in both investor conferences as well as roadshows in the most important financial cities in Europe and North America. Furthermore, multiple visits of portfolio properties took place for interested investors and analysts. These activities will also be continued and extended for the fourth quarter.

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

Germany's economic upturn disrupted

According to the Kiel Institute for the World Economy (IfW Kiel), the economic situation in Germany has weakened considerably since the spring. A number of factors had a dampening effect on the economy, including the deteriorating political situation in Ukraine and unexpectedly weak economic development in the rest of the Eurozone. To support the economy and as a reaction to low inflation rates in the Eurozone, the European Central Bank lowered its base rate in September by another 10 basis points to 0.05 %.

According to IfW Kiel, following a good start to the year, gross domestic product (GDP) fell in the second quarter of 2014 with an ongoing annual rate of 0.6 %. Domestic consumption increased moderately, while increased insecurity slowed companies' willingness to invest. Private consumption continued to increase. In mathematical terms, foreign trade resulted in a negative contribution to the gross domestic product. Exports expanded less strongly than imports. A counter reaction to the weather-induced pull-forward effects, which contributed to the strong growth in the first quarter, had been generally expected according to the Federal Ministry of Economic Affairs and Energy (BMWi). GDP nevertheless expanded significantly overall during the first half of the year.

The situation on the labour market continued to improve. In the second quarter, the number of employees subject to social insurance contributions was almost 2 % higher than in the previous quarter (annualised rate). According to the German Federal Employment Agency, unemployment stood at 6.7 % in August. It had fallen by 0.1 percentage points compared with the previous year and remained (seasonally adjusted) unchanged since the previous month.

The stable price development continued from the middle of the year. Energy prices recently fell and therefore had a curbing effect. Inflation stood at 0.8 % in August 2014.

Housing market

Purchase prices and rents with little dynamism

Although quoted rents shot up in the first quarter of 2014, average rent prices across Germany have now stabilised. This was corroborated by the property portal ImmobilienScout24 after an evaluation of the IMX property index, which is compiled on a regular basis. Rents increased by 0.1 percentage points in July, and in August 2014 by 0.2 percentage points. According to Immobilienscout24, further development is above all dependent on the legal conditions.

ImmobilienScout24's information states that quoted rents for owner-occupied apartments continued to rise from January to August, although the price curves have flattened noticeably over the past few months. However, prices for new-build apartments rose by 0.3 percentage points in July and 0.2 percentage points in August – significantly less than at the start of the year. The nationwide rise in new-build prices is likely to gain pace.

Meanwhile, the prices quoted for existing apartments have edged up slightly or trended sideways since the start of this year. They climbed by 0.3 percentage points in July and 0.4 percentage points in August.

Transfers: good first half-year for housing portfolios

The transaction volume after the first half-year is significantly above the previous year's level. According to the commercial real estate services and investment firm CBRE, around € 7.3 billion was invested in German housing portfolios in the first six months of 2014. This is equivalent to growth of 19 % compared with the first half of 2013. While the strong first quarter was substantially characterised by several major deals, it was rather medium-sized to smaller packages that became the focus of the second quarter of 2014. With a transaction volume of around € 1.6 billion, the second quarter therefore remained significantly below the level at the start of the year. The volume of € 10 billion is likely to be exceeded during the year as a whole.

Bill for the Tenancy Amendment Act meets with industry criticism

On October 1, 2014, the Federal Cabinet passed the bill revised by Federal Minister of Justice Heiko Maas (SPD) introducing "rent ceilings" and the principle that parties commissioning agents bear the cost of their services. The bill envisages, inter alia, the future capping of currently freely negotiable rents in tense housing markets when apartments are relet. Following criticism from the housing industry, as well as from the CDU/CSU coalition partners, the current agreement now provides for a time limit and excludes new-builds and the first lease following comprehensive modernisation. The regulations can then come into effect in the first half of 2015. Criticism levelled by the housing industry focuses on, among other things, the risks arising from state interference in contractual freedom.

ECONOMIC DEVELOPMENT OF THE GROUP

Business development in 2014

The first nine months of the Deutsche Annington Immobilien Group's 2014 financial year were shaped by the following key events:

- The portfolio acquired from DeWAG was incorporated into the reporting for the first time and the property management business was fully integrated into the Deutsche Annington Immobilien Group's management platform processes
- Successful operational developments in both business segments
- Implementation of the modernisation programme as planned
- Issue of a subordinated, long-term hybrid bond with a volume of € 700 million on April 8, 2014
- Capital increase from authorised capital with gross proceeds of € 304 million on March 7, 2014
- Investment grade rating confirmed
- Acquisition negotiations related to Vitus
- Acquisition negotiations related to CitCor Residential

Overall development of business

Business at the Deutsche Annington Immobilien Group continued to develop positively in the reporting period. The acquisition of the DeWAG portfolio was completed on April 1, 2014. Therefore meant that the corresponding companies were included in the reporting for the interim consolidated financial statements for the first time in the second quarter of 2014. As a result, a stock of 11,307 residential units, 198 commercial properties and 5,366 garages and parking spaces centring on the conurbations of Munich, Frankfurt am Main, Düsseldorf, Cologne and Hamburg were added to the Deutsche Annington portfolio in the second quarter of 2014. During the reporting period, a total of 237 residential units from the DeWAG portfolio were sold.

Income from property management developed in line with our expectations and came to € 836.7 million for the 2014 nine-month period. Income from the sale of properties stood at € 213.0 million. The DeWAG portfolio contributed € 41.5 million towards income from property management and € 42.3 million towards income from the sale of properties.

Our key performance indicators also improved in comparison to the same period in the previous year. Totalling € 205.0 million, FFO 1 was 25.5 % higher in the first nine months of 2014 than in the same period of the previous year. EBITDA IFRS amounted to € 357.4 million in the reporting period and was therefore 4.0 % above the figure from the first nine months of the previous year. Adjusted EBITDA increased by 10.2 % from € 363.1 million in the first nine months in 2013 to € 400.2 million in the first nine months of 2014. Adjusted EBITDA was affected by DeWAG in the amount of € 34.0 million.

RESULTS OF OPERATIONS

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

KEY PERFORMANCE INDICATORS OF DEUTSCHE ANNINGTON

€ million	9M 2014	9M 2013
Income from property management	836.7	799.5
thereof rental income	572.7	546.1
Adjusted EBITDA Rental	364.5	335.7
Income from disposal of properties	213.0	226.1
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EBITDA IFRS	357.4	343.5
Adjusted EBITDA	400.2	363.1
FFO 1	205.0	163.4
FFO 2 (incl. profit from property sales)	240.7	190.8
AFFO	188.4	147.7
Number of employees (as at September 30)	3,436	2,815
Number of units bought	11,386	-
Number of units sold	2,651	3,415
thereof Privatise	1,778	2,001
thereof Non-Core	873	1,414
Vacancy rate (%)	3.6	3.9
Monthly in-place rent (€/m²)	5.59	5.37
Number of residential units in portfolio	183,983	178,565

Rental

Following on from the positive trend in the first half of 2014, we succeeded in further enhancing the performance of the core segment, Rental, in the third quarter of 2014. Primarily thanks to the ongoing performance-focused property management and the acquisition of the DeWAG portfolio, we increased **Adjusted EBITDA Rental** from € 335.7 million in the first nine months of 2013 by 8.6 % to € 364.5 million in the first nine months of 2014.

ADJUSTED EBITDA RENTAL

€ million	9M 2014	9M 2013
Rental income	572.7	546.1
Maintenance expenses	-106.4	-105.1
Property management costs	-101.8	-105.3
Adjusted EBITDA Rental	**364.5**	**335.7**

Rental income rose from € 546.1 million in the first nine months of 2013 by 4.9 % to € 572.7 million in the first nine months of 2014. Overall, the monthly in-place rent per square metre rose from € 5.37 at the end of the third quarter of 2013 to € 5.59 at the end of the third quarter of 2014. This represents an increase of 4.1 %. The DeWAG portfolio was included in the calculations as at September 30, 2014 with a monthly in-place rent of € 6.78/m². If the effects of portfolio sales and purchases on the monthly in-place rent had not been taken into account, the like-for-like rent increase excluding the DeWAG stocks would have been 2.3 %. Rental income was positively affected by the development in the vacancy rate, which we reduced from 3.9 % at the end of the third quarter of 2013 to 3.6 % at the end of the third quarter of 2014.

Maintenance expenses totalled € 106.4 million for the first nine months of 2014 and were therefore at about the same level as the previous year of € 105.1 million. Including capitalised maintenance of € 16.9 million as well as value-enhancing modernisation work of € 120.0 million we invested a total of € 243.3 million in modernisation and maintenance work on our properties in the first nine months of 2014 (first nine months of 2013: € 147.4 million). This represents an increase of 65 %, which is mainly due to increased modernisation activities.

MAINTENANCE AND MODERNISATION

€ million	9M 2014	9M 2013
Maintenance expenses	106.4	105.1
Capitalised maintenance	16.9	15.7
Modernisation work	120.0	26.6
Total cost of modernisation and maintenance*	**243.3**	**147.4**
thereof sales of own craftsmen's organisation	129.8	86.6
thereof bought-in services	113.5	60.8

* 9M 2014 including intra-Group profits of € 14.0 million (thereof € 0.3 million capitalised maintenance); 9M 2013: € 9.1 million

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

At € 101.8 million the property management costs in the first nine months of 2014 were € 3.5 million below the level of the previous year of € 105.3 million despite the DeWAG purchase of large portfolios. This demonstrates that we were able to successfully continue our cost reduction measures.

