Unaudited Interim Financial Report 2019

Vonova Finance B.V.,

Amsterdam

VONOVIA

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History

Vonovia Finance B.V., Amsterdam ("FINANCE B.V." or "the company") was founded by Vonovia SE in 2013 as a wholly owned subsidiary following the IPO of Vonovia SE, Bochum, Germany, with the intention of acting as a main contributor to the execution of the finance strategy, in particular with the debt capital markets. It was founded to act as a financing company and to arrange for debt financings on the international debt capital markets, primarily by issuing bonds, preferably through Luxembourg.

The finance strategy is to pursue various complementary objectives simultaneously, so as to ensure sufficient liquidity at all times based on a sustainable equity-funding ratio with a balanced structure and maturity of debt financing. This ensures a favorable LTV (loan-to-value) ratio while optimizing funding expenses and simultaneously ensuring the rating classification. Making use of a Dutch financing company is in line with international practice.

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia SE from Standard & Poor's (S&P), the company has good access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The unsecured and unsubordinated bonds share the same BBB+ investment grade rating as Vonovia SE. The most recent confirmation of the rating by S&P is from May 8, 2019. The hybrid bond has a regular rating two notches lower at BBB-. The short-term credit rating of A-2 from S&P has been confirmed.

The function of FINANCE B.V. as a financing vehicle of Vonovia Group is set up in such a way that it earns an arm's-length margin on the intercompany loans in excess of its borrowing costs on bonds. This should leave the company with sufficient residual earnings and cash flows, less certain operational charges and charges for central services provided through Vonovia SE. Essentially, future earnings will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and operational charges. Based on that, FINANCE B.V. will achieve a reasonable profit and cash flow under these circumstances. The liquidity of the company is ensured through the cash pool of Vonovia Group.

Common Dutch practice is to have a tax ruling for these international transactions within the Vonovia Group. The company has entered an advance pricing agreement with the Dutch tax authorities for the period until December 31, 2020.

Given the relevance of FINANCE B.V., a Supervisory Board was established in order to act in accordance with good corporate governance practices in the market and to monitor the operational business activities of the entity. It also ensures a seamless formal interface with the parent and a qualified monitoring of the financing activities.

The Vonovia group's broad access to the capital markets offers a competitive distinction in the German real estate business and represents a clear strategic advantage. Without having had fast and direct access to the international debt market, the company's growth in recent years would not have taken place.

Debt Capital Markets

The company has issued various debt instruments over the years like EUR-bonds, EMTN-bonds, USD-bonds and hybrids. The bonds issued by FINANCE B.V. are supported by the unconditional and unlimited guarantee of Vonovia SE.

Most popular are the EMTN-bonds that are issued under the European Medium-Term Notes Program (EMTN Program). This program allows the company to raise funds on a short-term basis without significant administrative efforts. The EMTN Program with a total issuance volume of € 20.0 billion is updated annually, and the corresponding base prospectus is supplemented any time new material information becomes available. Last update was on 25th March 2019. Each update and supplement of the program is approved by the regulatory authority of the Grand Duchy of Luxembourg (Commission de Surveillance du Secteur Financier, CSSF) and the bonds issued under the EMTN Program have been accepted for listing on the Luxembourg Stock Exchange. The total utilization of the EMTN Program issuance volume is € 12,350 million as of June 30, 2019.

Below you can see a table with all the outstanding bonds as of June 30, 2019:

Total outstanding in € millions	#	Notional Amount	avg. Coupon	rem. Term (y)
EUR-Bond	1	600	3.125 %	0.1
USD-Bond	1	185	4.580 %	4.3
Hybrid	1	1,000	4.000 %	2.5
EMTN fix	19	11,250	1.622 %	5.4
EMTN floating	2	1,100	0,405 %	2.1
Total	**24**	**14,135**	**1.798 %**	**4.7**

As of June 30, 2019, FINANCE B.V. has a total indebtedness of € 14,135 million related to the bond program without the commercial papers, which has been on-lent to Vonovia Group entities. The average coupon is 1.80 % and the average maturity is 4.7 years.

The average maturity for the € 1,000 million hybrid bond is based on the first opt-out date on December 17, 2021.

The bonds are placed on the debt capital market mainly with European banks, asset managers and insurance companies. The placement to the U.S. market is normally done by private placements, but thus far the company only has one "Yankee bond" outstanding.

In order to complement these bonds with maturities of 1 year and longer, a debt instrument with a maturity less than a year has been launched. In 2017, a commercial paper program with an initial volume of € 500 million has been increased to € 1,000 million. At the beginning of 2019, € 420 million was outstanding under the program and have been paid back on February 14, 2019. There are no commercial papers outstanding on June 30, 2019, but the program is still active.

The commercial papers are sold via the company's dealer-banks. The ultimate owners of these papers are large European companies who have short term excess cash. The program has been very successful, since FINANCE B.V. receives more than it should repay due to the negative interest. The last tranches had a yield to maturity of negative 23 basis points. In the first half year of 2019 FINANCE B.V. received € 117 k as interest income due to the CP Program.

In the meantime, the Vonovia Group has established as one of the most frequent bond issuer globally. The average bond volume issued per year was around € 3,025 million between 2015 and 2018, which represents the 14th-biggest issuer of the top 15 euro-investment grade-ranked companies worldwide – as calculated by Dealogic as of January 3, 2019.

Operations the first half of 2019

On January 29, 2019, FINANCE B.V. issued a bond again under the EMTN Program with a total volume of € 500 million. The bond has a coupon of 1.80 % and a maturity date of June 29, 2025. These funds have been used to repay all the outstanding amounts under the commercial paper program.

The € 700 million hybrid bond has been repaid based on the first opt-out date on April 8, 2019 by using the existing group-liquidity.

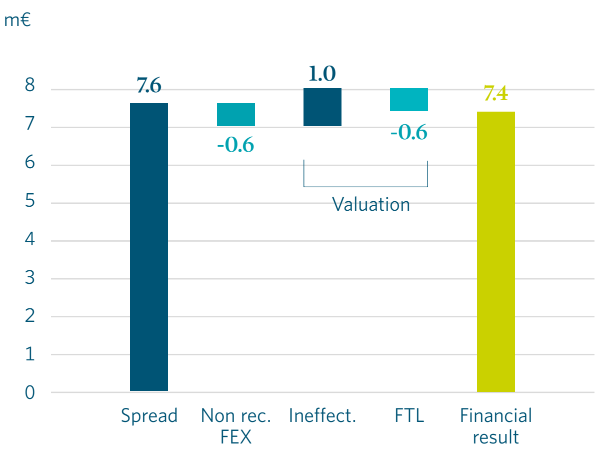
The most recent confirmation of the ratings by S&P is from May 8, 2019.

Financial Result

FINANCE B.V. closed the first half year of 2019 fiscal year with a net income of € 5.2 million, which was essentially driven by the normal course of business. The company has earned a reasonable income of € 21.4 million from the margin between the incurred interest on borrowing and the earned interest on-lending.

After subtracting € 8.6 million of amortized finance expenses, € 4.8 million of amortized of "frozen" OCI from the termination of several pre-hedges and € 0.4 million valuation effects, the spread is € 7.6 million.

The picture below shows the bridge between spread to the financial result. The non-recoverable financial expenses relate mainly to the yearly update of the credit rating. The valuation effects result from ineffectiveness from the hedge accounting methodology in the amount of positive € 1.0 million and from first-time losses of the CCS in the amount of negative € 0.6 million.



FINANCE B.V. is included in the consolidated financial statements of Vonovia SE, prepared in accordance with IFRS as endorsed in the EU.

Risk Management

Vonovia SE serves within the Vonovia Group as a management holding and the cash-pool leader. FINANCE B.V. is an integral part of the Vonovia SE risk and control management system and is monitored by the middle office of the Vonovia Treasury department. This department takes care of the main business risks of FINANCE B.V., which include the interest rate risk, the liquidity risk, the counterparty risk and, to a certain degree, the currency risk. Vonovia Treasury is also responsible for executing reasonable hedging of these risks. FINANCE B.V. is furthermore subject to regular internal audit procedures.

The operational execution of tasks and day-to-day business are performed by the staff of FINANCE B.V.

