

Financial Report 2019

Vonovia Finance B.V.,
Amsterdam



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

VONOVIA



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Content

02	Supervisory Board Report 2019
04	Management Report 2019
11	Responsibility Statement
12	Financial Statements
12	Balance Sheet as of December 31, 2019
14	Income Statement for the Year from January 1 to December 31, 2019
15	Statement of Cash Flows for the Year from January 1 to December 31, 2019
16	Notes to the Financial Statements 2019
37	Other Information
37	Profit Appropriation According to the Articles of Association
38	Independent Auditor's Report

Supervisory Board Report 2019

The Supervisory Board (the “SVB”) is an independent body of Vonovia Finance B.V. (“FINANCE B.V.” or “the company”) and is responsible for supervising and advising the Management Board. In addition, the Supervisory Board oversees the general business progress, the strategy, and the operational performance of the company. In this respect, the SVB also focuses on the effectiveness of the company’s internal risk management and control systems as well as the integrity and quality of the financial reporting.

Composition, Independence, and Diversity

The Supervisory Board currently comprises five members. Three members are also representatives of the sole shareholder, while the other members are external SVB members. All external SVB members are independent in the sense of the Corporate Governance Code and the SVB Rules of Procedure.

Prof. Dr. A. Stefan Kirsten, 59, male, Chairman
(former CFO of Vonovia SE)

Helene von Roeder, 49, female, Vice-Chairman
(CFO of Vonovia SE)

Simone Schumacher, 37, female
(Head of Accounting BMW Finance N.V.)

Olaf Weber, 47, male
(Head of Finance and Treasury of Vonovia SE)

Dr. Fabian Heß, 45, male
(General Counsel of Vonovia SE)

The composition of the SVB remained the same during the year under review. Prof. Dr. Kirsten was reappointed for a second term of four years with effect from July 10, 2019.

The objective is to achieve a balanced composition of the SVB, where the combination of its members with different experiences, backgrounds, skills, and independence best enables the SVB to discharge its various obligations in relation to the company and its stakeholders. The objective is also to achieve a balanced ratio of men and women on the SVB. Both objectives are successfully achieved.

Meetings and Activities

The Supervisory Board held five meetings during the year. On February 27, 2019, a conference call was held to discuss the 2018 draft financial statements, which were consequently pre-approved.

Two meetings were held in the company’s office in Amsterdam – one on April 4, 2019, and one on September 18, 2019. During these meetings, the following items, among others, were discussed:

- > Operational business and performance up to December 31, 2018, and June 30, 2019
- > Financial strategy of the company
- > Board report 2018 and audit plan 2018 of the independent auditor
- > Amended the Rules and Procedure by resolution to strike a balance between simplicity/ flexibility and good corporate governance
- > Recruiting
- > Risk management projects
- > APA audit and bilateral APA filing request
- > Outlook 2019 / 2020 on liquidity, tax, and corporate governance

On August 21, 2019, a conference call was held to approve a public tender offer on two existing bonds and the issuance of bonds amounting to a maximum of € 1,000 million under the EMTN Program.

On September 20, 2019, a conference call was held to approve a bridge facility amounting to a maximum of € 1,650 million and the issuance of bonds amounting to a maximum of € 1,500 million under the EMTN Program related to the acquisition of the listed real estate company Hembla AB in Sweden, which was acquired by an affiliated company of FINANCE B.V.

Every board member was present in person or by conference call for all five meetings. The external independent auditor attended the meeting held in Amsterdam on April 4, 2019.

In a SVB-only meeting (without the Management Board) held on September 18, 2019, the SVB discussed the performance of the Management Board and its individual members as well as the performance of the SVB and its individual members. The conclusion of both evaluations was positive with no action points required.

In 2019, the members of the Supervisory Board received a total remuneration of € 18,000 for their work.

The Supervisory Board members do not receive any additional benefits, bonuses, or incentives.

The Supervisory Board expresses with great gratitude the work of the Management Board and the company employees. The Supervisory Board especially welcomes the implementation of new Debt Capital Market (DCM) products, such as the use of online financing platforms and secured structured financing as well as the tender offer. Moreover, the SVB welcomes the mutual effort to strive for good corporate governance.

The Supervisory Board is looking forward to continuing this path in the future.

Amsterdam, March 6, 2020

Original has been signed by
Prof. Dr. A. Stefan Kirsten (Chairman)

Original has been signed by
Helene von Roeder

Original has been signed by
Simone Schumacher

Original has been signed by
Olaf Weber

Original has been signed by
Dr. Fabian Heß

Management Report 2019

History

In 2013, Vonovia Finance B.V., Amsterdam was founded by Vonovia SE 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. The company acts as a financing vehicle to arrange for debt financings on the international debt capital markets, primarily by issuing bonds, preferably through Luxembourg.

The finance strategy of the entire Group is to pursue various complementary objectives simultaneously in order to ensure sufficient liquidity at all times based on a sustainable equity-funding ratio with a balanced financing structure comprising a mix of different financial instruments and a smooth maturity profile of debt financing. This ensures a favorable LTV (loan-to-value) ratio while optimizing funding expenses and simultaneously ensuring the credit 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 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.

On December 13, 2019, Vonovia SE also received an A- rating from the European rating agency Scope. This rating is one notch better than the BBB+ rating from S&P.