Sales

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

Sales in the Privatise portfolio segment were as follows:

SALES IN THE PRIVATISE PORTFOLIO SEGMENT

€ million	9M 2014	9M 2013
Number of units sold	1,778	2,001
Income from disposal of properties	184.4	172.5
Fair value of properties sold*	-134.9	-139.9
ADJUSTED PROFIT FROM DISPOSAL OF PROPERTIES	**49.5**	**32.6**
Fair value step-up (%)	36.7	23.3

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

In the first nine months of 2014, the number of units sold (1,778) in the Privatise portfolio segment was significantly below the figure from the comparable period of the previous year, as expected. Sales proceeds nevertheless rose from € 172.5 million in the previous year to € 184.4 million. These increased proceeds associated with a reduced sales volume are reflected in a significantly improved sales margin, expressed in the fair value step-up. This rose significantly from 23.3 % in the first nine months of 2013 to 36.7 % in the first nine months of 2014. 232 units from the DeWAG portfolio were sold, generating income of € 42.0 million.

SALES IN THE NON-CORE PORTFOLIO SEGMENT

€ million	9M 2014	9M 2013
Number of units sold	873	1,414
Income from disposal of properties	28.6	53.6
Fair value of properties sold*	-26.9	-48.9
ADJUSTED PROFIT FROM DISPOSAL OF PROPERTIES	**1.7**	**4.7**
Fair value step-up (%)	6.6	9.6

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

In the Non-Core portfolio segment, we continued to optimise our portfolio by selling properties which do not fit in with our medium to long-term strategy as the opportunity arises. A moderate number of properties – 873 residential units – were sold in the first nine months of 2014 as a result. This was down on the high figure for the previous year.

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

ADJUSTED EBITDA SALES

€ million	9M 2014	9M 2013
Income from disposal of properties	213.0	226.1
Carrying amount of properties sold	-180.6	-207.1
Revaluation of assets held for sale	16.5	17.2
PROFIT ON DISPOSAL OF PROPERTIES (IFRS)	**48.9**	**36.2**
Revaluation (realised) of assets held for sale	-16.5	-17.2
Revaluation from disposal of assets held for sale	18.8	18.3
ADJUSTED PROFIT FROM DISPOSAL OF PROPERTIES	**51.2**	**37.3**
Selling costs	-15.5	-9.9
ADJUSTED EBITDA SALES	**35.7**	**27.4**

Taking the DeWAG selling costs into account, total selling costs came to € 15.5 million for the first nine months of 2014. This was considerably higher than previous year.

In addition, in the Sales segment, we adjust for effects not relating to the period from assets held for sale. This adjustment is made to show the effect of property sales on the result only in the period in which the sale takes place. In the first nine months of 2014, this totalled € 2.3 million, compared with € 1.1 million in the first nine months of 2013. Adjusted EBITDA Sales climbed from € 27.4 million to € 35.7 million during this period.

Non-recurring items

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

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

NON-RECURRING ITEMS

€ million	9M 2014	9M 2013
Business model optimisation / Development of new fields of business	1.2	3.8
Acquisition costs	29.2	0.1
Refinancing and equity measures	0.3	13.9
Severance payments / Pre-retirement, part-time work arrangements	9.8	0.7
TOTAL NON-RECURRING ITEMS	**40.5**	**18.5**

Acquisition costs of € 29.2 million made up the largest non-recurring item in the first nine months of 2014. Our cost reduction measures also resulted in increased expenses of € 9.8 million for severance payments and pre-retirement part-time work arrangements.

Adjusted EBITDA rose in the first nine months of 2014 to € 400.2 million and was therefore 10.2 % above the comparable figure for the previous year of € 363.1 million. Excluding these adjustments for non-recurring items and effects not relating to the period in the Sales segment, **EBITDA IFRS** was € 357.4 million in the first nine months of 2014, 4.0 % above the comparable figure for the previous year.

FFO

We increased our primary key performance indicator for sustained operating performance, **FFO 1**, by € 41.6 million or 25.5 % to € 205.0 million compared with the first nine months of 2013. This is the result of both the greatly improved Adjusted EBITDA Rental – driven by our performance-oriented property management and the portfolio acquisition – and of much improved current interest expensedue to our refinancing measures in 2013. Related to the number of our shares as at September 30, 2014, FFO 1 is € 0.85 per share.

The table shows the reconciliation of key financial performance indicators:

FUNDS FROM OPERATIONS (FFO)

€ million	9M 2014	9M 2013
PROFIT FOR THE PERIOD	**122.0**	**474.3**
Interest expense/income	203.4	205.0
Income taxes	53.8	199.7
Depreciation	5.1	4.6
Income from fair value adjustments of investment properties	- 26.9	- 540.1
= EBITDA IFRS	**357.4**	**343.5**
Non-recurring items	40.5	18.5
Total period adjustments from assets held for sale	2.3	1.1
= ADJUSTED EBITDA	**400.2**	**363.1**
Adjusted EBITDA Sales	35.7	27.4
= ADJUSTED EBITDA RENTAL	**364.5**	**335.7**
Interest expense FFO	- 153.5	- 166.3
Current income taxes	-6.0	-6.0
= FFO 1	**205.0**	**163.4**
Capitalised maintenance	- 16.6	- 15.7
= AFFO	**188.4**	**147.7**
FFO 2 (FFO 1 INCL. PROFIT FROM PROPERTY SALES)	**240.7**	**190.8**
FFO 1 per share in €*	0.85	0.73
AFFO per share in €*	0.78	0.66

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

At € - 203.3 million, the financial result was at about the same level as in the previous year. Prepayment penalties and valuation effects relating to financial instruments had a negative impact in the first nine months of 2014. By contrast, the operating FFO-related interest result improved by € 12.8 million. This ultimately stemmed from repayments of financial liabilities in 2013 and the optimised financing conditions resulting from the refinancing in 2013.

RECONCILIATION OF NET INTEREST RESULT TO NET CASH INTEREST

€ million	9M 2014	9M 2013
Income from non-current loans	1.5	1.4
Interest income	1.9	14.7
Interest expense	- 206.7	- 221.1
NET INTEREST RESULT*	**- 203.3**	**- 205.0**
Adjustments:		
Transaction costs	4.1	17.9
Prepayment penalties and commitment interest	24.3	26.8
Effects from the valuation of non-derivative financial instruments	13.9	- 27.6
Derivatives	- 2.6	13.7
Interest accretion to provisions / EK02	8.2	8.2
Accrued interest	21.7	- 24.2
Other effects	- 0.5	- 0.3
NET CASH INTEREST	**- 134.2**	**- 190.5**
Accrued interest adjustment	- 21.7	24.2
Financing of the Vitus acquisition ahead of schedule	2.4	-
INTEREST EXPENSE FFO	**- 153.5**	**- 166.3**

* Excluding income from other investments

Profit for the period

The profit for the first nine months of 2014 amounted to € 122.0 million and was largely determined by net income from fair value adjustments to investment properties of € 26.9 million. By comparison, the profit for the previous year included net income from fair value adjustments to investment properties of € 540.1 million.

ASSETS POSITION

Asset and capital structure

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

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

In an accelerated book-building process, 16,000,000 new shares were issued to institutional investors on March 7, 2014 at a price of € 19.00. This resulted in gross proceeds of € 304 million for the company. The capital increase transaction was completed on March 11, 2014.

The equity of the Deutsche Annington Immobilien Group increased by € 197.6 million up to September 30, 2014 from € 3,818.0 million to € 4,015.6 million. This increase was primarily attributable to the capital increase performed on March 7, 2014, and to the profit for the period. The € 168.2 million dividend payout, the recognition of € 29.0 million in actuarial losses from pension provisions and the negative impact from hedge accounting totalling € 28.9 million had the opposite effect, however.

At the start of the fourth quarter as at October 1, 2014, DAIG increased equity by another € 269.2 million as part of a non-cash capital increase in kind by issuing 11,780,000 shares as remuneration for the acquisition of Vitus's real estate business (Subsequent events / Events after the balance sheet date).

In advance of the closing of the share transfer agreement relating to the Vitus's real estate business on October 1, 2014, the financial debt of the Vitus companies due to be acquired was repaid by DA Finance B. V., Amsterdam (NL), a DAIG affiliated company, on September 30, 2014, establishing instead a debt relationship with DA Finance B. V. DA Finance B. V. likewise paid also the cash component of the purchase price on behalf of and for the account of DAIG. Claims from the payment made before the closing of the transaction with regard to the acquisition of the Vitus Group amounting to € 1,101.8 million is disclosed under current other financial assets and liabilities.

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

With a view to acquiring the Vitus real estate business, DAIG drew € 495.3 million from the EMTN programme on July 9. In addition, a term loan of € 473.3 million was taken out and the current account credit line of € 124.7 million utilised on September 29, 2014.

As at September 30, 2014, non-current liabilities therefore include financial liabilities of € 6,986.2 million, pension obligations of € 331.5 million as well as residual pollution provisions of € 23.9 million and non-current provisions for personnel expenses under early retirement part-time work arrangements totalling € 13.2 million. Deferred tax liabilities of € 1,007.6 million are also shown under non-current liabilities.

In addition to other provisions, current liabilities largely include current payment obligations for debt repayments and interest on loans of € 253.7 million.

GROUP BALANCE SHEET STRUCTURE

	Sep. 30, 2014		Dec. 31, 2013	
	€ million	%	€ million	%
Non-current assets	11,446.1	88.8	10,352.6	93.3
Current assets	1,445.6	11.2	740.2	6.7
TOTAL ASSETS	**12,891.7**	**100.0**	**11,092.8**	**100.0**
Equity	4,015.6	31.2	3,818.0	34.4
Non-current liabilities	8,396.7	65.1	6,830.7	61.6
Current liabilities	479.4	3.7	444.1	4.0
TOTAL EQUITY AND LIABILITIES	**12,891.7**	**100.0**	**11,092.8**	**100.0**

As of September 30, 2014, equity ratio had decreased to 31.2 % from 34.4 % at the end of previous year. At € 11,337.4 million (Dec. 31, 2013: € 10,266.4 million), the Group's main non-current assets are investment properties. The total value of the real estate assets – including properties used by the Group and assets held for sale – is € 11,390.9 million (Dec. 31, 2013: € 10,324.5 million). Known as gross asset value or GAV, this figure rose by € 1,029.1 million due to the acquisition of the DeWAG portfolio.