FINANCE B.V. is included in the risk management and internal control system of the Vonovia Group. The shareholder Vonovia SE has a series of standards, procedures and systems for identifying, measuring and managing different types of risk. These are described in its annual reports, which are publicly available under www.vonovia.de

Organizationally, risk management is assigned directly to the Management Board of Vonovia SE, which regularly monitors its effectiveness. The Management Board has overall responsibility for the risk management system. It decides on the organizational structures and workflows of risk management and provision of resources. It approves the documented risk management findings and takes account of them in steering the company. The Audit Committee of the Supervisory Board of Vonovia SE monitors the effectiveness of the risk management system. Executives belonging to the first level below the Management Board are appointed as risk owners and, in this role, assume responsibility for the identification, assessment, documentation and communication of all material risks in their area of responsibility. The Supervisory Board of FINANCE B.V. is making use of these assessments in its own risk evaluation. Therefore, FINANCE B.V. has, in general, a conservative attitude towards risk and is avoiding any high risk appetite.

The financial risks have been identified as the main risks to be monitored. The financial risks of the company are managed through matching interest expenses from its borrowings with interest income from loans to the Group companies. Interest rate risk and foreign currency risk are generally mitigated by corresponding derivative instruments. Derivatives are contracted with major financial institutions with a high credit rating.

In order to minimize the liquidity risk, the cash flow risk and for fair value risk management, FINANCE B.V. is part of the Vonovia Group cash-pooling system. There is a significant concentration of credit risk as all borrowings are on-lent to Vonovia Group companies. However, the sole shareholder acts as a general guarantor for all the borrowings. Therefore, the risk of FINANCE B.V. is the same as that of Vonovia SE.

On the next page the current risk profile is determined on the basis of this risk analysis and the control measures. The current risk profile is assessed and compared with the desired risk profile. Action plans are drawn up for each risk if the current profile is graded at a higher level than the desired risk profile to further control/reduce the existing exposure. So far, no action plan is necessary.

Risk Area	Risks	Controls/Mitigation	Risk appetite low – medium – high
Strategic	Unsecured funding less attractive than secured	Certain amount of unsecured funding required by rating agency/ bond covenants	medium
		Unsecured market is deeper and quicker accessable as secured funding	medium
Operational	Liquidity risk	Cash pool with Vonovia SE	low
	Refinancing risk	Increased product offering (CP/ RCF)	medium
Financial	Interest rate risk and foreign currency risk	Derivatives (IRS, XCS, Caps)	low
	Counterparty risk	Continuously monitoring	low
	Cash flow risk and fair value risk management	Applying hedge accounting	low
Compliance	International tax compliance	Bilateral APA	medium
	Compliance with code of conduct/corp. governance	Continuously monitoring	low

= current risk profile = preferred risk profile

Outlook

FINANCE B.V.'s financing depends on the conditions of the capital market, which are very favorable at the moment due to the low interest rates and to the favorable mispricing of the unsecured loans. However, the mispricing has become less favorable, making secured funding for the longer tenors more attractive.

During the year, the ECB has confirmed the commitment to keep interest rates low for the foreseeable future, reassured by measures taken on June 6th to keep present levels at least through H1 2020, while main refinancing rate and Deposit facility were left unchanged.

Other measures to be implemented consider potential reinvestment in maturities from asset purchase program, and a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) starting in September 2019 and ending in March 2021.

In the first week of July, it was announced that Ms. Christine Lagarde (Managing Director and Chairwoman of the IMF) was nominated to succeed Mr. Mario Draghi as president of the ECB. Although her views on monetary policy are not well known yet, it is safe to assume that they are close to those expressed by the IMF in recent years, which have supported Mr. Draghi's policies.

Leaving the impact from the valuation of derivatives and financial instruments aside, for 2019, management expects a positive result alongside the intended profit margin from the normal course of business, which may offset the negative impacts from the remaining aforementioned valuation effects from derivatives.

In February 2019 the Dutch tax authorities asked FINANCE B.V. for a compliance letter on the unilateral APA for the years 2016-2018. Compliance letter was sent confirming

> facts and circumstances are as agreed in the APA
> tax margin is applied as agreed in the APA
> critical assumptions have been met.

On July 4, 2019 the Dutch tax inspectors visited the office to meet the Dutch directors. After the visit the inspectors wrote a report confirming the good standing of the company in respect of the APA.

On July, 12, 2019, FINANCE B.V. has filed a Dutch-German bilateral APA in order to mitigate the future risk of double taxation for the years 2018-2020 with a roll back for the years 2016-2017. The discussions with the competent tax authorities in both countries are ongoing.

The company has six employees in total as per June 30, 2019, as of December 31, 2018, the company had five employees.

As of January 1, 2013, a new law on management and supervision (Wet Bestuur en Toezicht) came into effect in the Netherlands. The purpose of this law is to attain a balance of men and women (at least 30 % of each gender) on the board of directors and the supervisory board of large entities (as defined in said law). After considering the current nature and activities of the Group and the knowledge and expertise of the current board members, the existing composition of the Board of Directors and the Supervisory Board is considered appropriate. However, the new law will be taken into account when appointing future members of the Management Board and the Supervisory Board. The men/women rate of the Supervisory Board is more than 30 %.

Responsibility Statement

The Management Board has declared that, to the best of its knowledge:

> The interim financial statements for the six month period ending June 30, 2019, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

> The Management Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

Amsterdam, August 29, 2019

Original has been signed by
Thorsten Arsan (Chairman)

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Unaudited Interim Financial Statements

Balance Sheet as of June 30, 2019

(before distribution of profit/loss)

in € thousand	Note	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Assets			
Fixed assets			
Tangible fixed assets	5	11	8
Financial fixed assets			
Receivables from affiliated companies and shareholder	6	14,636,498	14,019,057
Receivables from derivatives	22	15,689	22,318
Deferred tax assets	7	6,313	6,459
		14,658,511	14,047,842
Current assets			
Financial current assets			
Receivables from affiliated companies and shareholder	6	213,189	242,459
Receivables from derivatives		605	860
Other assets	8	299	1,888
Cash and cash equivalents	9	1	1
		214,094	245,208
Total assets		**14,872,605**	**14,293,050**

in € thousand	Note	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Equity and Liabilities			
Equity			
Subscribed capital		18	18
Share premium reserve		100,000	100,000
Cash flow hedge reserve	22	-57,858	-53,818
Other reserves		7,567	17,182
Unappropriated profit		9,615	5,233
Total shareholder's equity	10	59,342	68,615
Long-term liabilities			
Hybrid bond	10/11	995,221	995,767
Total capital base	10	1,054,563	1,064,382
Long-term liabilities			
Bonds	11	11,474,634	11,481,604
Derivative financial liabilities	22	7,491	13,327
		11,482,125	11,494,931
Current liabilities			
Bonds	11	1,799,527	1,599,327
Commercial papers	11	420,000	-
Accrued liabilities	12	116,323	134,323
Other liabilities	12	67	87
		2,335,917	1,733,737
Total equity and liabilities		14,872,605	14,293,050

Income Statement for the Period from January 1 to June 30, 2019

in € thousand	Note	Jan.–Jun. 2018 Unaudited	Jan.–Jun. 2019 Unaudited
Income			
Interest and similar income	13	159,175	163,261
Expenses			
Interest and similar expenses	13	-153,408	-155,816
Financial result		5,767	7,445
Other operating income	14	0	0
Personnel expenses	15	-152	-295
Depreciation of tangible fixed assets	16	-3	-3
Other operating expenses	18	-166	-293
Total expenses		-321	-591
Profit before taxation		5,446	6,854
Income taxation	19	-1,387	-1,621
Profit for the year		**4,059**	**5,233**