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 profit to cover operational expenses. 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 Vonovia Group's cash pool.

Common Dutch practice is to have a tax ruling for these international transactions within the Vonovia Group. The company has entered into 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 and supervise the operational business activities of the entity. This Supervisory Board 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 real estate business and represents a clear strategic advantage. A key success factor for the company's growth in recent years was the fast and direct access to the international debt capital markets.

Debt Capital Markets

Over the years, the company has issued various debt instruments like EUR-bonds, EMTN-bonds, USD-bonds, and hybrid-bonds. 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 each time new material information becomes available. The last update was on September 23, 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 € 13,652 million as of December 31, 2019.

The table below shows all the outstanding bonds as of December 31, 2019:

Total outstanding in € million	#	Notional Amount	avg. Coupon	rem. Term (y)
USD-Bond	1	185	4.580 %	3.8
Hybrid	1	1,000	4.000 %	2.0
EMTN fix	24	13,052	1.476 %	6.3
EMTN floating	1	600	0.450 %	3.0
Total	27	14,837	1.643 %	5.8

As of December 31, 2019, FINANCE B.V. has a total indebtedness of € 14,837 million related to the bond program without the commercial papers and loans, which has been on-lent to Vonovia Group entities. The average coupon is 1.643 % and the average maturity is 5.8 years.

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

The bonds are placed on the debt capital market mainly with European banks, asset managers, and insurance companies. The U.S. bonds are usually placed by private placements. Currently, the company has one "Yankee bond" outstanding.

In order to complement these bonds with maturities of one year and longer, a debt instrument with a maturity of less than a year has been launched. In 2017, a commercial paper program was established and this currently has a volume of € 1,000 million. 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 rate. The last tranches had a yield to maturity of negative 23 basis points. In 2019 FINANCE B.V. received € 148 k as interest income due to the commercial paper program. At the beginning of 2019, € 420 million were outstanding under the program and were paid back on February 14, 2019. On December 13, 2019, new drawings in the amount of € 300 million were issued and these were still outstanding at the end of the financial year 2019.

In the meantime, FINANCE B.V. has established itself as one of the most frequent bond issuers globally. Between 2015 and 2019 the average bond volume issued per year was around € 3,020 million, which represents the 14th-biggest issuer of the top 15 euro-investment grade-ranked companies worldwide - as calculated by Dealogic as of December 31, 2019.

Operations During The Year

On January 29, 2019, FINANCE B.V. issued bond 020 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 the outstanding amount of € 420 million under the commercial paper program on February 14, 2019.

The Management Board has posted the Amended Rules of Procedure online at www.vonoviafinance.nl.

The € 700 million hybrid bond (bond 006) has been repaid based on the first call date on April 8, 2019, by using the existing Group liquidity.

On March 25, 2019, the EMTN base prospectus was updated and supplemented by the 1st supplement, dated September 2, 2019, and the 2nd supplement, dated September 23, 2019.

The company also completed several risk management projects like improving the weekly risk reporting, valuating energy trades for the Group, integrating risk management functions for Austrian entities as well as cooperating with the finance function of Victoria Park.

Ongoing projects are the IBOR transition to successor EONIA by January 2022.

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

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

On July 4, 2019, the Dutch tax inspectors visited the office of FINANCE B.V. 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 January 15, 2020, the inspectors visited the company's office for a final meeting to personally explain the positive outcome.

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

The repayment of a € 600 million Eurobond (bond 002) occurred on July 25, 2019 by liquidity of the Group.

During the first half year of 2019 the company tested the online marketplace Firstwire as a new source for funding diversification. This resulted in the company negotiating an unsecured loan (Schuldscheindarlehen) in a digital format with a volume of € 50 million. The payout occurred on August 28, 2019.

As part of a liability management exercise, the company analyzed opportunities in order to actively manage the bonds maturing in 2020. On September 4, 2019, it announced a public cash tender offer on the December 2020 Notes (bond 010B) and the March 2020 Notes (bond 009A) in order to buy these bonds back before expiration.

Also on September 4, 2019, the company issued a € 1,000 million dual-tranche under the EMTN Program to fund this tender. Bond 021A with a total volume of € 500 million has a coupon of 0.500 % and a tenor of 10 years. Bond 021B with a total volume of € 500 million has a coupon of 1.125 % and a tenor of 15 years.

The result of the tender was announced on September 13, 2019. As shown below, approximately € 697.7 million has been tendered.

Description of the Notes	Notional	Amount of notes validly tendered and accepted	%	Principal amount outstanding
December 2020 Notes (010B)	€ 1,250,000,000	€ 498,300,000	39.86 %	€ 751,700,000
March 2020 Notes (009A)	€ 500,000,000	€ 199,388,000	39.88 %	€ 300,612,000
Total	€ 1,750,000,000	€ 697,688,000		€ 1,052,312,000

The premium paid for the tender offer in the amount of € 15.4 million including Bankfees has been passed on to Vonovia SE based on the internal structure arrangement.

On September 17, 2019, the company negotiated the first secured structured financing as borrower with Commerzbank AG as lender. The collateral was provided by a property-owning Group company (GAGFAH GmbH). The total amount of the loan is € 168 million and has an interest rate of 0.54 % (3 month Euribor plus 0.65 % spread) and a tenor of 10 years. Vonovia SE acted as guarantor to the bank for the same amount. The payout occurred on September 20, 2019.