Cash and cash equivalents as at September 30, 2014, totalled € 196.9 million. The change as against December 31, 2013, resulted primarily from cash inflows as part of the equity placement on March 7, 2014, the issue of the hybrid bond, the draw-down from the EMTN programme and the taking out of the term loan, which were both offset by the settlement of the payment obligation for the DeWAG and Vitus portfolios, the dividend payout following the Annual General Meeting and the repayment of a structured finance product. € 37.5 million of the cash and cash equivalents are subject to restrictions on their disposal.

Fair values

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

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

Deutsche Annington reviews the fair value of its housing stocks every quarter and adjusts it in line with the current portfolio and market situation. The housing market in Germany continues to develop well. Higher rents and modernisation work on the portfolio, as well as the removal of rent restrictions prompted a € 26.9 million increase in the value of our investment properties compared to year-end 2013.

The fair value of the real estate portfolio of the Deutsche Annington Immobilien Group of residential buildings, commercial properties, garages and parking spaces as well as undeveloped land and any inheritable rights granted was approx. € 11,392.3 million as at September 30, 2014. Of this, the DeWAG portfolio accounted for a fair value of € 1,029.1 million.

Further details on the recognition and valuation of investment properties are given in the Notes to the consolidated financial statements. Please also refer to the combined management report for the 2013 financial year. The management report is available on Deutsche Annington's website at www.deutsche-annington.com.

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

Net asset value

The EPRA net asset value (NAV) of the Deutsche Annington Immobilien Group increased by € 312.6 million or 6.5 % from € 4,782.2 million to € 5,094.8 million in the reporting period in line with equity due to the capital increase performed of € 301.0 million net, but also the profit for the period attributable to DAIG of € 117.3 million. The triple NAV according to the EPRA definition is the reported equity of the Deutsche Annington shareholders.

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

€ million	Sep. 30, 2014	Dec. 31, 2013
EQUITY ATTRIBUTABLE TO DAIG SHAREHOLDERS	**3,998.4**	**3,805.5**
Fair value of derivative financial instruments *	91.8	54.7
Deferred taxes	1.004.6	922.0
NAV	**5,094.8**	**4,782.2**
NAV PER SHARE IN € **	**21.21**	**21.33**

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

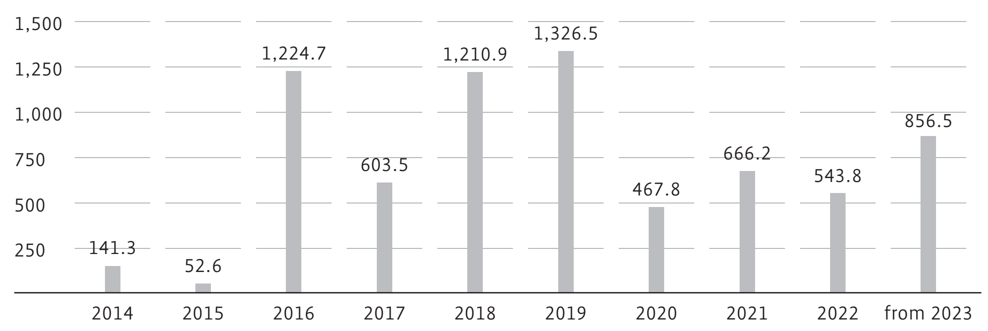
FINANCIAL POSITION

Financing and financial strategy

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

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

MATURITY STRUCTURE
as at September 30, 2014 in € million



For more detailed information, please refer to the relevant explanations in the Notes under "Financial Liabilities". The changes to the borrowing profile compared with the second quarter resulted from the draw-down from the EMTN programme, the take up of the term loan, the utilisation of a current revolving credit facility and the repayment of a structured finance product.

In connection with the issue of unsecured bonds by Deutsche Annington Finance B.V., we have undertaken to comply with the following standard market covenants:

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

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

On February 28, 2014, Standard & Poor's Rating Services (S&P) confirmed the 'BBB' long-term corporate credit rating and the 'A-2' short-term corporate credit rating of Deutsche Annington Immobilien SE (DAI) with a stable outlook, after the acquisition of the DeWAG portfolio and the integration of the Vitus Group had been analysed.

Cash flow

The following table shows the Group's cash flow for the first nine months of 2014:

STATEMENT OF CASH FLOW

€ million	9M 2014	9M 2013
Cash flow from operating activities	305.9	130.5
Cash flow from investing activities	-1,379.2	159.7
Cash flow from financing activities	722.4	-479.4
NET CHANGES IN CASH AND CASH EQUIVALENTS	**-350.9**	**-189.2**
Cash and cash equivalents at the beginning of the period	547.8	470.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**196.9**	**280.9**

The increase in cash flow from **operating activities** compared with the prior year period is the result of a higher cash surplus from the property management business and a more favourable development in working capital. The previous year's cash flow includes the repayment of the EK02 liability of € 114.7 million.

The cash flow from **investing activities** includes a net outflow of € 390.0 million in settlement of the payment obligation for the acquisition of the DeWAG portfolio as well as the payments made in relation to the acquisition of the Vitus Group which amounted to € 1,104.3 million. It also comprises inflows of € 264.2 million from the sale of assets. These were offset by outflows of € 148.7 million for investments in our real estate portfolio.

The cash flow from **financing activities** for the first nine months reflects in particular gross proceeds of € 304.0 million from the capital increase of March 7, 2014, net borrowings in the financial year including associated transaction costs, and prepayment penalties. The cash flow from financing activities also includes the regular interest payments and the dividend payout.

Opportunities and Risks

In addition to the acquisitions of the shares in DeWAG and Vitus Group which have already taken place during the financial year, as at August 29, 2014, the planned acquisition of a further approximately 5,000 units from the CitCor Group with planned closing on April 1, 2015 was announced. 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, therefore remains.

This risk mitigation strategy, consisting of comprehensive due diligence work as part of the purchase process and a structured integration process between notification and economic transfer upon closing, remains in place in anticipation of further acquisitions.

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

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

SUBSEQUENT EVENTS

Events after the balance-sheet date

Closing of the share transfer agreement for the Vitus real estate business

On October 1, 2014, the share transfer agreement was closed when the shares in the acquired Vitus Group companies and also certain financial receivables and selected other assets were transferred as a contribution in kind in return for the granting of 11,780,000 new ordinary registered shares at a closing rate of € 22.85, corresponding to a consideration in the amount of € 269.2 million. In addition to remuneration in the form of new shares as a consideration for the transfer of shares, as at September 30, 2014, the total transaction also included a cash component, a contingent purchase price component, and payment to discharge financial debt. In addition, mortgage loan were announced at their fair values.

The contribution in kind was registered for inclusion in the commercial register as part of the consideration relating to the total transaction in Düsseldorf on October 1, 2014. This registration was made on the basis of an appraisal of the Vitus companies' real estate business dated September 30, 2014, represented by the shares of business attributable to the respective companies. The non-cash capital increase in kind was added to the commercial register and the new shares were created on October 9, 2014. The subscribed capital therefore now totals € 252,022,425.

The securities admission prospectus produced for the capital increase is dated October 13, which is the date of the approval granted by the German Federal Financial Supervisory Authority (BaFin). The new shares were approved for trading on the Frankfurt Stock Exchange and the entire number of shares approved on the Luxembourg Stock Exchange, and have been available for trading since October 14.

Resale of portfolios based in North Rhine-Westphalia from the acquired Vitus real estate business

On October 9, DAIG and a subsidiary of LEG Immobilien AG (LEG) signed a purchase and transfer agreement as the seller and the buyer respectively, representing shares and real estate portfolio stocks of around 9,600 residential units. The portfolio to be transferred is the North Rhine-Westphalia-based portion of the former Vitus portfolio that was acquired by DAIG on October 1, 2014. The stocks were transferred at their fair values in the amount of € 462 million, with offsetting of the corresponding financial debt. Other assets in the amount of € 10 million were also transferred, in addition to the consideration for the transfer of the real estate portfolios. LEG will also contribute to the original transaction costs including restructuring costs proportionate to its real estate stocks.

In view of the announced acquisition of approximately 5,000 residential units at a value of around € 323 million, DAIG has now made an amended agreement according to which the transaction will take place as a combined share transfer and property conveyance agreement. The final negotiations regarding the amendment of the original property conveyance agreement should be out quickly with the view to complete the contract as at April 1, 2015.

Forecast Report

FURTHER COURSE OF THE GROUP

Expected development of the overall economic environment

Economic upswing persists

After economic expansion in Germany in the 2014 summer half-year did not continue as expected, the Kiel Institute for the World Economy (IfW) now predicts growth of gross domestic product for Germany in 2014 of 1.4 %. Economic expansion in Germany will pick up gradually in 2015. The experts at the IfW expect average growth of 1.9 % in 2015. The German Federal Government expect an increase of real gross domestic product of 1.2 % in 2014 and 1.3 % in 2015 in its autumn projection.

After approaching stagnation in the third quarter of 2014, total economic production could increase again in the final quarter according to assumptions from experts at the IfW. Domestic consumption is particularly supportive, leaving residential construction investment rather unaffected by the uncertainties. The robust employment market is stimulating private consumption. The price upsurge remains limited and incomes actually available are increasing. The pace of the production increase will pick up further in 2015. Domestic consumption and business investments in particular will contribute to the acceleration. The IfW experts also expect a somewhat stronger dynamic in exports. Consumer prices are likely to increase in 2014 on average by 1.1 %, and in 2015 by 1.9 %. The Ukraine conflict and the crisis in the Eurozone in particular represent risks for the upswing.

Based on the ECB's latest resolutions – the ECB reduced the base rate to 0.05 % – the monetary environment remains expansive. The forecast upswing is essentially driven by the low interest rates. As a consequence, the stability risks associated with economic over-stimulation remain.