Statement of Cash Flows for the Period from January 1 to June 30, 2019

in € thousand	Note	Jan.–Jun. 2018 Unaudited	Jan.–Jun. 2019 Unaudited
Profit for the period		4.059	5.233
Cash flows from operating activities			
Adjustments for:			
Cash flow hedge reserve		-1,578	4,040
Bonds (long-term liabilities)	11	2,378,077	6,971
Bonds and commercial papers (current liabilities)	11	288,272	-620,199
Hybrid (perpetual)	10/11	517	546
Receivables to affiliated companies and shareholder	6	-2,723,397	588,173
Derivative financial instruments	22	2,676	-1,047
Deferred tax assets	7	-2,201	-145
Other assets	8	-1,566	-1,589
Accrued liabilities	12	55,186	18,000
Other liabilities	12	-42	20
Net cash generated from/(used in) operating activities		-4,056	-5,230
		3	3
Cash flows from investing activities			
Tangible fixed assets	5	-3	-3
Net cash generated from/(used in) investing activities		-3	-3
Cash flows from financing activities			
Capital contributions	10	–	–
Net cash generated from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		–	–
		–	–
Movements in cash and cash equivalents can be broken down as follows:			
Balance as of January 1		1	1
Movement during the period		–	–
Balance as of June, 30		1	1

Notes to the Unaudited Interim Financial Statements 2019

1 General Information

1.1 Activities

The business purpose of Vonovia Finance B.V. ("the company" or "FINANCE B.V."), with its statutory domicile in Amsterdam, is to raise funds on the international debt markets through the issuance of unsecured and unsubordinated bonds as well as through unsecured and subordinated hybrid bonds and, since 2017, commercial papers for Vonovia SE, Bochum, Germany, and its affiliated companies and to on-lend the raised funds to Vonovia SE and its Group companies for the purposes of Group financing.

The head office (principal place of business) is located at Apollolaan 133, 1077 AR Amsterdam, Netherlands. The company is registered under the number 58224416 at the Dutch Chamber of Commerce ("KvK.").

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia SE from Standard & Poor's (S&P), the company has excellent access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The unsecured and unsubordinated bonds share the same BBB+ investment grade rating as Vonovia SE. The hybrid bond has a regular rating two notches lower at BBB-. The short-term credit rating of A-2 by S&P has been confirmed. The most recent confirmation of the rating by S&P is from May 8, 2019. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.'s activities on the international debt markets.

The operations of FINANCE B.V. comprise the following:

- To participate in, finance, hold any other interest in or to conduct management of other legal entities, partnerships or enterprises
- To furnish guarantees, provide security, warrant performance or in any other way assume liability, whether jointly, severally or otherwise, for or in respect of obligations of Group Companies or other legal parties
- To do anything that, in the broadest sense of words, is connected with or may be conducive to the attainment of these objects

1.2 Group Structure

FINANCE B.V. is a member of the Vonovia Group. The ultimate parent of this Group is Vonovia SE with its legal domicile in Bochum, Germany. Vonovia SE is also the immediate parent company of FINANCE B.V. The financial statements of FINANCE B.V. are included in the Vonovia SE consolidated financial statements, prepared according to IFRS, as endorsed in the EU. These financial statements are published in the German legal gazette, and they are available on Vonovia's website at www.vonovia.de.

1.3 Going Concern

The company generated a net profit of € 5,233 k for the first half year from January 1 to June 30, 2019 (January 1 to December 31, 2018: € 9,615 k) which, together with the negative hedge reserve, resulted in net equity of € 68,615 k (December 31, 2018: € 59,342 k) for the shareholder's equity. Including the hybrid bond of € 995,767 k (December 31, 2018: € 995,221 k), the total capital base had a value of € 1,064,382 k (December 31, 2018: € 1,054,563 k).

In the future, the earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and the service charges.

The negative working capital situation of the company won't be an issue because the short-term bonds were also offset by the receivables of the affiliated companies, which are, however, generally recognized as long-term receivables. In addition, the repayment of the bonds or the Commercial papers can be refinanced at any time by the addition of new bonds or Commercial papers. Based on that, FINANCE B.V. will achieve a reasonable profit under these circumstances. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE. The accounts have therefore been prepared based upon the going concern principle.

1.4 Related Party Transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities that can control the company are considered as related party. In addition, statutory directors and other key personnel of FINANCE B.V. or of the shareholder or ultimate parent and close relatives are regarded as related parties.

Significant and/or material transactions between the company and related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is required to provide a true and fair view.

1.5 Estimates

Preparing financial statements and the application of relevant rules may require the use of critical accounting estimates, which thus requires exercising professional judgment. Estimates used in these financial statements are limited to the use of other assets, accrued liabilities for general expenses and other liabilities based on tax experience and sound professional judgment. This predominately applies to the determination of the fair value of the swaps (Note 22) and the fair value calculations of the notes receivables (Note 6).

If necessary to provide a view in accordance with art. 2:360 part. 1 DCC of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the Notes to the Financial Statement items in question.

Unless explained otherwise, the estimates made by the management in preparing the 2019 Interim Financial Statements are similar to those used in 2018.

1.6 Accounting Policies for the Statement of Cash Flows

The statement of cash flows has been prepared using the indirect method. The cash items disclosed in the statement of cash flows comprise cash at banks and cash in hand, except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated foreign exchange rates. Exchange differences affecting cash items are shown separately in the statement of cash flows. Interest paid and received and income taxes are included in cash from operating activities. The changes of tangible fixed assets were settled in the cash flow from investing activities. Transactions not resulting in inflow or outflow of cash, are not recognized in the statement of cash flows.

1.7 Comparison with Previous Year

The valuation principles and method of determining the result are the same as those used in the previous year.

2 Principles of Valuation for Assets and Liabilities

2.1 General

The financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The financial statements are denominated in Euros.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

The balance sheet, income statement and statement of cash flows include references to the notes.

2.2 Foreign Currencies

Functional Currency

Items in the financial statements of FINANCE B.V. are stated with due observance of the currency of the primary economic environment in which the respective Group company operates (the functional currency); FINANCE B.V. and Vonovia SE are both in the eurozone and the functional currency of both is the Euro.

Transactions, Receivables and Liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing on the balance sheet date. Investments are stated at the historical exchange rate. Transactions denominated in foreign currencies in the reporting period are recognized in the financial statements at the exchange rate of the transaction date.

In the income statement, foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates are recognized, except when deferred in equity as qualifying hedges.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing at the dates of the transactions.

Translation differences on non-monetary assets such as equities held at fair value through profit or loss are recognized through profit or loss as part of the fair value gain or loss.

Foreign exchange differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they arise, unless they are hedged.

Hedging

In respect of any positions in the balance sheet that are covered by cross-currency interest rate swaps; which mitigate FX risk and interest rate risk, or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the period and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than euros, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected. The underlying exchange rate EUR/USD on June 30, 2019, was fixed at 1.1380 and on December 31, 2018, was fixed at 1.1450.

2.3 Tangible Fixed Assets

Tangible fixed assets are valued at historical cost or production cost including directly attributable costs less straight-line depreciation based on the expected future life and impairments.

Equipment, furniture and office equipment are depreciated over periods of between three and ten years. A depreciation period of three years is used for computer hardware.

2.4 Financial Fixed Assets

Loans, in particular Loans to Affiliated Companies

Loans and receivables to Group companies with an original term of more than one year are treated as financial fixed assets. They are valued initially at the fair value of the amount owed, which normally consists of the face value. They are subsequently measured at amortized cost; FINANCE B.V. does not issue loans if it is clear from day one that it will not be repaid.

2.5 Impairment of Fixed Asset

On each balance sheet date, the company tests whether there are any indications of tangible fixed assets being subject to impairment. If any such indications are present, the realizable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its realizable value; the realizable value is the higher of the fair value less costs of disposal and the value in use.

An impairment loss is directly recognized in the income statement, and the carrying amount of the asset concerned is concurrently reduced.

The fair value less costs of disposal is initially based on a binding sale agreement; if there is no such agreement, the fair value less costs of disposal is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flow in the event of continued use of the asset.

If it is established that an impairment that was recognized in the past no longer exists or has been reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment loss for the asset concerned had been reported.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized on the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

2.6 Deferred Taxes

Deferred income tax assets are recognized to provide for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is done with the understanding that deferred income tax assets are recognized only to the extent that it is probable that a future taxable profit will be available against which the temporary differences and fiscal losses can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized.

Deferred income taxes are recognized at face value.

2.7 Current Assets

Receivables and Other Assets

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognized using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Current receivables are due and will be received within one year.