The most recent confirmation of the credit ratings by S&P is from September 23, 2019.

On October 7, 2019, FINANCE B.V. issued a multi-tranche bond under the EMTN Program with a total volume of € 1,500 million. The first tranche (bond 022A) of € 500 million has a coupon of 0.125 % and a maturity date of April 6, 2023, the second tranche (bond 022B) with a volume of € 500 million has a coupon of 0.625 % and a maturity date of October 7, 2027, and the third tranche (bond 022C) of € 500 million has a coupon of 1.625 % and a maturity date of October 7, 2039. These funds were used for the Hembla AB takeover.

EMTN bond 016 in the amount of € 500 million matured on November 20, 2019, which was funded by the excess cash that remained after the € 1,000 million issuance and consequent tender offer, and by the secured debt issuance.

In November 2019, the Management Board and SVB granted approval to enter into a credit agreement with Landesbank Baden-Württemberg for an amount of € 300 million. On February 17, 2020, FINANCE B.V. undersigned the new credit agreement.

As stated, on December 13, 2019, new drawings in the amount of € 300 million under the commercial paper program were issued and has been repaid on February 28, 2020.

In December 2019 the Management Board and SVB granted approval to enter into a credit agreement with ING-DiBa AG and Berliner Sparkasse for an amount of € 100 million each. The closing date of the ING-DiBa secured loan was on March 2, 2020. The expected closing for Berliner Sparkasse will be in the first quarter of 2020.

On February 6, 2020, the company issued € 200 million via a tap (the Tap Notes 2026). New bonds in the amount of € 200 million were issued and increased the nominal amount of bond 018B from the initial € 500 million to the current € 700 million. The original maturity date (March 22, 2026) and original coupon rate (1.500 %) remain unchanged.

The market price of the Tap Notes 2026 was set at current conditions. As the current re-offer yield was 51 bps (and the coupon 150 bps), the issue price was 105.9 %, which resulted in issue proceeds of € 211.9 million.

Since a financial analyst joined the front office during the year, the company has six employees in total as of December 31, 2019, compared to five employees as of December 31, 2018.

Financial Result

FINANCE B.V. closed the 2019 fiscal year with a net income of € 8.9 million, which was essentially driven by the normal course of business. The company earned a reasonable income of € 43.7 million from the margin between the interest incurred on borrowing and the interest earned on lending.

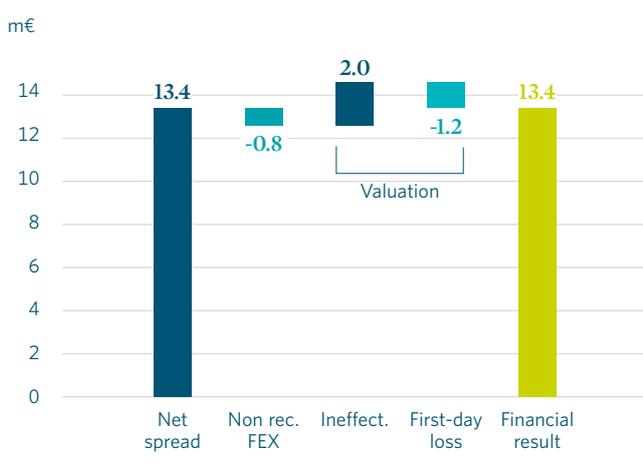
After subtracting € 19.4 million of amortized finance expenses, € 9.6 million of amortized "frozen" OCI from the termination of several pre-hedges, and € 1.2 million swap effects, the net spread is € 13.4 million.

Below is the reconciliation of the amounts between the gross to net spread calculation as well as the interest income

and expenses as mentioned in Note 14 of the profit and loss statement:

Interest and Similar Income and Expenses (see note 14 P&L) in € thousand	Gross spread	Swaps	Financial expenses	Amort. Frozen OCI - Prehedged	Amort. Frozen Ineffectiveness - Prehedged	Net spread
Interest income affiliates / shareholder	315,671	-	-	-	-	315,671
Interest income third parties	-	12,003	-	-	767	12,770
						328,441
Interest expenses Euro / EMTN bonds	-195,154	-	-	-	-	-195,154
Interest expenses Hybrid bond (perpetual)	-40,004	-	-	-	-	-40,004
Interest expenses from Yankee bonds	-11,349	-	-	-	-	-11,349
Interest expenses hybrid bond (without perpetual)	-8,595	-	-	-	-	-8,595
Interest expenses from secured financings	-304	-	-	-	-	-304
Interest expenses from Term Loan	-1,187	-	-	-	-	-1,187
Prepayment penalty	-15,353	-	-	-	-	-15,353
Interest expenses from swaps	-	-13,229	-	-	-	-13,229
Interest expenses liquidation Forward swaps	-	-	-	-9,626	-767	-10,393
Other interest expenses to third parties	-	-	-19,427	-	-	-19,427
						-314,995
Total	43,725	-1,226	-19,427	-9,626	-	13,446

The picture below shows the bridge between the net spread and the financial result. The non-recoverable financial expenses in the amount of € 0.8 million 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 € 2.0 million and from the first-day loss of the CCS in the amount of € 1.2 million.