Housing market: price trend set to normalise

For the first time in five years, the experts from LBS anticipate a slightly lower price increase by the end of 2014. At 2 to 4 %, the expected price increases are in line with general income trends. According to information from the Association of German Pfandbrief banks (vdp), fewer dynamic price increases are expected in the coming years. Assessments by the property service provider ImmobilienScout24 confirm that quoted prices and rents for flats rose in the period from January to August 2014, although the dynamic has recently been lower. The nationwide rise in prices for new-build apartments could gain pace again. A sidewards movement in prices for existing apartments is expected. Further development of the rental market is above all dependent on the legal conditions. The bill on "rent ceilings" was passed by the Federal Cabinet at the beginning of October 2014. The regulations can come into effect in the first half of 2015. They envisage, inter alia, the future capping of currently freely negotiable rents in tense housing markets when apartments are relet.

According to estimates by the analysts of Universalbank Nord/LB, the price rise on the German housing market must be seen as moderately relative to its own history and in particular to earlier international developments. The price development reflects the scarcity of supply and is fundamentally self-explanatory. The experts at the Empirica research institute also do not recognise a nationwide bubble at the half-year mark, although in some places the beginnings of property bubbles may be on the horizon. According to the experts at asset manager KGAL, the investment class residential property continues to benefit from the stable domestic economic situation and uncertainties abroad.

Low interest rates are still one of the factors driving prices on the property markets. Thanks to cheap building funds, more households can afford to buy their own home, although the increasing demand also leads to higher prices. Although rising household incomes and lower interest rates are compensating for the moderate increase in property prices, the IVD expects that the affordability of owner-occupied housing – measured according to affordability of detached single-family houses of an average standard – will fall slightly in 2014 and 2015.

Upswing in residential construction in Germany

The European research and consultancy network EUROCONSTRUCT forecasts a rise in new-build completions from an estimated 215,000 residential units in 2014 to 255,000 residential units in 2016. With around 2.7 new-build apartments per 1,000 inhabitants in 2014, Germany is in a middling position within Europe. According to EUROCONSTRUCT, the quota is likely to be more than three new-build apartments per 1,000 inhabitants in 2015 at the earliest.

According to IVD, however, this trend in building permits, which was still positive at the start of the year, has not yet gone far enough to satisfy the high demand for housing, particularly in cities. According to the Association of German Housing and Real Estate Companies (GdW), there is an acute backlog of demand, particularly for affordable housing.

Forecast for the 2014 financial year

Our outlook for the 2014 financial year takes into account the acquisition of 11,307 residential units from DeWAG, the purchase of a portfolio of 79 units in Düsseldorf, as well as the acquisition of 20,494 residential units from the Vitus Group.

Deutsche Annington continues to enjoy a successful course of business in the 2014 financial year. Both the Rental and Sales segments performed positively as expected.

In the Rental segment, the ongoing investment programme aimed at improvment of our housing stocks continues to prove successful. At the end of the third quarter, 96 % of the measures planned had already been rolled out or completed. We expect capital expenditure to total approx. € 160 million in the 2014 financial year. This includes the additional potential for investments arising from the acquisition of the DeWAG portfolio. The focus will be on energy-efficient modernisations, the refurbishment of units to improve the standard of comfort and on senior-friendly conversions. We expect our maintenance spend, including capitalised maintenance, to amount to around € 170 million. This includes expenditure for the property portfolios acquired from DeWAG.

The monthly in-place rent per square metre developed in line with our expectations in the first nine months of 2014. We therefore confirm our expectation of like-for-like rent increase being between 2.3 and 2.6 %, excluding the real estate acquired from DeWAG and Vitus. We do not expect the acquisition of both portfolios to have a substantial impact on the monthly in-place rent per square metre. At 3.6 %, our vacancy rate is also developing as expected, as the integration of the DeWAG stocks prompted the vacancy rate to edge up slightly. We anticipate the vacancy rate to remain at 3.5 % at the end of the financial year. All in all, we expect rental income – including the DeWAG and Vitus stocks – to come in at around € 785 million. We will also continue to strive to further improve customer satisfaction in 2014 and to increase the customer satisfaction index (CSI) by up to 5 % as a result.

Due to the acquisitions, we expect FFO interest expense, excluding non-recurring items, to be roughly on a par with the previous year's level. Taking both the DeWAG and Vitus acquisitions into account, we believe that FFO 1 for 2014 will fall at the top end of the € 275 million to € 285 million range.

Property sales in the Sales segment are going to plan. In the first nine months, 1,778 apartments were privatised with a step-up of 36.7 %. We expect to sell at the upper end of the scale between 2,000 and 2,100 apartments in the Privatise portfolio segment with a step-up of around 35 %. We will also continue to sell buildings in the Non-Core segment at market values throughout the remainder of the financial year 2014 as the opportunity presents itself.

Including the DeWAG and Vitus stocks, we expect our NAV to grow by around 15 % year on year in 2014. Possible effects arising from the adjustment of the valuation of the property stocks via CBRE at the end of the year, as well as a possible adjustment of the NAV calculation regarding market standards have not been taken into account in this regard.

On the basis of the current course of business and the forecast for the end of 2014, the Management Board will suggest a dividend of € 0.78 per share to the Supervisory Board.

Düsseldorf, October 24, 2014

The Management Board

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

€ million	Notes	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013 Restated*	Jul. 1 - Sep. 30, 2014	Jul. 1 - Sep. 30, 2013 Restated*
Income from property letting		823.5	785.2	281.2	262.0
Other income from property management		13.2	14.3	4.2	5.3
Income from property management	5	**836.7**	**799.5**	**285.4**	**267.3**
Income from sale of properties		213.0	226.1	74.1	59.2
Carrying amount of properties sold		- 180.6	- 207.1	- 59.7	-53.1
Revaluation of assets held for sale		16.5	17.2	5.2	6.1
Profit on disposal of properties	6	**48.9**	**36.2**	**19.6**	**12.2**
Net income from fair value adjustments of investment properties	7	**26.9**	**540.1**	**6.1**	**16.2**
Capitalised internal expenses		59.8	21.5	25.6	12.7
Cost of materials	8	- 382.7	- 368.1	- 136.3	- 126.5
Personnel expenses	9	- 130.2	- 112.4	- 42.3	- 39.0
Depreciation and amortisation		- 5.1	- 4.6	- 1.7	- 1.8
Other operating income		34.7	33.1	14.9	13.9
Other operating expenses		- 110.7	- 67.0	- 35.8	- 23.5
Financial income		4.2	16.8	1.4	9.7
Financial expenses	10	- 206.7	- 221.1	- 61.7	- 92.7
Profit before tax		**175.8**	**674.0**	**75.2**	**48.5**
Income tax	11	- 53.8	- 199.7	- 23.2	- 14.4
Profit for the period		**122.0**	**474.3**	**52.0**	**34.1**
Attributable to:					
DAIG shareholders		117.3	469.2	50.0	32.4
Non-controlling interests		4.7	5.1	2.0	1.7
Earnings per share (basic and diluted) in €	12	**0.50**	**2.25**	**0.22**	**0.14**

Consolidated Statement of Comprehensive Income

€ million	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013 Restated*	Jul. 1 - Sep. 30, 2014	Jul. 1 - Sep. 30, 2013 Restated*
Profit for the period	**122.0**	**474.3**	**52.0**	**34.1**
Cash flow Hedges				
Change in unrealised gains / losses, net	16.2	1.7	38.6	- 3,1
Net realised gains / losses	- 56.6	19.1	- 59.2	5.8
Tax effect	11.5	- 4.6	5.4	- 0.3
Items which will in future be recognised in profit or loss	**- 28.9**	**16.2**	**- 15.2**	**2.4**
Actuarial gains / losses from pensions and similar obligations				
Change in actuarial gains / losses, net	- 43.4	25.4	- 18.6	-
Tax effect	14.4	- 8.3	6.2	- 0.1
Items which will not be recognised in profit or loss in future	**- 29.0**	**17.1**	**- 12.4**	**- 0.1**
Other comprehensive income	**- 57.9**	**33.3**	**- 27.6**	**2.3**
Total comprehensive income	**64.1**	**507.6**	**24.4**	**36.4**
Attributable to:				
DAIG shareholders	59.4	502.5	22.4	34.7
Non-controlling interests	4.7	5.1	2.0	1.7

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

Consolidated Balance Sheet

€ million	Notes	Sep. 30, 2014	Dec. 31, 2013
ASSETS			
Intangible assets		2.8	3.8
Property, plant and equipment		22.7	20.7
Investment properties	13	11,337.4	10,266.4
Financial assets	14	63.9	42.5
Other assets		16.2	16.1
Income tax receivables		0.1	0.1
Deferred tax assets		3.0	3.0
Total non-current assets		**11,446.1**	**10,352.6**
Inventories		1.4	2.5
Trade receivables	15	53.0	103.5
Other financial assets	14	1,101.8	2.1
Other assets		36.5	26.3
Income tax receivables		14.6	12.1
Cash and cash equivalents	16	196.9	547.8
Assets held for sale	17	41.4	45.9
Total current assets		**1,445.6**	**740.2**
Total assets		**12,891.7**	**11,092.8**
EQUITY AND LIABILITIES			
Subscribed capital		240.2	224.2
Capital reserves		1,716.1	1,430.1
Retained earnings		2,098.3	2,178.5
Other reserves		-56.2	-27.3
Total equity attributable to DAIG shareholders		**3,998.4**	**3,805.5**
Non-controlling interests		17.2	12.5
Total equity	18	**4,015.6**	**3,818.0**
Provisions	19	392.2	342.6
Trade payables		0.2	0.3
Other financial liabilities	20	6,986.2	5,553.0
Other liabilities		10.5	9.8
Deferred tax liabilities		1,007.6	925.0
Total non-current liabilities		**8,396.7**	**6,830.7**
Provisions	19	144.5	148.6
Trade payables		44.2	47.6
Other financial liabilities	20	253.7	212.1
Other liabilities		37.0	35.8
Total current liabilities		**479.4**	**444.1**
Total liabilities		**8,876.1**	**7,274.8**
Total equity and liabilities		**12,891.7**	**11,092.8**

Also see the corresponding explanations in the Notes.