2.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits held at call with maturities under twelve months. Bank overdrafts are shown as borrowings under current liabilities. Cash and cash equivalents are stated at nominal value.

2.9 Equity

When FINANCE B.V. purchases shares, the consideration paid is deducted from equity (other reserves or any other reserve, if the articles of association allow so) until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The consideration received will be added to the reserve from which the purchase price has been deducted earlier.

Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Long-term Liabilities

Bonds

Bonds are initially measured at fair value and subsequently at amortized cost net of transaction costs. Released transaction costs led to an altered subsequent measurement. All long-term amounts due from bonds have a maturity of over one year. Debt issuance costs are netted against a nominal amount as part of determining the amortized cost value.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

2.11 Current Liabilities

Short-term liabilities with a remaining maturity of one year or less are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, which equals the amount received, taking account of any premiums or discounts, less transaction cost.

Bonds and Commercial Papers

The bonds and the commercial papers are valued at amortized cost net of transaction costs. All short-term amounts payable from bonds or commercial papers within one year are disclosed under current liabilities. This includes, in particular, accrued interests.

Accrued Liabilities

The accruals are stated at the amount required, based on sound business judgment and valued at expected cost. Accrued liabilities comprise outstanding invoices.

Other Liabilities (Including Trade Payables)

On initial recognition, current liabilities are recognized at fair value. After initial recognition, current liabilities are recognized at amortized cost, which equals the amount paid, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

Current and Deferred Income Tax

The current Dutch nominal tax rate of 25 % has been applied.

2.12 Accounting Policies for Operational Lease and Rental Contracts

Operational lease contracts exist whereby a large part of the risks and rewards associated with ownership are not incurred by nor for the benefit of FINANCE B.V. The lease contracts are recognized as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

2.13 Provisions

Provisions are recognized for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

2.14 Financial Instruments

Securities included in financial and current assets, as well as liabilities and derivative financial instruments, are initially and subsequently measured at fair value. The company applies hedge accounting to hedging currency risk on borrowings and loans. While the derivative is stated at fair value, the hedged item is measured at amortized cost. The gain or loss relating to the ineffective portion is recognized in the income statement within financing costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models, allowing for entity-specific inputs.

The company applies hedge accounting. The company documents the relationship between hedging instruments and hedged items at the inception of the transaction. The company also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

The company shall discontinue prospective hedge accounting in the following cases:

> The hedging instrument expires or is sold, terminated or exercised
> The hedge no longer meets the criteria for hedge accounting
> The company revokes the designation

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

3 Principles for Recognition of Income and Expenses

3.1 General

Result is determined as the difference between the realizable value of services rendered and the costs and other charges for the period. Results on transactions are recognized in the period in which they are realized; losses are taken as soon as they are foreseeable.

3.2 Revenue Recognition, Financial Income and Expenses

Revenue from interest income and cost from interest expenses are allocated to the reporting period in which they occur following the matching principle. Interest income and expense are recognized on a time pro rata basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognizing the interest charges, the transaction cost on the loans received is taken into account.

3.3 Exchange Rate Differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the income statement in the period that they arise unless hedged.

3.4 Other Operating Income and Expenses

Other operating income and expenses include income and expenses that are not directly attributable to the interest income and expenses and are valued at the realizable value. Gains and losses upon the sale of tangible fixed assets are included in other operating income or other operating expenses respectively.

3.5 Personnel Expenses

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment where they are due to employees and the tax authorities, respectively.

3.6 Depreciation of Tangible Fixed Assets

Tangible fixed assets are depreciated over their expected useful lives as of the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

3.7 Taxation

The current tax position is not calculated on the basis of its ordinary profit or loss but by using the margin agreed in the advanced pricing agreement; current income tax occurs even if the company makes a loss. Account is also taken of changes in deferred tax assets and deferred tax liabilities.

Deferred tax assets are recognized for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognized insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

4 Financial Instruments and Risks

Risks associated with financial instruments are subject to the risk management system of the Vonovia Group and are monitored in particular through the middle office located in the Vonovia Group Finance department.

4.1 Market Risk

Currency Risk for the Yankee Bond

FINANCE B.V. mainly operates in the European Union. The currency risk for the company largely concerns positions and future transactions in U.S. dollars. The functional currency of FINANCE B.V. is the Euro and the majority of the asset side consists of positions in Euros, hence exposing the company to the currency risk between the U.S. dollar and the Euro. Management has determined, based on risk assessment, that some of these currency risks need to be hedged. Forward exchange contracts are used for this purpose. Receivables and payables denominated in U.S. dollars are hedged, to the extent that it is highly probable that the purchases will occur.

The cash-effective currency risks arising in connection with the issuance of bonds in U.S. dollars were eliminated by the simultaneous contracting of cross-currency swaps of FINANCE B.V.

Interest Rate Risk

Risks associated with movements in interest rates are addressed through adequate interest rate hedges. Loans to affiliated companies are generally on fixed terms.

In the course of its business activities, FINANCE B.V. is exposed to the cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Treasury department. Its observations are incorporated into the financing strategy.

4.2 Credit Risk

Vonovia SE acts as a management holding and the cash-pool leader within the Vonovia Group. FINANCE B.V. is an integral part of the Vonovia risk and control management system. The risk of default arising from financial assets and derivative financial instruments involves the risk of default by counterparties. The maximum loss from derivative instruments equals their positive fair value. Risk is additionally limited through a limit system, which is based on credit assessments by the Treasury middle office, which uses announcements from international rating agencies to make these assessments. In general, only banks with a long-term credit rating at least equal to that of Vonovia SE are defined as eligible counterparties of FINANCE B.V.

4.3 Liquidity Risk

The company uses several banks that are selected at Group level. The liquidity risk is monitored by assuring that the critical terms of the relevant items match. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE.

4.4 Price Risk

FINANCE B.V. incurs risk regarding the valuation of financial instruments disclosed under financial assets and within current assets. The company manages market risk by stratifying the portfolio and imposing limits.

4.5 Notes to the Statement of Cash Flows

The statement of cash flows shows how the cash of FINANCE B.V. has changed during the first half year of 2019 as a result of cash inflows and outflows. A distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method. It was mainly decreased in the current liabilities, because the repayment of the hybrid-bond and the commercial papers is much higher than the reclassification of a bond from long-term liabilities to current liabilities. The Bonds as long term liabilities were fixed, there was only one new bond and one bond for the reclassification to the current liabilities. However, it increased by the repayment of loans to the companies of the Vonovia Group. The changes of tangible fixed assets were settled in the cash flow from investing activities. There were no capital increases in the first half year of 2019, resulting in the cash flow from financing activities being null.

5 Tangible Fixed Assets

Tangible fixed assets comprise office equipment and computer hardware, subject to depreciation.

in € thousand	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Acquisition cost as of January 1	31	34
Additions during the year	3	–
Disposals during the year	–	–
Acquisition cost as of December 31/June 30	34	34
Accumulated depreciation as of January 1	17	23
Depreciation for the period	6	3
Accumulated depreciation disposals	–	–
Accumulated depreciation as of December 31/June 30	23	26
Total book value	**11**	**8**

6 Receivables from Affiliated Companies and Shareholder

Receivables from affiliated companies are related to Group financing. The receivables from intercompany loans bear an average interest rate as of Jun. 30, 2019, of 1.9412 % for EMTNs, Yankee and commercial papers (as of Dec. 31, 2018: 1.8716 %), 4.9955 % for the hybrid debt (as of Dec. 31, 2018: 4.9955 %) and 4.2536 % for the perpetual hybrid (as of Dec. 31, 2018, 4.2536 %), and the contracts have an unlimited term; therefore, all intercompany loans are unsecured, long-term loans. In addition, there are receivables from the cash pool agreement with Vonovia SE. These bear interest at EONIA -0.25 % (Dec. 31, 2018: EONIA -0.25 %). Receivables from cash pooling are classified as current assets in the balance sheet; they are unsecured and unlimited, too.