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



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Risk Management

Vonovia SE serves within the Vonovia Group as the management holding and the cash-pool leader. FINANCE B.V. is an integral part of the Vonovia SE risk management and internal control 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.

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 at www.vonovia.de.

Organizationally, risk management is directly assigned to the Management Board of Vonovia SE, which regularly monitors the risk management's 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. makes use of these assessments in its own risk evaluation. Therefore, FINANCE B.V. generally has a conservative attitude toward risk and avoids 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 liquidity risk, cash flow risk, and fair value risk, 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 liquidity risk and the insolvency risk of FINANCE B.V. is the same as that of Vonovia SE. Based on the comfortable equity position of FINANCE B.V. and the credit rating of Vonovia SE, both risks are under control.

The table below shows that 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. Thus 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	○
		Unsecured market is deeper and quicker accessible as secured funding	○
Operational	Liquidity risk	Cash pool with Vonovia SE	○
	Refinancing risk	Increased product offering (CP/ RCF/secured funding)	○
Financial	Interest rate risk and foreign currency risk	Derivatives (IRS, XCS, Caps)	○
	Counterparty risk	Continuously monitoring	○
	Cash flow risk and fair value risk management	Applying hedge accounting	○
Compliance	International tax compliance	Bilateral APA	○
	Compliance with code of conduct/ corp. governance	Continuously monitoring	○

○ = current risk profile ○ = preferred risk profile

Outlook

FINANCE B.V.'s financing depends on the conditions of the capital market, which are currently very favorable due to the low interest rates and 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 European Central Bank (ECB) confirmed the commitment to keep interest rates low for the foreseeable future, reassured by measures taken on June 6, 2019, to keep present levels at least through the first half of 2020, while the main refinancing rate and deposit facility were left unchanged.

Other measures to be implemented consider potential reinvestment in maturities from an 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.

Ms. Christine Lagarde as new president of the ECB continues the same monetary policies as her predecessor Mr. Mario Draghi. In her first speech in November 2019, she also emphasized the use of fiscal policy to complement the ECB's ultra-loose monetary policy.

The extraordinary policy measured by the ECB should keep the interest rates negative in a large part of the fixed income universe. Therefore we expect interest rates to remain low for 2020.

Leaving the impact from valuation effects aside, the Management Board expects a positive result for 2020 based on the profit margin from the normal course of business.

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 Management Board 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 %.

The Audit Committee of Vonovia SE announced that the company has been selected to be part of its internal audit plan for the year 2020. The focus will be on the front office activities.

Amsterdam, March 6, 2020

Original has been signed by
Thorsten Arsan (Chairman)

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Responsibility Statement

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

- > The financial statements for the year ending December 31, 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 5:25c(8)/(9) of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

Amsterdam, March 6, 2020

Original has been signed by
Thorsten Arsan (Chairman)

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Financial Statements

Balance Sheet as of December 31, 2019

(before distribution of profit/loss)

in € thousand	Note	Dec. 31, 2018	Dec. 31, 2019
Assets			
Fixed assets			
Tangible fixed assets	5	11	5
Financial fixed assets			
Receivables from affiliated companies and shareholder	6	14,636,498	15,212,462
Receivables from derivatives	23	15,689	29,100
Deferred tax assets	7	6,313	4,269
		14,658,511	15,245,836
Current assets			
Financial current assets			
Receivables from affiliated companies and shareholder	6	213,189	218,937
Receivables from derivatives		605	664
Other assets	8	299	373
Cash and cash equivalents	9	1	0
		214,094	219,974
Total assets		14,872,605	15,465,810

in € thousand	Note	Dec. 31, 2018	Dec. 31, 2019
Equity and Liabilities			
Equity			
Subscribed capital		18	18
Share premium reserve		100,000	100,000
Cash flow hedge reserve	23	-57,858	-44,889
Other reserves		7,567	17,182
Unappropriated profit		9,615	8,862
Total shareholder's equity	10	59,342	81,173
Long-term liabilities			
Hybrid bond	10/12	995,221	996,690
Total capital base	10	1,054,563	1,077,863
Long-term liabilities			
Liabilities to banks	11	-	217,899
Bonds	12	11,474,634	12,714,111
Derivative financial liabilities	23	7,491	11,057
		11,482,125	12,943,067
Total long-term liabilities		12,477,346	13,939,757
Current liabilities			
Bonds	12	1,799,527	1,051,226
Commercial papers	12	420,000	300,000
Accrued liabilities	13	116,323	93,485
Other liabilities	13	67	169
		2,335,917	1,444,880
Total equity and liabilities		14,872,605	15,465,810

Income Statement for the Year from January 1 to December 31, 2019

in € thousand	Note	Jan.-Dec. 2018	Jan.-Dec. 2019
Income			
Interest and similar income	14	330,776	330,410
Expenses			
Interest and similar expenses	14	-317,084	-317,033
Financial result			
		13,692	13,377
Other operating income	15	5	37
Personnel expenses	16	-363	-559
Depreciation of tangible fixed assets	17	-6	-6
Other operating expenses	19	-350	-367
Total expenses		-719	-932
Profit before taxation			
		12,978	12,482
Income taxation	20	-3,363	-3,620
Profit for the year		9,615	8,862