Consolidated Cash Flow Statement

€ million	Notes	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013
Profit for the period		122.0	474.3
Net income from fair value adjustments of investment properties	7	-26.9	-540.1
Revaluation of assets held for sale	6	-16.5	-17.2
Depreciation and amortisation		5.1	4.6
Interest expenses/income		203.4	204.9
Income taxes	11	53.8	199.7
Results from disposals of investment properties		-32.4	-19.0
Transactions costs (cash paid) for shares in consolidated companies	3	10.4	-
Other expenses/earnings not affecting net income		0.1	1.1
Changes in inventories		1.1	-1.0
Changes in receivables and other assets		15.0	-6.3
Changes in provisions		-17.0	-30.0
Changes in liabilities		-9.3	-18.5
Payments of tax liabilities (EK02)		-	-114.7
Income tax paid		-2.9	-7.3
Cash flow from operating activities		**305.9**	**130.5**
Proceeds from disposals of investment properties and assets held for sale		264.2	206.8
Proceeds from disposals of intangible assets and property, plant and equipment		0.1	0.2
Proceeds received from disposals of financial assets	14	0.9	0.5
Acquisition of investment properties	13	-148.7	-46.5
Acquisition of intangible assets and property, plant and equipment		-6.3	-4.1
Acquisition of shares in consolidated companies (net of cash acquired)	3	39.3	-
Acquisition of financial assets	3/14	-1,533.6	-
Interest received		4.9	2.8
Cash flow from investing activities		**-1,379.2**	**159.7**
Capital contributions on the issue of new shares (including premium)	18	304.0	400.0
Cash paid to shareholders of DAIG SE	18	-168.2	-
Cash paid to non-controlling shareholders		-11.5	-
Cash proceeds from issuing loans and notes	20	1,806.4	5,275.2
Cash repayments of financial liabilities	20	-1,007.6	-5,797.1
Transaction costs		-19.8	-112.4
Payment of transaction costs in connection with the issue of shares		-3.0	-25.0
Prepayment penalty and commitment interest		-41.7	-26.8
Acquisition/disposal of shares in consolidated companies (net of cash acquired)		2.9	-
Interest paid		-139.1	-193.3
Cash flow from financing activities		**722.4**	**-479.4**
Net changes in cash and cash equivalents		**-350.9**	**-189.2**
Cash and cash equivalents at beginning of the period		547.8	470.1
Cash and cash equivalents at the end of the period*	16	**196.9**	**280.9**

Also see the corresponding explanations in the Notes
* Thereof restricted cash € 37.5 million (Sep. 30, 2013: € 38.9 million)

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	Other reserves – Can be reclassified – Cash flow hedges	Other reserves – Can be reclassified – Available-for-sale financial assets	Other reserves – Total	Equity of DAIG shareholders	Non-controlling interests	Total equity
As at Jan. 1, 2013	**0.1**	**1,052.3**	**1,661.1**	**-47.2**	**0.1**	**-47.1**	**2,666.4**	**11.0**	**2,677.4**
Profit for the period			469.2				469.2	5.1	474.3
Other comprehensive income									
Changes in the period			17.1	1.6		1.6	18.7	0.0	18.7
Reclassification adjustments recognised in income				14.6		14.6	14.6		14.6
Total comprehensive income			486.3	16.2		16.2	502.5	5.1	507.6
Shareholder's capital contributions	24.2	239.1					263.3		263.3
Capital increase from company funds	199.9	-199.9							
Inflow from the stock exchange listing		375.8					375.8		375.8
Cost of the stock exchange listing		-13.6					-13.6		-13.6
As at Sep. 30, 2013	**224.2**	**1,453.7**	**2,147.4**	**-31.0**	**0.1**	**-30.9**	**3,794.4**	**16.1**	**3,810.5**
As at Jan. 1, 2014	**224.2**	**1,430.1**	**2,178.5**	**-27.3**	**0.0**	**-27.3**	**3,805.5**	**12.5**	**3,818.0**
Profit for the period			117.3				117.3	4.7	122.0
Other comprehensive income									
Changes in the period			-29.0	14.0	0.0	14.0	-15.0	0.0	-15.0
Reclassification adjustments recognised in income				-42.9		-42.9	-42.9		-42.9
Total comprehensive income			88.3	-28.9	0.0	-28.9	59.4	4.7	64.1
Capital increase	16.0						16.0		16.0
Premium on the issue of new shares		288.0					288.0		288.0
Transaction costs on the issue of new shares		-2.0					-2.0		-2.0
Dividend distributed by DAIG SE			-168.2				-168.2		-168.2
Changes recognised directly in equity			-0.3				-0.3	0.0	-0.3
As at Sep. 30, 2014	**240.2**	**1,716.1**	**2,098.3**	**-56.2**	**0.0**	**-56.2**	**3,998.4**	**17.2**	**4,015.6**

Also see Note (18) in the Notes.

Selected explanatory notes in accordance with IFRS

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

The Deutsche Annington Immobilien Group (hereinafter: DAIG) is a performance-focused holder and manager of residential real estate in Germany. Our core business is providing affordable housing for broad sections of the population. We also offer additional real estate-related services. A further business activity is portfolio optimisation. To achieve this, we sell selected properties in our portfolio and systematically integrate new housing stock into the Group. Deutsche Annington Immobilien SE is incorporated and domiciled in Germany; its registered office is located in Düsseldorf. The head office (principal place of business) is located at Philippstrasse 3, Bochum.

On September 3, 2014, Deutsche Börse admitted Deutsche Annington Immobilien SE to the MDAX with effect as at September 22, 2014.

The interim consolidated financial statements as at September 30, 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the EU for interim financial statements in accordance with IAS 34. In addition, the supplementary commercial law provisions under Section 315a (1) of the German Commercial Code (HGB) have been considered.

Accounting and measurement as well as the explanations and disclosures are based on the same accounting and measurement policies as those applied to the consolidated financial statements for the 2013 financial year. In line with IAS 34, presentation of the interim consolidated financial statements of DAIG as at September 30, 2014, in condensed form compared with the consolidated financial statements for the year ended December 31, 2013 has been chosen.

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

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

2 CONSOLIDATION PRINCIPLES

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

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

3 SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS INCLUDING EVENTS AFTER THE BALANCE SHEET DATE

In addition to Deutsche Annington Immobilien SE, 90 (Dec. 31, 2013: 101) domestic companies and 22 foreign companies (Dec. 31, 2013: 3) have been included in the interim consolidated financial statements as at September 30, 2014.

The disposals up to September 30, 2014 were the result of 18 mergers and four intra-Group legal reorganisations.

Acquisition of DeWAG's real estate business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Since April 1, 2014, the DeWAG Group has recognised income from property management in the amount of € 41.5 million as well as an earnings contribution in the sense of earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 34.0 million.

If the DeWAG Group had already been fully included in the consolidated group as of January 1, 2014, it would have contributed to the income from property management in the amount of € 62.6 million and to EBITDA in the amount of € 50.6 million.

In the 2014 financial year, transaction costs of € 7.9 million were recognised as other operating expenses.

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

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

Acquisition of Vitus's real estate business including events after the balance sheet date

With the Supervisory Board's approval dated February 28, 2014, the Management Board concluded a share transfer agreement worth approximately € 1.4 billion with Lion Residential Holdings S. à r. l. on April 17, 2014, relating to over 94.9 % of the Vitus Group's real estate business.

With over 30,000 apartments, the Vitus Group is one of the leading housing companies in northern and western Germany. The properties are primarily located in the Rhine-Ruhr-Wupper conurbation as well as in the cities of Bremen and Kiel. The portfolio comprises almost exclusively residential properties that are handled through professional property management as well as value-focused refurbishment and modernisation measures. The northern German stocks in particular are an excellent complement to DAIG's portfolio strategy, including regarding the aspiration to continuously improve the quality of life and housing for tenants by means of efficient business processes while simultaneously improving the shareholders' share values.

The housing stocks and management processes are to be integrated into those of the DAIG in order to realise potential synergies.

When the share transfer agreement was concluded on October 1, 2014, the shares in the acquired Vitus Group companies as well as certain financial receivables and selected other assets were transferred as a contribution in kind in return for the granting of 11,780,000 new ordinary registered shares at a closing rate of € 22.85, corresponding to a consideration in the amount of € 269.2 million. In addition to remuneration in the form of new shares as a consideration for the transfer of shares, the total transaction also included a cash component in the amount of € 53.1 million net and a contingent purchase price component totalling € 4.6 million. Payments totalling € 1,048.6 million were also effected to discharge financial debt. Overall, a total consideration for the shares in the Vitus companies as well as for financial receivables and assets therefore amounted to € 1,375.5 million.

The financial debt of the Vitus companies due to be acquired was repaid by DA Finance B. V., Amsterdam (NL), a DAIG affiliated company, on September 30, 2014, thus re-establishing a debt relationship with DA Finance B. V. DA Finance B. V. likewise paid the cash component of the purchase price on behalf of and for the account of DAIG.

Accordingly, other financial assets in the amount of € 1,101.8 million are disclosed in the condensed interim consolidated financial statements as at September 30, 2014. Funds were provided by drawing down € 495.3 million from the EMTN programme, by € 473.3 million from a term loan dated September 26, 2014, and by availment of the revolving credit facility in the amount of € 124.7 million and also existing liquid funds worth € 8.5 million.

Based on the approval of the Supervisory Board, the Management Board resolved on February 28, 2014, to effect a non-cash capital increase in kind against the granting of 11,780,000 new ordinary registered shares to the exclusion of the subscription rights of the existing shareholders, in order to be able to pay part of the total consideration in shares when the acquisition of Vitus's real estate business was concluded.

The contribution in kind was registered for inclusion in the commercial register as part of the consideration relating to the total transaction in Düsseldorf on October 1, 2014. This registration was made on the basis of an appraisal of the Vitus companies' real estate business dated September 30, 2014, represented by the shares of business attributable to the respective companies. The non-cash capital increase was added to the commercial register and the new shares were created on October 9, 2014. The subscribed capital therefore now totals € 252,022,425.

The securities admission prospectus produced for the non-cash capital increase is dated October 13, 2014, which is the date of the approval granted by the German Federal Financial Supervisory Authority (BaFin). The new shares were approved for trading on the Frankfurt Stock Exchange and on the Luxembourg Stock Exchange, and have been available for trading since October 14, 2014.