The company used its EMTN Program in the amount of € 500 million in January 2019 and passed the liquidity into the Vonovia Group, using it for more intercompany loans. Refer to note 11 for further disclosures of the debt issued by FINANCE B.V. At the balance sheet date, no fixed assets were subject to impairments.

in € thousand	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Deutsche Annington Acquisition Holding GmbH	4,179,599	4,344,303
Gagfah GmbH	1,813,214	1,813,214
Deutsche Annington Beteiligungsverwaltungs GmbH	1,551,784	1,551,784
Vonovia SE	1,966,930	1,184,785
Süddeutsche Wohnen GmbH	649,330	649,330
Südost Woba Dresden GmbH	565,350	565,350
Wohnbau Nordwest GmbH	478,460	478,460
Wohnungsgesellschaft Norden mbH	297,099	297,099
Wohnungsbau Niedersachsen GmbH	235,573	235,573
Deutsche Annington Holdings Eins GmbH	221,437	221,437
Kieler Wohnungsbaugesellschaft mbH	204,265	204,265
Gagfah Erste Grundbesitz GmbH	194,530	194,530
Bremische Ges. f. Stadtern.-entw.& Wohnungsbau mbH	163,847	163,847
Prima Wohnbauten Privatisierungs-Management GmbH	136,259	136,259
GBH Acquisition GmbH	136,246	136,246
Vonovia Immobilienmanagement one GmbH	122,519	122,519
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	119,952	119,952
DA DMB Netherlands B.V.	116,337	116,337
NILEG Norddeutsche Immobiliengesellschaft mbH	103,335	103,335
Eisenbahn-Wohnungsbauges. Karlsruhe GmbH	100,139	100,139
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	99,012	99,012
Osnabrücker Wohnungsbauges. mbH	98,204	98,204
Gagfah Acquisition 1 GmbH	93,399	93,399
Siege Siedlungsgesellschaft mbH Mainz	84,135	84,135
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Gagfah M Immobilien-Management GmbH	76,299	76,299
Vonovia Elbe Wohnen GmbH	67,472	67,472
Deutsche Annington Wohnungsgesellschaft I mbH	66,253	66,253
Deutsche Annington Wohnungsgesellschaft IV GmbH & Co.KG	62,953	62,953

in € thousand	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
DAIG 9. Objektgesellschaft B.V.	50,068	50,068
Bundesbahn-Wohnungsbauges. Kassel GmbH	47,268	47,268
Gagfah Acquisition 2 GmbH	33,495	33,495
DAIG 21. Objektgesellschaft B.V.	27,831	27,831
DAIG 20. Objektgesellschaft B.V.	26,322	26,322
Deutsche Annington Heimbau GmbH	24,921	24,921
DAIG 13. Objektgesellschaft mbH	24,635	24,635
Deutsche Annington DMB Eins GmbH	21,547	21,547
DAIG 19. Objektgesellschaft B.V.	21,404	21,404
DAIG 2. Objektgesellschaft mbH	20,896	20,896
DAIG 11. Objektgesellschaft B.V.	19,909	19,909
DAIG 4. Objektgesellschaft mbH	19,109	19,109
Vonovia Immobilienmanagement two GmbH	18,781	18,781
DAIG 22. Objektgesellschaft B.V.	14,475	14,475
DAIG 10. Objektgesellschaft B.V.	12,078	12,078
DAIG 3. Objektgesellschaft mbH	11,061	11,061
DAIG 24. Objektgesellschaft B.V.	9,167	9,167
DAIG 23. Objektgesellschaft B.V.	7,979	7,979
DAIG 17. Objektgesellschaft B.V.	6,322	6,322
Börsenhof A Besitz GmbH	5,649	5,649
DAIG 18. Objektgesellschaft B.V.	4,534	4,534
Liegenschaften Weissig GmbH	2,971	2,971
DAIG 25. Objektgesellschaft B.V.	1,071	1,071
DAIG 12. Objektgesellschaft mbH	945	945
Woba Dresden GmbH	542	542
Total (long-term)	**14,636,498**	**14,019,057**
Vonovia SE cash pooling (current)	213,189	242,459
Total (long-term and current)	**14,849,687**	**14,261,516**

The fair value of the receivables from affiliated companies and shareholder is € 1,232 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2018: € 825 million higher).

Long-term Loans to Affiliated Companies and Shareholder

in € thousand	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Balance as of January 1	11,563,140	14,636,498
Additions	3,073,358	164,704
Terminations	–	–
Repayments during the period	–	-782,145
Balance as of December 31/June 30	**14,636,498**	**14,019,057**

7 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in U.S. dollars. Furthermore, the deferred tax assets are based on temporary differences from the valuation of the financial instruments; for more information see note 22. The position as a whole is of a long-term nature. The deferred tax assets are mainly based on the Yankee bond and the cross-currency swap for this bond. All the instruments are long term, so no utilization is expected for 2019.

The deferred tax assets will be used in the future as follows:

Deferred Tax Assets

in € thousand	Cross-currency swap	Floater	Yankee bonds	Other	**Total**
As of January 1, 2019 -Audited-	-3,922	1,861	8,374	–	6,313
Addition during the period	–		–	–	0
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-1,657	1,459	344	–	146
As of June 30, 2019 -Unaudited-	**-5,579**	**3,320**	**8,718**	**–**	**6,459**

in € thousand	Cross-currency swap	Floater	Yankee bonds	Other	**Total**
As of January 1, 2018 -Audited-	-1,260	71	5,885	–	4,696
Addition during the year	–	1,790	–	–	1,790
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-2,662	–	2,489	–	-173
As of December 31, 2018 -Audited-	**-3,922**	**1,861**	**8,374**	**–**	**6,313**

8 Other Assets

The other assets in the amount of € 1,888 k (December 31, 2018: € 299 k) pertain to prepaid invoices. The fair value of the other assets approximates the book value.

9 Cash and Cash Equivalents

Cash and cash equivalents are not restricted with regard to their use.

10 Capital Base

The authorized share capital of FINANCE B.V. amounts to € 18 k (2018: € 18 k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

The Management Board has proposed to add the net profit of the first half year amounting to € 5,233 k (year ended December 31, 2018: net profit € 9,615 k) to the other reserves.

Presentation of the Hybrid Bond

In 2014, FINANCE B.V. issued a hybrid bond with a nominal volume of € 1,000 million. This subordinated loan is subordinated to all other liabilities. The hybrid bond has an unlimited duration and can only be terminated by FINANCE B.V. on certain contractually fixed dates or for certain contractually fixed purposes. Up until the first termination date in December 2021, the hybrid bond shall bear interest at a rate of 4.0 % p.a. If FINANCE B.V. does not exercise its termination right at this point, the interest rate that will apply until the next termination date in December 2026 will correspond to the five-year swap rate plus a margin of 339 basis points. The markup will increase by 25 basis points as of December 2026 and by another 75 basis points as of December 2041. The agreements reached allow interest payments to be suspended. Suspended interest payments shall not bear interest.

Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base. Accrued liabilities in the amount of € 21.479 million on the hybrid bond are shown under "Accrued Liabilities" (Note 12).

Statement of Changes in Capital Base

in € thousand	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropri-ated profit/loss	**Total share-holders' equity**	Hybrid bond	**Total capital base**
As of January 1, 2019 -Audited-	18	100,000	-57,858	7,567	9,615	**59,342**	995,221	**1,054,563**
Appreciation of the hybrid bond	–	–	–	–	–	**–**	546	**546**
Other reserves	–	–	–	9,615	-9,615	**–**	–	**–**
Unappropriated profit	–	–	–	–	5,233	**5,233**	–	**5,233**
Development to Cash flow hedge reserve	–	–	4,040	–	–	**4,040**	–	**4,040**
As of June 30, 2019 -Unaudited-	**18**	**100,000**	**-53,818**	**17,182**	**5,233**	**68,615**	**995,767**	**1,064,382**

in € thousand	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropri-ated profit/loss	**Total share-holders' equity**	Hybrid bond	**Total capital base**
As of January 1, 2018 -Audited-	18	100,000	-62,459	1,914	5,653	**45,126**	993,814	**1,038,940**
Appreciation of the hybrid bond	–	–	–	–	–	**–**	1,407	**1,407**
Other reserves	–	–	–	5,653	-5,653	**–**	–	**–**
Unappropriated profit	–	–	–	–	9,615	**9,615**	–	**9,615**
Development to Cash flow hedge reserve	–	–	4,601	–	–	**4,601**	–	**4,601**
As of December 31, 2018 -Audited-	**18**	**100,000**	**-57,858**	**7,567**	**9,615**	**59,342**	**995,221**	**1,054,563**