Statement of Cash Flows for the Year from January 1 to December 31, 2019

in € thousand	Note	Jan.-Dec. 2018	Jan.-Dec. 2019
Profit for the year		9,615	8,862
Cash flows from operating activities			
Adjustments for:			
Cash flow hedge reserve		4,601	12,970
Bonds (long-term liabilities)	12	1,784,753	1,239,478
Liabilities to banks		-	217,899
Bonds and commercial papers (current liabilities)	12	1,309,600	-868,300
Hybrid (perpetual)	10/12	1,407	1,470
Receivables to affiliated companies and shareholder	6	-3,143,048	-581,711
Derivative financial instruments	23	-3,562	-9,903
Deferred tax assets	7	-1,616	2,045
Other assets	8	246	-72
Accrued liabilities	13	38,256	-22,836
Other liabilities	13	-249	103
Net cash used in operating activities		-9,612	-8,857
		3	5
Cash flows from investing activities			
Tangible fixed assets	5	-3	-6
Net cash used in investing activities		-3	-6
Cash flows from financing activities			
Capital contributions	10	-	-
Net cash generated from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-1
		-	-1
Movements in cash and cash equivalents can be broken down as follows:			
Balance as of January 1		1	1
Movement during the year		-	-1
Balance as of December 31		1	-

Notes to the 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, The 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 September 23, 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.

On December 13, 2019 Vonovia SE obtained for the first time an A- rating from the European rating agency Scope being in addition and one notch better compared to the S&P rating.

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 domi-

cile 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 € 8,862 k for the year from January 1 to December 31, 2019 (January 1 to December 31, 2018: € 9,615 k) which, together with the negative hedge reserve, resulted in net equity of € 81,173 k (December 31, 2018: € 59,342 k) for the shareholder’s equity. Including the hybrid bond of € 996,690 k (December 31, 2018: € 995,221 k), the total capital base had a value of € 1,077,863 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 operational charges.

The negative working capital situation of the company will not 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, the loans, or the commercial papers can be refinanced at any time by the addition of new bonds, new loans, 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. Furthermore, entities that can control the company are considered as a 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 applying relevant rules may require the use of critical accounting estimates, which

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 derivative instruments' fair value (Note 23) and the fair value calculations of the receivables from affiliated companies and shareholders (Note 6).

If it is 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 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 cash inflow or outflow 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. Generally, 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 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 relevant loan granted is corrected. The underlying EUR/USD exchange rate on December 31, 2019, was fixed at 1.1234 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, Particularly 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. These loans and receivables are initially valued 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 the outset that they 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 disposal costs 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 disposal costs is initially based on a binding sale agreement; if there is no such agreement, the fair value less disposal costs is determined based on the active market whereby the prevailing bid price is usually taken as the 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, which 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 that occurred after the impairment was recognized, the previously recognized impairment loss will be reversed. The reversal will 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 will 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 consid-

eration 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

Liabilities to Banks

Loans issued by banks 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 loans issued by banks have a maturity of over one year. Debt issuance costs are netted against a nominal amount as part of determining the amortized cost value.

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 initially recognized at fair value and subsequently 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, specifically, 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. For deferred taxes 21.7 % is used.

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 or 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 that is expected to be required to settle the obligations.

If 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 hedge 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 will 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 US 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 permits adjustments for the company's own credit risk or for the counterparty's 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. Costs are allocated to the year to which they relate.

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 (APA); 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 and Treasury 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 US 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 US 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 US 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 US 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 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. Generally, 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 between the hedged item and hedging instrument. 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 cash flow statement shows how the cash of FINANCE B.V. has changed during the 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. The long-term liabilities were mainly decreased by a partial repayment of two bonds via a tender offer before expiration and through the reclassification of two bonds from long-term liabilities to current liabilities. Two new liabilities to banks were risen up in 2019, but the decrease of the long-term liabilities is much higher. The current liabilities, especially the bonds and commercial papers, decreased because the repayment of the hybrid bond and the commercial papers is much higher than the reclassification of the bonds and the new commercial papers. However, the receivables to affiliated companies and the shareholder decreased 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 year of 2019, resulting in the cash flow from financing activities being zero.

5 Tangible Fixed Assets

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

in € thousand	Dec. 31, 2018	Dec. 31, 2019
Acquisition cost as of January 1	31	34
Additions during the year	3	-
Disposals during the year	-	-
Acquisition cost as of December 31	34	34
Accumulated depreciation as of January 1	17	23
Depreciation for the year	6	6
Accumulated depreciation disposals	-	-
Accumulated depreciation as of December 31	23	29
Total book value	11	5

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 Dec. 31, 2019, of 1.7542 % 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 as well as € 1,000 million in September 2019 and in October 2019 for three new bonds totaling € 1,500 million and passed the liquidity into the Vonovia Group, using it for more intercompany loans. Refer to note 12 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	Dec. 31, 2019
Vonovia SE	1,966,930	8,545,698
Deutsche Annington Beteiligungsverwaltungs GmbH	1,551,784	881,944
Gagfah GmbH	1,813,214	659,849
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
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

in € thousand	Dec. 31, 2018	Dec. 31, 2019
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
Deutsche Annington Acquisition Holding GmbH	4,179,599	-
Total (long-term)	14,636,498	15,212,462
Vonovia SE cash pooling (current)	213,189	218,937
Total (long-term and current)	14,849,687	15,431,399

The fair value of the receivables from affiliated companies and shareholder is € 1,335 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	Dec. 31, 2019
Balance as of January 1	11,563,140	14,636,498
Additions	3,073,358	6,578,768
Terminations	-	-
Repayments during the year	-	- 6,002,804
Balance as of December 31	14,636,498	15,212,462

7 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in US dollars. Furthermore, the deferred tax assets are based on temporary differences from the valuation of the financial instruments; for more information see note 23. 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.