The amount and merits of the contingent purchase price obligation are based on the occurrence of the effects of value-enhancing measures relating to the transferred real estate stocks.

On October 9, 2014, DAIG and a subsidiary of LEG Immobilien AG (LEG) signed a purchase and transfer agreement as the seller and the buyer respectively, comprising shares and real estate portfolio stocks of around 9,600 residential units. The portfolio to be transferred is the North Rhine-Westphalia-based portion of the former Vitus portfolio that was acquired by DAIG on October 1, 2014. The stocks were transferred at their fair values in the amount of € 462 million, with offsetting of the corresponding financial debt. Other assets in the amount of € 10 million were also transferred, in addition to the consideration for the transfer of the real estate portfolios. LEG will also contribute to the original transaction costs including restructuring costs proportionate to its real estate stocks.

The acquisition of Vitus's real estate business constitutes a business combination pursuant to IFRS 3.

The preliminary consideration for the acquisition of shares in Vitus companies is made up as follows:

in Mio. €	
Net cash purchase price component	53.1
Equity instruments	269.2
Contingent purchase price obligation	4.6
Total consideration	**326.9**

Allocation of the total purchase price to the acquired asset and liabilities of Vitus's real estate business at fair values as at October 1, 2014 is based on a preliminary external valuation report produced for this purpose. This purchase price allocation already takes into account the assets and liabilities transferred to LEG separately. At the time of acquisition, the intention was already to pass on the portfolios in question in the short term – at no point in time was there any intention of using the acquired stocks for business purposes above and beyond maintaining the ongoing business operations.

The assets and liabilities acquired on the basis of the business combination described and their fair values are provisionally as follows:

€ billion	
Investment Properties	1.00
Cash and cash equivalents	0.06
Accounts to affiliated companies	0.09
Fair value other assets	0.02
LEG portfolio held for sale (net assets)	0.04
Total assets	**1.21**
Other financial liabilities	-0.91
Provisions for pensions and similar obligations	-0.01
Deferred tax liabilities	-0.02
Other liabilities	-0.05
Total liabilities	**-0.99**
Fair value net assets	**0.22**
Consideration	0.33
Goodwill	**0.11**

In connection with the acquisition of the Vitus Group, contingent liabilities worth around € 29 million have been taken into account for existing obligations towards employees.

The goodwill represents synergies from the planned integration of Vitus's real estate business.

The goodwill will be provisionally allocated to business units in northern Germany as identified cash-generating units (CGUs). This allocation of goodwill to geographically selected northern German business units corresponds to the identified synergy potential.

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

During the financial year, transaction costs of € 10.4 million were recognised through profit or loss as other operating expenses. € 2.4 million of which is already cash-effective.

4 ACCOUNTING POLICIES

Changes in accounting policies

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

The prior-year figures have been adjusted as follows:

€ million	Jan. 1 - Sep. 30, 2013	Adjustments Jan. 1 - Sep. 30, 2013	Jan. 1 - Sep. 30, 2013 Restated
Capitalised internal expenses	-	21.5	21.5
Cost of materials	-357.1	-11.0	-368.1
Personnel expenses	-105.7	-6.7	-112.4
Other operating expenses	-63.2	-3.8	-67.0

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

Estimates, assumptions and management judgment

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

Changes in accounting policies due to new Standards and Interpretations

The following new or amended Standards and Interpretations became mandatory for the first time in the 2014 financial year and have no significant effects on the DAIG consolidated financial statements:

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

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

> IFRS 15 "Revenue from Contracts with Customers"

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

> IFRS 9 "Financial Instruments"

IFRS 9 contains revised requirements regarding the classification and measurement of financial assets, including impairment rules, and supplements the new rules regarding hedge accounting published in 2013. The final version of IFRS 9 now published introduces a new impairment model for anticipated losses. In addition, the category "fair value through other comprehensive income" (FVTOCI) has been incorporated into the classification and measurement model for certain debt instruments. The new category has been introduced for business models in which assets are held both for sale and to generate cash flows. This standard therefore replaces all the previous versions of IFRS 9 and applies to all reporting periods beginning on or after January 1, 2018. Early adoption is permissible subject to local regulations. DAIG is examining the effects of the new Standard

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5 INCOME FROM PROPERTY MANAGEMENT

€ million	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013
Rental income	572.7	546.1
Ancillary costs	250.8	239.1
Income from property letting	**823.5**	**785.2**
Other income from property management	13.2	14.3
Income from property management	**836.7**	**799.5**

6 PROFIT ON DISPOSAL OF PROPERTIES

€ million	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013
Income from disposal of investment properties	116.4	98.5
Carrying amount of investment properties sold	-84.0	-79.5
Profit on disposal of investment properties	**32.4**	**19.0**
Income from sale of assets held for sale	96.6	127.6
Retirement carrying amount of assets held for sale	-96.6	-127.6
Revaluation of assets held for sale	16.5	17.2
Profit on disposal of assets held for sale	**16.5**	**17.2**
	48.9	**36.2**

The revaluation of investment properties held for sale led to a gain as at September 30, 2014 of € 16.5 million (1st nine months of 2013: € 17.2 million). After value adjustment, these properties were transferred to "Assets held for sale".

7 NET INCOME FROM FAIR VALUE ADJUSTMENTS OF INVESTMENT PROPERTIES

The measurement of the investment properties led to a net valuation gain as at September 30, 2014 of € 26.9 million (1st nine months of 2013: € 540.1 million) (see note (13) Investment properties).

8 COST OF MATERIALS

€ million	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013 Restated*
Expenses for ancillary costs	246.6	240.2
Expenses for maintenance	100.7	83.9
Other cost of purchased goods and services	35.4	44.0
	382.7	**368.1**

* See Note (4) Changes in accounting policies

9 PERSONNEL EXPENSES

€ million	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013 Restated*
Wages and salaries	108.5	93.5
Social security, pensions and other employee benefits	21.7	18.9
	130.2	**112.4**

* See Note (4) Changes in accounting policies

As at September 30, 2014, 3,436 people (September 30, 2013: 2,815) were employed at DAIG.

10 FINANCIAL EXPENSES

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

In the reporting period, the non-cash interest expense resulting from the application of the effective interest method amounted to € 13.9 million. In the first nine months of 2013, financial expenses were reduced by € 27.6 million through the use of the effective interest method.

Interest expense contains interest accretion to provisions, thereof € 6.8 million (1st nine months of 2013: € 6.1 million) relating to provisions for pensions and € 1.4 million (1st nine months of 2013: € 0.4 million) for other provisions.

In addition, financial expenses in the amount of € 1.9 million in the first nine months of 2013 were affected by the compounding of the obligation to pay lump-sum tax on the previously untaxed EK02 amounts. The income tax liability was repaid in full and ahead of time in the previous year.

In the first nine months of 2014, transaction costs of € 4.1 million were recognised as expenses, while the first nine months of 2013 were impacted by transaction costs of € 17.9 million.

In addition, interest from prepayment penalties and commitment interest negatively impacted results in the amount of € 24.3 million (1st nine months of 2013: € 26.8 million).

In the reporting period, € 11.1 million was recognised as interest expense in connection with swaps (1st nine months of 2013: € 30.5 million).

11 INCOME TAXES

Income taxes at € 5.5 million relate to tax income on current tax (1st nine months of 2013: tax income of € 0.4 million) and € 59.3 million (1st nine months of 2013: € 200.1 million) to deferred taxes. Current tax expense includes tax income for previous years in the amount of € 11.5 million (1st nine months of 2013: tax income of € 6.4 million).

The income tax expense is based on the average effective Group tax rate to be expected for the financial year as a whole. The anticipated effective Group tax rate for 2014 for current and deferred taxes is 30.58 % (1st nine months of 2013: 29.63 %). The Group tax rate contains German corporate income tax and trade tax.

12 EARNINGS PER SHARE

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

	Jan. 1 - Sep. 30, 2014	Jan. 1 - Sep. 30, 2013
Profit for the period attributable to DAIG shareholders (in € million)	117.3	469.2
Weighted average number of shares	236,432,901	208,184,408
Earnings per share (basic and diluted) in €	**0.50**	**2.25**

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 INVESTMENT PROPERTIES

€ million	
Balance on Jan. 1, 2014	**10,266.4**
Additions due to changes in scope of consolidation	1,055.6
Additions	13.6
Capitalised modernisation costs	134.8
Grants received	-0.3
Transfer to assets held for sale	-92.1
Disposals	-84.0
Net income from fair value adjustments of investment properties	26.9
Revaluation of assets held for sale	16.5
Balance on Sep. 30, 2014	**11,337.4**
Balance on Jan. 1, 2013	**9,843.6**
Additions	0.9
Capitalised modernisation costs	90.8
Grants received	-2.0
Transfer from property, plant and equipment	1.1
Transfer to property, plant and equipment	-3.4
Transfer to assets held for sale	-124.7
Disposals	-117.9
Net income from fair value adjustments of investment properties	553.7
Revaluation of assets held for sale	24.3
Balance on Dec. 31, 2013	**10,266.4**

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

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

Valuation parameters	
Management costs residential	average of € 250 per residential unit p. a.
Repair and maintenance costs residential	average of € 9.75 per m² p. a.
Apartment improvement costs for reletting	average of € 3.26 per m² p. a.
Cost increase / inflation	1.5 % p. a.
Market rent	average of € 6.07 per m² p. a.
Market rent increase	average 1.2 % p. a.
Stabilised vacancy rate	average of 2.9 %
Discount rate	average of 6.1 %
Capitalised interest rate	average of 5.0 %
Valuation results	
Net initial yield	4.9 %
In-place rent multiplier	14.4-fold
Fair value per m²	€ 945 per m² of lettable area

The residential property market in Germany continues to develop positively. This can be seen in the development of existing rents of DAIG. In addition to increased rental income, the removal of rent restrictions and modernisation work in the portfolio led to positive effects on the value of the real estate and, compared to the end of the year, to net income from fair value adjustments of € 26.9 million in the nine-month period ending September 30, 2014.