11 Bonds and Commercial Papers

The long-term and the current liabilities comprise the following bonds, issued by June 30, 2019:

Bond	Face value	Coupon	Maturity
Eurobond	€ 100 k	3.125 % listed	7-2019
Yankee bond	USD 50 k	5.000 % unlisted	10-2023
EMTN 2013	€ 1,000	3.625 % listed	10-2021
EMTN 2014	€ 1,000	2.125 % listed	7-2022
Hybrid Bond (perpetual)	€ 100 k	4.000 % listed	–
EMTN 3/2015 1	€ 1,000	0.875 % listed	3-2020
EMTN 3/2015 2	€ 1,000	1.500 % listed	3-2025
EMTN 12/2015 2	€ 100 k	1.625 % listed	12-2020
EMTN 12/2015 3	€ 100 k	2.250 % listed	12-2023
EMTN 6/2016 1	€ 100 k	0.875 % listed	6-2022
EMTN 6/2016 2	€ 100 k	1.500 % listed	6-2026
EMTN 12/2016	€ 100 k	1.250 % listed	12-2024
EMTN 01/2017 1	€ 100 k	0.750 % listed	1-2022
EMTN 01/2017 2	€ 100 k	1.750 % listed	1-2027
EMTN 09/2017	€ 100 k	1.125 % listed	9-2025
EMTN 11/2017	€ 100 k	EURIM03+35bps	11-2019
EMTN 01/2018 1	€ 100 k	0.750 % listed	01-2024
EMTN 01/2018 2	€ 100 k	1.500 % listed	01-2028
EMTN 03/2018 1	€ 100 k	EURIM03+45bps	12-2022
EMTN 03/2018 2	€ 100 k	1.500 % listed	03-2026
EMTN 03/2018 3	€ 100 k	2.125 % listed	03-2030
EMTN 03/2018 4	€ 100 k	2.750 % listed	03-2038
EMTN 07/2018	€ 100 k	0.875 % listed	07-2023
EMTN 01/2019	€ 100 k	1.800 % listed	06-2025

The bonds issued are unsecured and unsubordinated; only the hybrid bond is subordinated.

The Eurobond is listed on the Frankfurt Stock Exchange; the EMTNs are listed on the Luxembourg Stock Exchange, as the hybrid bond.

The Yankee bond has been issued in a private placement exclusively to qualified investors in accordance with Rule 144A under the U.S. Securities Act.

On February 12, 2019 the Finance Department of the Vonovia Group and FINANCE B.V. called for redemption of the Hybrid Bond in whole of € 700 million with a first call date 2019, due 2074, guaranteed on a subordinated basis by Vonovia SE, effective on April 8, 2019.

The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Since November 2017, the company acts as an issuer under the € 500 million commercial paper program established by the company. Debt issuances under these programs have unconditional and irrevocable guarantees from

Vonovia SE. In September 2018 the Multi-Currency Commercial Paper Program increased to € 1,000 million. Commercial papers in the amount of € 420 million as of December 2018 have been paid back in February 2019. There are no commercial papers outstanding on June 30, 2019, but the program is still active.

in € thousand	Book value Dec. 31, 2018 Audited	Book value Jun. 30, 2019 Unaudited	Market value Dec. 31, 2018	Market value Jun. 30, 2019
Long-term				
Yankee bond 2	215,056	216,423	223,421	231,736
EMTN 2013	498,497	498,728	541,955	542,580
EMTN 2014	497,257	497,640	520,145	531,280
EMTN 3/2015 1	498,459	-	504,235	-
EMTN 3/2015 2	493,125	493,643	491,485	535,000
EMTN 12/2015 2	1,247,107	1,247,764	1,280,088	1,280,187
EMTN 12/2015 3	990,934	991,723	1,040,210	1,089,040
EMTN 6/2016 1	497,486	497,843	500,560	513,415
EMTN 6/2016 2	495,312	495,615	483,410	529,100
EMTN 12/2016	990,170	990,934	974,840	1,049,230
EMTN 1/2017 1	498,459	498,699	500,050	511,240
EMTN 1/2017 2	495,486	495,725	488,235	537,900
EMTN 9/2017	495,848	496,158	478,060	518,320
EMTN 01/2018 1	495,658	496,070	483,830	511,200
EMTN 01/2018 2	495,361	495,584	471,245	528,650
EMTN 03/2018 1	598,299	598,492	590,334	598,890
EMTN 03/2018 2	494,745	495,086	485,965	527,430
EMTN 03/2018 3	493,465	493,702	484,075	556,275
EMTN 03/2018 4	488,086	488,327	481,255	591,425
EMTN 07/2018	495,824	496,276	491,495	513,295
EMTN 01/2019	-	497,172	-	536,285
Total	11,474,634	11,481,604	11,514,893	12,232,478
Hybrid bond (perpetual)	995,221	995,767	1,030,460	1,071,450
Total	12,469,855	12,477,371	12,545,353	13,303,928

in € thousand	Book value Dec. 31, 2018 Audited	Book value Jun. 30, 2019 Unaudited	Market value Dec. 31, 2018	Market value Jun. 30, 2019
Current				
Hybrid Bond	699,195	–	705,012	–
Eurobond 2	599,567	599,937	609,972	601,230
EMTN 3/2015 1	–	499,061	–	504,070
EMTN 11/2017	500,765	500,329	499,790	500,305
CP 9, Commerzbank AG	93,000	–	–	–
CP 10, Bayerische LB	100,000	–	–	–
CP 11, BNP Paribas S.A.	100,000	–	–	–
CP 12, Societe Generale	77,000	–	–	–
CP 13, Bayerische LB	50,000	–	–	–
Total Long-term and current	**14,689,382**	**14,076,698**	**14,360,127**	**14,909,533**

The U.S. dollar market value for the Yankee bond was USD 263,715,000 (2018: USD 255,817,500).

The valuation of the Yankee bond is calculated using standard market valuation methods for such instruments on the basis of the market data provided by an accredited market data vendor.

The determined rates were verified with respect to the implicit risk premiums.

Vonovia SE serves as the guarantor of the bonds and associated interest obligations of its subsidiary FINANCE B.V. These obligations result from the issuance of bonds in the amount of € 14,075 million.

in € thousand -Unaudited-	Balance as of Jun. 30, 2019	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity > 5 years
Euro- / EMTN bonds	12,864,508	1,599,327	5,823,234	5,441,947
Hybrid bond (perpetual)	995,767	–	–	995,767
Yankee bond	216,423	–	216,423	–
	14,076,698	**1,599,327**	**6,039,657**	**6,437,714**

in € thousand -Audited-	Balance as of Dec. 31, 2018	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity > 5 years
Euro-/EMTN bonds	12,359,910	1,100,332	5,822,322	5,437,256
Hybrid bond (perpetual)	995,221	–	–	995,221
Yankee bond	215,056	–	–	215,056
Hybrid bonds (without perpetual)	699,195	699,195	–	–
Commercial papers	420,000	420,000	–	–
	14,689,382	**2,219,527**	**6,037,378**	**6,432,477**

Movement of the Bonds

in € thousand	Dec. 31, 2018	Jun. 30, 2019
Balance as of January 1	11,593,624	14,689,382
Additions	3,981,438	497,172
Repayments during the year	-909,928	-1,119,195
Change in valuation rate	24,248	9,339
Balance as of December 31/June 30	**14,689,382**	**14,076,698**

Repayment obligations falling due within twelve months are included in current liabilities.

12 Accrued Liabilities/Other Liabilities

Obligations with a maturity within one year are disclosed as current liabilities.