In the Netherlands, it is planned that corporation tax will drop to 21.7 % by 2021. For the first € 200,000 tax base, only 15 % and for 2020 16.5 % (old rate: 19 %) corporate tax should be payable. As the DTA takes future developments into account, the calculation of the deferred taxes has been based on 21.7 % for 2019. In the previous year, 25.0 % was used to calculate the deferred taxes. The change in the tax rate to 21.7 % results in an effect of € 0.7 million for 2019.

In the future, the deferred tax assets will be used as follows:

Deferred Tax Assets

in € thousand	Cross-currency swap	Floater	Yankee bonds	Other	Total
As of January 1, 2019	-3,922	1,861	8,374	-	6,313
Addition during the year	-	-	-	-	-
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-2,392	526	-178	-	-2,044
As of December 31, 2019	-6,314	2,387	8,196	-	4,269

in € thousand	Cross-currency swap	Floater	Yankee bonds	Other	Total
As of January 1, 2018	-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	-3,922	1,861	8,374	-	6,313

8 Other Assets

The other assets in the amount of € 373 k (December 31, 2018: € 299 k) pertain to prepaid invoices and receivables for taxes on income. 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 year amounting to € 8,862 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 will bear interest at a rate of 4.0 % p.a. The Finance Department of Vonovia Group and FINANCE B.V. intends to make use of the first issuer call option on the first termination date. 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 Decem-

ber 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 € 1.639 million on the hybrid bond are shown under "Accrued Liabilities" (Note 13).

Statement of Changes in Capital Base

in € thousand	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit/loss	Total shareholders' equity	Hybrid bond	Total capital base
As of January 1, 2019	18	100,000	-57,858	7,567	9,615	59,342	995,221	1,054,563
Appreciation of the hybrid bond	-	-	-	-	-	-	1,469	1,469
Other reserves	-	-	-	9,615	-9,615	-	-	-
Unappropriated profit	-	-	-	-	8,862	8,862	-	8,862
Development to Cash flow hedge reserve	-	-	12,969	-	-	12,969	-	12,969
As of December 31, 2019	18	100,000	-44,889	17,182	8,862	81,173	996,690	1,077,863

in € thousand	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit/loss	Total shareholders' equity	Hybrid bond	Total capital base
As of January 1, 2018	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	18	100,000	-57,858	7,567	9,615	59,342	995,221	1,054,563

11 Liabilities to Banks

FINANCE B.V. signed a € 50 million unsecured corporate loan in the format of a promissory note (Schuldschein) with a maturity of seven years on August 28, 2019.

On September 17, 2019, the company signed a secured structured financing as borrower with Commerzbank AG as

lender. The collateral has been provided by a property-owning Group company, GAGFAH GmbH. The total amount of the loan is € 168 million and has a term of ten years. Vonovia SE acted as guarantor to the bank for the same amount.

12 Bonds and Commercial Papers

The long-term and the current liabilities comprise the following bonds, issued by December 31, 2019:

Bond	VNA*	ISIN Code	Face value	Coupon	Maturity
Yankee bond	004	US25155FAB22	\$ 50 k	5.000% unlisted	10-2023
EMTN 2013	005	DE000A1HRVD5	€ 1,000	3.625% listed	10-2021
EMTN 2014	007	DE000A1ZLUN1	€ 1,000	2.125% listed	7-2022
Hybrid Bond perp.	008	XS1117300837	€ 100 k	4.000% listed	-
EMTN 03/2015 1	009A	DE000A1ZY971	€ 1,000	0.875% listed	3-2020
EMTN 03/2015 2	009B	DE000A1ZY989	€ 1,000	1.500% listed	3-2025
EMTN 12/2015 2	010B	DE000A18V138	€ 100 k	1.625% listed	12-2020
EMTN 12/2015 3	010C	DE000A18V146	€ 100 k	2.250% listed	12-2023
EMTN 06/2016 1	011A	DE000A182VS4	€ 100 k	0.875% listed	6-2022
EMTN 06/2016 2	011B	DE000A182VT2	€ 100 k	1.500% listed	6-2026
EMTN 12/2016	013	DE000A189ZX0	€ 100 k	1.250% listed	12-2024
EMTN 01/2017 1	014A	DE000A19B8D4	€ 100 k	0.750% listed	1-2022
EMTN 01/2017 2	014B	DE000A19B8E2	€ 100 k	1.750% listed	1-2027
EMTN 09/2017	015	DE000A19NS93	€ 100 k	1.125% listed	9-2025
EMTN 01/2018 1	017A	DE000A19UR61	€ 100 k	0.750% listed	01-2024
EMTN 01/2018 2	017B	DE000A19UR79	€ 100 k	1.500% listed	01-2028
EMTN 03/2018 1	018A	DE000A19X793	€ 100 k	EURIM03+45bps listed	12-2022
EMTN 03/2018 2	018B	DE000A19X8A4	€ 100 k	1.500% listed	03-2026
EMTN 03/2018 3	018C	DE000A19X8B2	€ 100 k	2.125% listed	03-2030
EMTN 03/2018 4	018D	DE000A19X8C0	€ 100 k	2.750% listed	03-2038
EMTN 07/2018	019	DE000A192ZH7	€ 100 k	0.875% listed	07-2023
EMTN 01/2019	020	DE000A2RWZZ6	€ 100 k	1.800% listed	06-2025
EMTN 09/2019 1	021A	DE000A2R7JD3	€ 100 k	0.500% listed	09-2029
EMTN 09/2019 2	021B	DE000A2R7JE1	€ 100 k	1.125% listed	09-2034
EMTN 10/2019 1	022A	DE000A2R8NC5	€ 100 k	0.125% listed	04-2023
EMTN 10/2019 2	022B	DE000A2R8ND3	€ 100 k	0.625% listed	10-2027
EMTN 10/2019 3	022C	DE000A2R8NE1	€ 100 k	1.625% listed	10-2039