DAIG reached an agreement to strive to acquire approximately 5,000 housing units for around € 323 million (order commitment) by April 1, 2015.

14 FINANCIAL ASSETS

€ million	Sep. 30, 2014 non-current	Sep. 30, 2014 current	Dec. 31, 2013 non-current	Dec. 31, 2013 current
Other investments	1.6	-	1.6	-
Loans to other investments	33.6	-	33.6	-
Securities	2.9	-	3.7	-
Other long-term loans	3.5	-	3.6	-
Derivatives	22.3	-	-	-
Benefits relating to acquisition of Vitus-group*	-	1,101.8	-	-
Dividends from other investments	-	-	-	2.1
	63.9	**1,101.8**	**42.5**	**2.1**

* See Note (3) Scope of consolidation

15 TRADE RECEIVABLES

€ million	Sep. 30, 2014	Dec. 31, 2013
Receivables from the sale of properties	39.5	90.5
Receivables from property letting	13.1	12.0
Receivables from other management	0.4	1.0
	53.0	**103.5**

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cheques and deposits at banking institutions with an original term of up to three months totalling € 196.9 million (Dec. 31, 2013: € 547.8 million).

Of these bank balances, € 37.5 million (Dec. 31, 2013: € 49.1 million) are restricted with regard to their use.

17 ASSETS HELD FOR SALE

Assets held for sale of € 41.4 million (Dec. 31, 2013: € 45.9 million) contain the carrying amounts of properties held for sale for which there is a concrete intention to sell and whose sale within the next twelve months is highly probable.

18 EQUITY

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

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

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

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

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

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

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

19 PROVISIONS

The provisions as at September 30, 2014 comprise provisions for pensions totalling € 331.5 million (Dec. 31, 2013: € 291.0 million), tax provisions for current income tax of € 57.2 million (Dec. 31, 2013: € 64.4 million) and other provisions totalling € 148.0 million (Dec. 31, 2013: € 135.8 million).

The increase in pension provisions compared with 2013 is largely a result of the recognition of actuarial losses, which are due to the reduction of the discount rate to 2.3 % (Dec. 31, 2013: 3.3 %). Actuarial losses were recognised in equity not affecting net income.

20 OTHER FINANCIAL LIABILITIES

€ million	Sep. 30, 2014 non-current	Sep. 30, 2014 current	Dec. 31, 2013 non-current	Dec. 31, 2013 current
Other non-derivative financial liabilities				
Banks	2,761.3	171.0	2,512.7	150.6
Other creditors	4,165.9	14.3	2,970.9	25.7
Deferred interest from other non-derivative financial liabilities	-	58.9	-	26.8
Derivative financial liabilities				
Purchase price liabilities from put options	-	18.3	-	7.4
Cash flow hedges	59.0	-	69.4	-
Deferred interest from cash flow hedges	-	- 8.8	-	1.6
	6,986.2	**253.7**	**5,553.0**	**212.1**

For hedge accounting purposes, the deferred interest from cash flow hedges is included in the carrying amount of interest rate swaps. The deferred interest from cash flow hedges mainly consists of a receivable relating to the cross currency interest rate swap, as gross settlement had been agreed with the bank and payment was received from the bank after the closing date.

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 € 55.1 million lower than the recognised value.

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

€ million	Sep. 30, 2014	Dec. 31, 2013
Bond*	700.0	700.0
Bond*	600.0	600.0
Bond (US dollar)*	554.9	554.9
Bond (US dollar)*	184.9	184.9
Bond (EMTN)*	500.0	500.0
Bond (EMTN)*	500.0	-
Bond (Hybrid)*	700.0	-
Term Loan*	475.0	-
Portfolio loans		
Landesbank Hessen-Thüringen and SEB AG*	-	248.5
Norddeutsche Landesbank (1)*	142.6	144.2
Corealcredit Bank AG*	159.3	162.3
Berlin-Hannoversche Hypothekenbank (Landesbank Berlin)*	597.4	640.9
Nordrheinische Ärzteversorgung	37.1	38.5
AXA S.A. (Société Générale S. A.)*	164.3	174.8
Norddeutsche Landesbank (2)*	127.2	129.4
Berlin-Hannoversche Hypothekenbank, Landesbank Berlin and Landesbank Baden-Württemberg*	440.6	465.5
Pfandbriefbank AG*	181.2	190.3
Deutsche Hypothekenbank*	185.3	-
Credit line	124.7	-
Mortgages	719.3	993.9
	7,093.8	**5,728.1**

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

As at September 30, 2014, scheduled repayments of € 42.8 million and unscheduled repayments of € 964.8 million had been made across the entire DAIG Group. New loans of € 1,806.4 million were taken out.

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

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

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

Issuance of a hybrid bond

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

Term loan

On September 16, 2014, Deutsche Annington Finance B. V. concluded a term loan with Barclays Bank plc and J. P. Morgan Limited in the amount of € 475 million, which was paid out in full on September 26, 2014, to finance the Vitus acquisition. The loan agreement had a maximum term of 18 months and is subject to interest on the basis of EURIBOR with a mark-up.

HSH Nordbank

A loan with a volume of € 131.5 million, which was granted by HSH Nordbank on December 12, 2013, was acquired in connection with the acquisition of the DeWAG Group. The loan was repaid in full with instalments paid on June 30, 2014, and July 16, 2014.

Deutsche Hypothekenbank (Actien-Gesellschaft)

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

OTHER NOTES AND DISCLOSURES

21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

Measurement categories and classes:			Amounts recognised in balance sheet according to IAS 39							
€ million	Measurement category in acc. with IAS 39	Carrying amounts Sep. 30, 2014	Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Sep. 30, 2014	Fair-value hierarchy level
Assets										
Cash and cash equivalents	LaR	196.9	196.9						196.9	1
Trade and other receivables										
Receivables from the sale of properties	LaR	39.5		39.5					39.5	2
Receivables from property letting	LaR	13.1		13.1					13.1	2
Receivables from other management	LaR	0.4		0.4					0.4	2
Financial assets										
Loans to other investments	LaR	33.6		33.6					48.1	2
Other long-term loans	LaR	3.5		3.5					3.5	2
Purchase financial assets regarding Vitus-Group	LaR	1,101.8		1,101.8					1,101.8	2
Other non-derivative financial assets										
Long-term securities	AfS	2.9					2.9		2.9	1
Other investments	AfS	1.6			1.6				1.6	n.a.
Derivative financial assets										
Cash flow hedges (cross currency swaps)	n.a	22.3							22.3	2
Liabilities										
Trade and other payables										
Liabilities from property letting	FLAC	21.6		21.6					21.6	2
Liabilities from other goods and services	FLAC	22.8		22.8					22.8	2
Other non-derivative financial liabilities										
Liabilities to banks	FLAC	2,932.3		2,932.3					2,978.8	2
Liabilities to other lenders	FLAC	4,087.9		4,087.9					4,348.0	2
Deferred interest from other non-derivative financial liabilities	FLAC	58.9		58.9					58.9	2
Liabilities from finance leases	n.a.	92.4						92.4	126.6	2
Derivative financial liabilities										
Purchase price liabilities from put options	FLHfT	18.3				18.3			18.3	3
Cash flow hedges (cross currency swaps)	n.a.	4.8							4.8	2
Cash flow hedges (interest rate swaps)	n.a.	54.2							54.2	2
Deferred interest from cash flow hedges	n.a.	-8.7							-8.7	2
thereof aggregated by measurement categories in accordance with IAS 39										
Loans and receivables	LaR	1,388.8	196.9	1,191.9	-	-	-	-	1,403.3	
Available-for-sale financial assets	AfS	4.5	-	-	1.6	-	2.9	-	4.5	
Financial liabilities held-for-trading	FLHfT	18.3	-	-	-	18.3	-	-	18.3	
Financial liabilities measured at amortised cost	FLAC	7,123.5	-	7,123.5	-	-	-	-	7,430.1	
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								
Provisions for pensions and similar obligations		331.5								

Measurement categories and classes:			Amounts recognised in balance sheet according to IAS 39							
€ million	Measurement category in acc. with IAS 39	Carrying amounts Dec. 31, 2013	Face value	Amortised cost	Acquisition cost	Fair value affecting net income	Fair value recognised in equity	Amounts recognised in balance sheet in acc. with IAS 17	Fair value Dec. 31, 2013	Fair-value hierarchy level
Assets										
Cash and cash equivalents	LaR	547.8	547.8						547.8	1
Trade and other receivables										
Receivables from the sale of properties	LaR	90.4		90.4					90.4	2
Receivables from property letting	LaR	12.1		12.1					12.1	2
Receivables from other management	LaR	1.0		1.0					1.0	2
Other assets										
Receivables from related parties	LaR	3.0		3.0					3.0	2
Financial assets										
Loans to other investments	LaR	33.6		33.6					37.4	2
Other long-term loans	LaR	3.6		3.6					3.6	2
Dividends from other investments	LaR	2.1		2.1					2.1	2
Other non-derivative financial assets										
Long-term securities	AfS	3.7					3.7		3.7	1
Other investments	AfS	1.6			1.6				1.6	n.a.
Liabilities										
Trade and other payables										
Liabilities from property letting	FLAC	19.5		19.5					19.5	2
Liabilities from other goods and services	FLAC	28.4		28.4					28.4	2
Other non-derivative financial liabilities										
Liabilities to banks	FLAC	2,663.3		2,663.3					2,756.2	2
Liabilities to other lenders	FLAC	2,904.7		2,904.7					2,945.5	2
Deferred interest from other non-derivative financial liabilities	FLAC	26.8		26.8					26.8	2
Liabilities from finance leases	n.a.	91.9						91.9	109.4	2
Derivative financial liabilities										
Purchase price liabilities from put options	FLHfT	7.4				7.4			7.4	3
Cash flow hedges (cross currency swaps)	n.a.	24.7				10.6	14.1		24.7	2
Cash flow hedges (interest rate swaps)	n.a.	44.7				6.9	37.8		44.7	2
Deferred interest from cash flow hedges	n.a.	1.6				1.6			1.6	2
thereof aggregated by measurement categories in accordance with IAS 39										
Loans and receivables	LaR	693.6	547.8	145.8	-	-	-	-	697.4	
Available-for-sale financial assets	AfS	5.3	-	-	1.6	-	3.7	-	5.3	
Financial liabilities held-for-trading	FLHfT	7.4	-	-	-	7.4	-	-	7.4	
Financial liabilities measured at amortised cost	FLAC	5,642.7	-	5,642.7	-	-	-	-	5,776.4	
Financial assets and financial liabilities not covered by IAS 39										
Employee benefits in accordance with IAS 19										
Gross presentation: right to reimbursement corresponding to indirect obligation arising from transferred pension obligations		8.1								
Provisions for pensions and similar obligations		291.0								

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

€ million	Sep. 30, 2014	Level 1	Level 2	Level 3
Assets				
Investment properties	11,337.4			11,337.4
Available-for-sale financial assets				
Non-current securities	2.9	2.9		
Assets held for sale				
Investment properties (contract closed)	41.4		41.4	
Derivative financial assets				
Cash flow hedges	22.3		22.3	
Liabilities				
Derivative financial liabilities				
Purchase price liabilities from put options	18.3			18.3
Cash flow hedges	50.2		50.2	

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

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

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

DAIG measures its investment properties on the basis of the discounted cash flow (DCF) methodology (Level 3). The main measurement parameters and results may be found in Note (13) Investment Properties.