The current liabilities as of June 30, 2019, result mainly from accrued interest liabilities on the issued bonds.

in € thousand Bond	Coupon	Interest payment	Dec. 31, 2018 Audited	Jun. 30, 2019 Unaudited
Eurobond 2	3.125 %	annual July 25	8,168	17,466
Yankee bond 2	5.000 %	semi-annual October/April 2	2,699	2,716
EMTN 2013	3.625 %	annual October 8	4,171	13,159
EMTN 2014	2.125 %	annual July 9	5,094	10,363
Hybrid bond	4.625 %	annual April 8	23,771	–
EMTN 3/2015 1	0.875 %	annual March 30	3,320	1,112
EMTN 3/2015 2	1.500 %	annual March 31	5,671	1,885
EMTN 12/2015 2	1.625 %	annual December 15	946	11,019
EMTN 12/2015 3	2.250 %	annual December 15	1,048	12,205
EMTN 6/2016 1	0.875 %	annual June 10	2,457	251
EMTN 6/2016 2	1.500 %	annual June 10	4,212	430
EMTN 12/2016	1.250 %	annual December 6	890	7,089
EMTN 01/2017	0.750 %	annual January 25	3,504	1,613
EMTN 01/2017	1.750 %	annual January 25	8,175	3,764
EMTN 09/2017	1.125 %	annual September 8	1,763	4,537
EMTN 11/2017	EURIM3+	quarterly Feb/Mai/July/Nov 20	20	22
EMTN 01/2018 1	0.750 %	annual January 15	3,606	1,716
EMTN 01/2018 2	1.500 %	annual January 14	7,192	3,432
EMTN 03/2018 1	EURIM3+	quarterly March/Jun/Sep/Dec 22	23	17
EMTN 03/2018 2	1.500 %	annual March 22	5,836	2,049
EMTN 03/2018 3	2.125 %	annual March 22	8,296	2,922
EMTN 03/2018 4	1.750 %	annual March 22	10,699	3,747
EMTN 07/2018	0.875 %	annual July 3	2,182	4,351
EMTN 01/2019	1.800 %	annual June 29	–	3,772
Hybrid bond (perpetual)	4.000 %	annual December 17	1,644	21,479
Commercial paper 9			26	–
Commercial paper 10			28	–
Commercial paper 11			28	–
Commercial paper 12			21	–
Commercial paper 13			14	–
Total			115,504	131,116
Compensation with swaps without ccs			93	2,498
Accruals			726	709
Total accrued liabilities			116,323	134,323
Other tax liabilities			64	87
Trade payables			3	0
Total other liabilities			**67**	**87**

The fair value of the current liabilities approximates the book value due to its short-term character.

Working Capital Facility/Revolving Credit Facility

In October 2018, Vonovia SE concluded an agreement on a new Working Capital Facility/Revolving Credit Facility amounting to € 1,000 million via FINANCE B.V. with Commerzbank AG. The prepaid assets 2018 have been paid by the shareholder in accordance with the agreement between the shareholder and the company. The working capital facility is still active in 2019 and more prepaid assets have been paid by the shareholder in the first half of the year 2019.

13 Interest and Similar Income and Expenses

in € thousand	Jan.–Jun. 2018 Unaudited	Jan.–Jun. 2019 Unaudited
Interest income from affiliated companies and shareholder	153,041	155,468
Interest income from third parties	6,134	7,793
Total interest and similar income	**159,175**	**163,261**
Interest expenses from affiliated companies	0	0
Interest expenses from Euro/EMTN bonds	-86,033	-99,524
Interest expenses from Hybrid bond (perpetual)	-19,836	-19,836
Interest expenses from Yankee bonds	-5,147	-5,579
Interest expenses from Hybrid bonds (without perpetual)	-16,054	-8,603
Interest expenses from Term loan	-6,091	-584
Termination expenses from Forward swaps	-5,896	-6,614
Interest expenses from liquidation Forward swaps	-5,197	-5,197
Other interest expenses to third parties	-8,225	-8,607
Other interest expenses	-929	-1,272
Total interest and similar expenses	**-153,408**	**-155,816**
Total financial result	**5,767**	**7,445**

In the period under review € 4.8 million were reclassified to profit or loss from the cash flow hedge reserve.

In connection with the initial valuation of the cross-currency swaps, interests are expensed in the income statement due to the difference between the net present value and the fair value.

They are attributable to the stringent financial risk management strategy, which does not allow for holding open a currency risk in connection with the issuance of the bonds in U.S. dollars, even temporarily.

14 Other Operating Income

in € thousand	Jan.–Jun. 2018 Unaudited	Jan.–Jun. 2019 Unaudited
Income from reversal of provisions from liabilities	–	–
Total release of other liabilities	0	0
Total	**0**	**0**

15 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Jun. 2018 Unaudited	Jan.-Jun. 2019 Unaudited
Wages and salaries	134	272
Social security charges	18	23
Total	**152**	**295**

16 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 3 k (Jan.-Jun. 2018: € 3 k) are related to the depreciation of tangible assets, which are comprised of office equipment.

17 Audit fees

The following audit fees were expensed in the income statement in the reporting period:

Jan.-Jun. 2019 -Unaudited- in € thousand	Pricewaterhouse-Coopers Accountants N.V.	Other PWC Network	Total PwC Network
Audit of the financial statements	58	–	58
Other audit services	–	–	–
Tax services	–	–	–
Other non-audit services	31	–	31
Total	**89**	**–**	**89**

Jan.-Jun. 2018 -Unaudited- in € thousand	Pricewaterhouse-Coopers Accountants N.V.	Other PWC Network	Total PwC Network
Audit of the financial statements	38	–	38
Other audit services	–	–	–
Tax services	–	–	–
Other non-audit services	30	–	30
Total	**68**	**–**	**68**

The fees listed above relate to the procedures applied to the company by accounting firms and the external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties - Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2019 financial statements, regardless of whether the work was performed during the financial year.

PricewaterhouseCoopers Accountants N.V. have provided other non-audit services for the company amounting to € 31 k (Jan.-Jun. 2018: € 30 k), but these are included in "Interest and Similar Expenses." The non-audit services performed by Pricewaterhouse-Coopers Accountants N.V. are related to the comfort letter on the EMTN Program. These non-audit services are allowed under the current regulations.

18 Other Operating Expenses

in € thousand	Jan.-Jun. 2018 Unaudited	Jan.-Jun. 2019 Unaudited
Consultancy fees	37	161
Independent auditor's remuneration	49	57
Rent and lease	40	42
IT and administration costs	13	17
Other costs	27	16
Total	**166**	**293**

in € thousand	within 2019	within 2020–2024	beyond 2024
Rents and lease	78	375	-

19 Income/Loss Taxation

The taxation on the result of ordinary activities can be specified as follows:

in € thousand	Jan.-Jun. 2018 Unaudited	Jan.-Jun. 2019 Unaudited
Profit before taxation	5,446	6,854
Deferred tax assets	72	-112
Corporate income taxation	-1,459	-1,509
Profit for the period	**4,059**	**5,233**

Effective tax rate 23.65 % (Jan.–Jun. 2018: 25.47 %)
The nominal tax rate is 25.0 % (Jan.–Jun. 2018: 25.0 %)

FINANCE B.V. has reached an agreement with the Dutch tax authorities regarding an advance pricing agreement ("APA") for the period of establishment, which will last until December 31, 2018. A new APA with a period of validity from January 1, 2016, to December 31, 2020, was signed in January 2017.

The current tax position is not calculated on basis of the ordinary profit or loss but by using the margin agreed in the advanced pricing agreement; the current income tax occurs even with a potential loss. Furthermore, because of the APA, no deferred tax assets on tax loss carry-forwards would be taken into account. The deferred tax assets result only from cash flow hedge reserve.

20 Related Parties

In accordance with the business purpose of the company, namely, raising funds from the debt capital markets, the lending of the funds to Vonovia SE or its affiliated companies respectively reflects the related party relationships and is therefore related to Group financing activities.

All loans are granted to Group companies for Group financing purposes. The interest income mainly stems from these Group companies. The interest rates charged to the Group companies are comprised of a weighted mix of interest rates from the issued bonds plus a service charge margin on an arm's-length basis.

The company obtains services from the shared service center of Vonovia SE, for which no service fees have been charged because setting up the entity and setting in place the operational activities were in the sole interest of Vonovia as the main beneficiary.

Therefore, any receivables and liabilities to Vonovia SE or its affiliated companies are related to the financing activities mentioned above.