* VNA stands for the internal Vonovia number for bonds as mentioned on the Investor relation website.

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

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 US Securities Act.

The company used its EMTN Program in the amount of € 500 million in January 2019 (bond 020) as well as € 1,000 million in September 2019 (bonds 021A / 021B) and in October 2019 for three new bonds (bonds 022A/ 022B / 022C) totaling € 1,500 million.

The € 700 million hybrid bond (bond 006) has been repaid based on the first call date in April 2019. The company paid back the Eurobond (bond 002) with a nominal value of € 600 million in July 2019 and the EMTN bond of € 500 million in November 2019 (bond 016).

On September 4, 2019, the company announced a public cash tender offer on the March and December 2020 bonds (009A und 010B) in order to buy these bonds partially back before expiration; around € 698 million has been tendered.

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. The following commercial papers of the program are issued as at December 31, 2019:

Commercial papers	ISIN Code	Face value	Issue price	Maturity
CP 14, Commerzbank AG	DE000A2LJ4N4	€ 100 k	40,020 k	2-2020
CP 15, Bayerische LB	XS2094047292	€ 100 k	175,086 k	2-2020
CP 16, Societe Generale S. A.	XS2094047292	€ 100 k	85,042 k	2-2020

in € thousand	Book value Dec. 31, 2018	Book value Dec. 31, 2019	Market value Dec. 31, 2018	Market value Dec. 31, 2019
Long-term				
Yankee bond 2	215,056	219,434	223,421	239,069
EMTN 2013	498,497	498,994	541,955	532,915
EMTN 2014	497,257	497,993	520,145	526,320
EMTN 03/2015 1	498,459	-	504,235	-
EMTN 03/2015 2	493,125	494,180	491,485	529,505
EMTN 12/2015 2	1,247,107	-	1,280,088	-
EMTN 12/2015 3	990,934	992,653	1,040,210	1,076,340
EMTN 06/2016 1	497,486	498,205	500,560	510,165
EMTN 06/2016 2	495,312	495,911	483,410	526,160
EMTN 12/2016	990,170	991,757	974,840	1,043,020
EMTN 01/2017 1	498,459	498,949	500,050	508,320
EMTN 01/2017 2	495,486	496,000	488,235	533,690
EMTN 09/2017	495,848	496,456	478,060	515,170
EMTN 01/2018 1	495,658	496,499	483,830	508,975
EMTN 01/2018 2	495,361	495,837	471,245	524,950
EMTN 03/2018 1	598,299	598,629	590,334	601,392
EMTN 03/2018 2	494,745	495,444	485,965	525,385
EMTN 03/2018 3	493,465	494,006	484,075	557,115
EMTN 03/2018 4	488,086	488,603	481,255	582,815
EMTN 07/2018	495,824	496,733	491,495	510,925
EMTN 01/2019	-	497,383	-	533,280
EMTN 09/2019 1	-	493,255	-	477,300
EMTN 09/2019 2	-	497,381	-	472,875
EMTN 10/2019 1	-	497,806	-	498,610
EMTN 10/2019 2	-	493,136	-	491,645
EMTN 10/2019 3	-	488,867	-	482,385
Total	11,474,634	12,714,111	11,514,893	13,308,326
Hybrid bond (perpetual)	995,221	996,690	1,030,460	1,070,650
Total	12,469,855	13,710,801	12,545,353	14,378,976

in € thousand	Book value Dec. 31, 2018	Book value Dec. 31, 2019	Market value Dec. 31, 2018	Market value Dec. 31, 2019
Current				
EMTN 03/2015 1	-	300,419	-	301,544
EMTN 12/2015 2	-	750,807	-	765,095
Hybrid Bond	699,195	-	705,012	-
Eurobond 2	599,567	-	609,972	-
EMTN 11/2017	500,765	-	499,790	-
CP 9, Commerzbank AG	93,000	-	-	-
CP 10, Bayerische LB	100,000	-	-	-
CP 11, BNP Paribas S. A.	100,000	-	-	-
CP 12, Societe Generale S. A.	77,000	-	-	-
CP 13, Bayerische LB	50,000	-	-	-
CP 14 Commerzbank AG	-	40,000	-	-
CP 15 Bayerische LB	-	175,000	-	-
CP 16 Societe Generale S. A.	-	85,000	-	-
Total Long-term and current	14,689,382	15,062,027	14,360,127	15,445,615