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

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

For the measurement of non-derivative and derivative financial instruments, cash flows are initially calculated and then discounted. In addition to the tenor-specific EURIBOR rates (3M; 6M), the respective credit risk is taken as a basis for discounting. Depending on the expected cash flows, either DAIG's own credit risk or the counterparty risk is taken into account in the calculation. For the interim consolidated financial statements generally DAIG's own credit risk was relevant. This credit risk is derived for major risks from rates observable on the capital markets and ranges between 35 and 90 basis points, depending on the residual maturities of financial instruments.

Other non-derivative financial liabilities are measured at fair value by discounting contractually agreed future cash flows.

The fair value of the purchase price obligations from put options granted to minority shareholders for the shares they hold is generally based on the going concern value of the company; if a contractually agreed minimum purchase price exceeds this amount, the 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 following table shows the development of the put options:

€ million	Jan. 1	Change scope of consolidation	Change affecting net income	cash-effective	Sep. 30
2014					
Purchase price liabilities from put options	7.4	18.6	0.5	-8.2	18.3
2013					
Purchase price liabilities from put options	7.0	-	0.5	-0.1	7.4

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

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

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

22 FINANCIAL RISK MANAGEMENT

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

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, the nominal volume of the interest rate swaps amounted to € 737.6 million (December 31, 2013: € 996.4 million). Interest rates vary between 1.295 % and 4.470 % with original swap periods of between 4.75 and 10 years.

The nominal volume of the cross currency swaps is € 739.8 million at the reporting date (December 31, 2013: € 739.8 million). The interest conditions are 2.970 % for four years and 4.580 % for 10 years.

As part of the cash flow hedge accounting, as at September 30, 2014, the non-current derivatives with negative fair values totalling € 59.0 million (December 31, 2013: € 71.0 million) were shown under other financial liabilities, accompanied by non-current derivatives with positive fair values totalling € 22.3 million shown under other financial assets (Dec. 31, 2013: € 0.0 million).

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

24 SEGMENT REPORTING

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

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

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

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

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

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

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

Internal reporting is generally based on the IFRS reporting standards.

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

€ million	Rental	Sales	Other*	Group
Jan. 1 - Sep. 30, 2014				
Segment revenues	**572.7**	**213.0**	**264.0**	**1,049.7**
Carrying amount of properties sold		- 180.6		
Revaluation from disposal of assets held for sale		18.8		
Maintenance	- 106.4			
Operating expenses	- 101.8	- 15.5	- 264.0	
EBITDA (adjusted)	**364.5**	**35.7**	**0.0**	**400.2**
Non-recurring items				- 40.5
Period adjustments from assets held for sale				- 2.3
EBITDA IFRS				**357.4**
Net income from fair value adjustments of investment properties				26.9
Depreciation and amortisation				- 5.1
Income from other investments				- 0.9
Financial income				4.2
Financial expenses				- 206.7
EBT				**175.8**
Income taxes				- 53.8
Profit for the period				**122.0**

* Includes ancillary costs of € 250.8 million and other income from property management of € 13.2 million

€ million	Rental	Sales	Other*	Group
Jan. 1 - Sep. 30, 2013				
Segment revenues	**546.1**	**226.1**	**253.4**	**1,025.6**
Carrying amount of properties sold		- 207.1		
Revaluation from disposal of assets held for sale		18.3		
Maintenance	- 105.1			
Operating expenses	- 105.3	- 9.9	- 253.4	
EBITDA (adjusted)	**335.7**	**27.4**	**0.0**	**363.1**
Non-recurring items				- 18.5
Period adjustments from assets held for sale				- 1.1
EBITDA IFRS				**343.5**

€ million	Rental	Sales	Other*	Group
Net income from fair value adjustments of investment properties				540.1
Depreciation and amortisation				-4.6
Income from other investments				-0.7
Financial income				16.8
Financial expenses				-221.1
EBT				**674.0**
Income taxes				-199.7
Profit for the period				**474.3**

* Includes ancillary costs of € 239.1 million and other income from property management of € 14.3 million

€ million	Rental	Sales	Other*	Group
Jul. 1 - Sep. 30, 2014				
Segment revenues	**196.0**	**74.1**	**89.4**	**359.5**
Carrying amount of properties sold		-59.7		
Revaluation from disposal of assets held for sale		5.6		
Maintenance	-37.3			
Operating expenses	-30.2	-6.7	-89.4	
EBITDA (adjusted)	**128.5**	**13.3**	**0.0**	**141.8**
Non-recurring items				-9.8
Period adjustments from assets held for sale				-0.4
EBITDA IFRS				**131.6**
Net income from fair value adjustments of investment properties				6.1
Depreciation and amortisation				-1.7
Income from other investments				-0.5
Financial income				1.4
Financial expenses				-61.7
EBT				**75.2**
Income taxes				-23.2
Profit for the period				**52.0**

* Includes ancillary costs of € 85.2 million and other income from property management of € 4.2 million

€ million	Rental	Sales	Other*	Group
Jul. 1 - Sep. 30, 2013				
Segment revenues	**182.1**	**59.2**	**85.2**	**326.5**
Carrying amount of properties sold		-53.1		
Revaluation from disposal of assets held for sale		5.6		
Maintenance	-33.6			
Operating expenses	-34.9	-3.9	-85.2	
EBITDA (adjusted)	**113.6**	**7.8**	**0.0**	**121.4**

€ million	Rental	Sales	Other*	Group
Non-recurring items				-4.3
Period adjustments from assets held for sale				0.5
EBITDA IFRS				**117.6**
Net income from fair value adjustments of investment properties				16.2
Depreciation and amortisation				-1.8
Income from other investments				-0.5
Financial income				9.7
Financial expenses				-92.7
EBT				**48.5**
Income taxes				-14.4
Profit for the period				**34.1**

* Includes ancillary costs of € 79.9 million and other income from property management of € 5.3 million

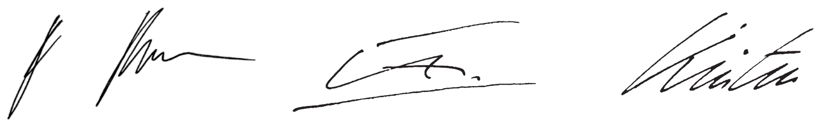
25 CONTINGENT LIABILITIES

The property transfer obligations decreased by € 9.9 million from € 12.6 million as at December 31, 2013, to € 2.7 million. A detailed description of contingent liabilities can be found in the consolidated financial statements as at December 31, 2013.

26 SHARE-BASED PAYMENTS FOR EXECUTIVES

With effect from January 1, 2014, the Management Board of DAIG has resolved a virtual share programme (new LTIP) for DAIG's level 1 (L1) executives. This programme constitutes a long-term variable remuneration instrument to encourage the L1 executives to participate in the company's long-term development. On January 1 of each calendar year, the L1 executives will receive virtual shares (performance share units, "PSU") in line with their level of target achievement. In accordance with IFRS, the new LTIP programme has resulted in total expenses of € 0.2 million as at September 30, 2014.

Düsseldorf, October 24, 2014



Rolf Buch Klaus Freiberg Dr A. Stefan Kirsten

Review Report

To Deutsche Annington Immobilien SE, Düsseldorf:

We have reviewed the condensed interim consolidated financial statements of the Deutsche Annington Immobilien SE – comprising Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the condensed interim consolidated financial statements – together with the interim group management report of the Deutsche Annington Immobilien SE for the period from January 1 to September 30, 2014, that are part of the semi annual financial report according to § 37x Abs. 3 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, October 29, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Glossary

GLOSSARY OF THE KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

EPRA (European Public Real Estate Association)
Organisation domiciled in Brussels which represents the interests of the large European property companies in the public eye and supports the development and market presence of the European publicly listed real estate companies.

EPRA NAV
EPRA NAV is used as an indicator of Deutsche Annington's long-term equity and is calculated based on the net asset value ("EPRA NAV") excluding the fair value of derivative financial instruments (net) and deferred taxes.

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

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

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

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

FFO 1/FFO 1 before maintenance/FFO2/AFFO
The Deutsche Annington Immobilien Group differentiates between the following:

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

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

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

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

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

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

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

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Financial Calendar

March 5, 2015	Publication of 2014 Annual Report
April 30, 2015	Interim Report January – March, 2015
April 30, 2015	Annual General Meeting
July 29, 2015	Interim Report January – June, 2015
November 3, 2015	Interim Report January – September, 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 2013 Annual Report. We do not assume any obligation to update the forward-looking statements contained in this report. This financial report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security of Deutsche Annington Immobilien SE.

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