21 Average Numbers of Employees

As of June 30, 2019, the company has six employees (June 30, 2018: four), four of whom are men and two woman (June 30, 2018: three men and one woman). All employees work in the Netherlands. The Management Board of three people comprises only men; all of them work in the Netherlands. Services are obtained by the shared service functions of the Vonovia Group.

22 Financial Instruments

As of June 30, 2019 the financial instruments consist of an interest rate swap relating to a floater bond with a nominal volume of € 600 million (beginning of 2018) and two cross-currency swaps corresponding to an USD-bond with a total nominal volume of € 185.0 million (beginning of 2017: four cross-currency with a total nominal volume of € 739,8 million).

Future changes in the value of the cash flow hedge reserve also relate to three hedging instruments unwound in October 2015. Corresponding future changes in value, previously reported outside profit or loss under cash flow hedge reserve, will be amortized through profit or loss in line with the expected cash flows from the underlying hedges items. In the half year under review € 4.8 million were reclassified to profit or loss, reducing the respective OCI to € 42.8 million.

The main parameters and developments for the cash flow hedge reserve as well as the derivatives were as follows:

Development of Cash flow hedge reserve taking into account deferred tax:

in € thousand -Unaudited-	Jan. 1, 2019	Development gross amount	Development deferred tax	Jun. 30, 2019
Cash flow hedge reserve related to three unwound hedging instruments	**47,604**	-4,813	–	**42,791**
Interest rate Swap Floater 600	**5,618**	5,836	-1,459	**9,995**
Cross Currency Swap	**-20,486**	-6,182	1,546	**-25,122**
Corresponding USD-bonds	**25,122**	1,376	-344	**26,154**
Cash flow hedge reserve according to balance sheet	**57,858**	-3,783	-257	**53,818**

in € thousand -Audited-	Jan. 1, 2018	Development gross amount	Development deferred tax	Dec. 31, 2018
Cash flow hedge reserve related to three unwound hedging instruments	**57,230**	-9,626	–	**47,604**
Interest rate Swap Floater 500	**212**	-283	71	**-**
Interest rate Swap Floater 600	**-**	7,491	-1,873	**5,618**
Cross Currency Swap	**-12,638**	-10,464	2,616	**-20,486**
corresponding USD-bonds	**17,655**	9,956	-2,489	**25,122**
Cash flow hedge reserve according to balance sheet	**62,459**	-2,926	-1,675	**57,858**

Development of Derivatives:

in € thousand -Unaudited-				Face-value	Jan. 1, 2019	Development: Cash flow hedge reserve	Development: Ineffectiveness Income Statement	Development: First day loss Income Statement	Development: Reclassification	Jun. 30, 2019
Passive Hedge Accounting				–	–	4.813	–	–	-4.813	–
Interest rate Swap Floater	Mar 2018	4.75 years	3M EURIBOR	600.000	**-7.491**	-5.836	–	–	–	**-13.327**
Cross Currency Swap eff.	Oct 2013	10 years	USD exchange rate	184.592	**27.315**	6.182	–	–	–	**33.497**
Cross Currency Swap first day loss/ineffectiveness					**-11.626**	–	1.081	-634	–	**-11.179**
					15.689	6.182	1.081	-634	–	**22.318**
Market value (clean)				**784.592**	**8.198**	5.159	1.081	-634	-4.813	**8.991**
Accrued interest				–	**511**	–	–	–	–	**-1.638**
Market value (dirty)				**–**	**8.709**	–	–	–	–	**7.353**

in € thousand -Audited-				Face-value	Jan. 1, 2018	Development: Cash flow hedge reserve	Development: Ineffectiveness Income Statement	Development: First day loss Income Statement	Development: Reclassification	Dec. 31, 2018
Passive Hedge Accounting				–	–	9,626	–	–	–9,626	–
Interest rate Swap Floater	Sep 2016	2 years	3M EURIBOR	500,000	**-283**	283	–	–	–	**–**
Interest rate Swap Floater	Mar 2018	4.75 years	3M EURIBOR	600,000	**–**	–7,491	–	–	–	**-7,491**
Cross Currency Swap eff.	Oct 2013	10 years	USD exchange rate	184,592	**16,851**	10,464	–	–	–	**27,315**
Cross Currency Swap first day loss/ineffectiveness					**-11,810**	–	1,530	–1,346	–	**-11,626**
					5,041	10,464	1,530	–1,346	–	**15,689**
Market value (clean)				**1,284,592**	**4,758**	12,882	1,530	–1,346	–9,626	**8,198**
Accrued interest				–	**283**	–	–	–	–	**511**
Market value (dirty)				**–**	**5,041**	–	–	–	–	**8,709**

23 Further Information about the Bodies and the Company

The Management Board of Vonovia Finance B.V. consists of three members as of June 30, 2019.

Thorsten Arsan, Chairman of the Management Board
Head of Finance and Treasury Vonovia Finance B.V. and Head of Front Office Vonovia SE

Iwan Oude Roelink
Director of Vonovia Finance B.V.

Rick van Dijk
Director of Vonovia Finance B.V.

The Management has received remuneration for the first half year of 2019 amounting to € 192 k (Jan.-Jun. 2018: € 90 k).

The Supervisory Board currently consists of five members.

Prof. Dr. A. Stefan Kirsten,
Chairman of the Supervisory Board
Former CFO of Vonovia SE

Helene von Roeder
CFO of Vonovia SE

Simone Schumacher
Head of Accounting BMW Finance N.V.

Olaf Weber
Head of Finance and Treasury Vonovia SE

Dr. Fabian Heß
General Counsel of Vonovia SE

The members of the Supervisory Board didn't receive remuneration in the first half year of 2019. (Jan.-Jun. 2018: € 0 k).

The shares of the company entitle the shareholder to voting and profit rights, and they are all held by Vonovia SE, the holding company of the Vonovia Group. Vonovia SE is the leading German real estate company and a top company in the European real estate market.

Since 2013, Vonovia SE went from its IPO to the MDAX and then into DAX 30. FINANCE B.V. was founded in 2013 as a subsidiary to act as the financing vehicle of the Vonovia Group on an international debt capital market.

24 Responsibility Statement

The Management Board has declared that, to the best of its knowledge:

1. The interim financial statements, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, the liabilities, the financial position and the results of the company.

2. The management report gives a true and fair view of the development and performance of the company's situation on the balance sheet date, the events that occurred during the year and the risks to which the company is exposed are faced as required pursuant to section 5:28d(8)/(9) of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

25 Subsequent Events

After the balance sheet date June 30, 2019, the company paid back the Eurobond 2 with the nominal value of € 600 million at the maturity date July 25, 2019.

Prof. Dr. A. Stefan Kirsten was reappointed as supervisory director of the company with effect as of July, 10, 2019 for another period of four years.

At the end of August 2019 Vonovia Finance B.V. signed a € 50 million unsecured corporate loan of a promissory note ("Schuldschein") with a maturity of 7 years.

Amsterdam, August 29, 2019

Management Board

Original has been signed by
Thorsten Arsan (Chairman)

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Other Information

Profit Appropriation According to the Articles of Association

The company's Articles of Association, specifically article 19, provide that the profits shall be at the disposal of the Annual General Meeting. A resolution to pay out dividends shall only be effective upon approval of the Management Board of Managing Directors and if the equity exceeds the reserves that are required by law or the Articles of Association. The company can only make distributions to the shareholders and other persons entitled up to an amount that does not exceed the amount of the distributable reserves. The General Meeting may resolve to pay dividends from legally distributable reserves.

The Management Board has proposed to add the net profit of the first half year of 2019 amounting to € 5,233 k (year ended December 31, 2018: net profit € 9,615 k) to the other reserves.

Review Report

To: the management board of Vonovia Finance B.V.

Introduction

We have reviewed the accompanying interim financial statements for the six-month period ended 30 June 2019 of Vonovia Finance B.V., Amsterdam, which comprises the balance sheet as at 30 June 2019, the income statement for the six-month period then ended, the statement of cash flows and the related notes on the aforementioned statements. The management board is responsible for the preparation and presentation of this interim financial statements in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Amsterdam, 29 August 2019

PricewaterhouseCoopers Accountants N.V.

Original has been signed by
L.H.J. Oosterloo RA

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