The US dollar market value for the Yankee bond was USD 268,570,000 (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 and commercial papers in the amount of € 15,062 million.

in € thousand	Balance as of Dec. 31, 2019	Repayment obligation within 1 year	Remaining maturity 1-5 years	Remaining maturity > 5 years
EMTN bonds	13,545,903	1,051,226	6,068,218	6,426,459
Hybrid bond (perpetual)	996,690	-	996,690	-
Yankee bond	219,434	-	219,434	-
Commercial papers	300,000	300,000	-	-
	15,062,027	1,351,226	7,284,342	6,426,459

in € thousand	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	Dec. 31, 2019
Balance as of January 1	11,593,624	14,689,382
Additions	3,981,438	2,967,828
Repayments during the year	-909,928	-2,497,688
Change in valuation rate	24,248	-97,495
Balance as of December 31	14,689,382	15,062,027

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

13 Accrued Liabilities/Other Liabilities

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

The current liabilities as of December 31, 2019, mainly result from accrued interest liabilities on the issued bonds.

in € thousand Bond	Coupon	Interest payment	Dec. 31, 2018	Dec. 31, 2019
Eurobond 2	3.125%	annual July 25	8,168	-
Yankee bond 2	5.000%	semi-annual October/April 2	2,699	2,751
EMTN 2013	3.625%	annual October 8	4,171	4,160
EMTN 2014	2.125%	annual July 9	5,094	5,080
Hybrid bond	4.625%	annual April 8	23,771	-
EMTN 03/2015 1	0.875%	annual March 30	3,320	1,991
EMTN 03/2015 2	1.500%	annual March 31	5,671	5,656
EMTN 12/2015 2	1.625%	annual December 15	946	567
EMTN 12/2015 3	2.250%	annual December 15	1,048	1,045
EMTN 06/2016 1	0.875%	annual June 10	2,457	2,451
EMTN 06/2016 2	1.500%	annual June 10	4,212	4,201
EMTN 12/2016	1.250%	annual December 6	890	883
EMTN 01/2017	0.750%	annual January 25	3,504	3,503
EMTN 01/2017	1.750%	annual January 25	8,175	8,175
EMTN 09/2017	1.125%	annual September 8	1,763	1,746
EMTN 11/2017	EURIM3+	quarterly Feb/Mai/July/Nov 20	20	-
EMTN 01/2018 1	0.750%	annual January 15	3,606	3,606
EMTN 01/2018 2	1.500%	annual January 14	7,192	7,212
EMTN 03/2018 1	EURIM3+	quarterly March/Jun/Sep/Dec 22	23	9
EMTN 03/2018 2	1.500%	annual March 22	5,836	5,820
EMTN 03/2018 3	2.125%	annual March 22	8,296	8,234
EMTN 03/2018 4	1.750%	annual March 22	10,699	10,640
EMTN 07/2018	0.875%	annual July 3	2,182	2,176
EMTN 01/2019	1.800%	annual June 29	-	4,574
EMTN 09/2019	0.500%	annual September 14	-	731
EMTN 09/2019	1.125%	annual September 14	-	1,645
EMTN 10/2019	0.125%	annual April 6	-	146
EMTN 10/2019	0.625%	annual October 7	-	734
EMTN 10/2019	1.625%	annual October 7	-	1,887
Hybrid bond (perpetual)	4.000%	annual December 17	1,644	1,639
Commercial paper 9			26	-
Commercial paper 10			28	-
Commercial paper 11			28	-
Commercial paper 12			21	-
Commercial paper 13			14	-

in € thousand Bond	Coupon	Interest payment	Dec. 31, 2018	Dec. 31, 2019
Commercial paper 14			-	15
Commercial paper 15			-	65
Commercial paper 16			-	31
Total			115,504	91,373
Senior loans			-	49
Compensation with swaps without ccs			93	119
Accruals			726	1,944
Total accrued liabilities			116,323	93,485
Other tax liabilities			64	169
Trade payables			3	-
Total other liabilities			67	169

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 the shareholder paid commitment fee as a prepaid asset in the financial year 2019.

14 Interest and Similar Income and Expenses

in € thousand	Jan.-Dec. 2018	Jan.-Dec. 2019
Interest income from affiliated companies and shareholder	317,087	315,671
Interest income from third parties	13,689	12,770
Valuation effects from ineffectiveness	-	1,969
Total interest and similar income	330,776	330,410
Interest expenses from Euro/EMTN bonds	-183,417	-195,154
Interest expenses from Hybrid bond (perpetual)	-40,004	-40,004
Interest expenses from Yankee bonds	-10,580	-11,349
Interest expenses from Hybrid bonds (without perpetual)	-32,371	-8,595
Interest expenses from secured financings	-	-304
Interest expenses from Term loan	-8,179	-1,187
Prepayment penalty	-	-15,353
Interest expenses from swaps	-12,654	-13,229
Interest expenses from liquidation Forward swaps	-10,393	-10,393
Other interest expenses to third parties	-19,486	-19,427
Valuation effects from First day loss	-	-1,246
Non-recoverable finance expenses	-	- 792
Total interest and similar expenses	-317,084	-317,033
Total financial result	13,692	13,377

In the year under review € 9.6 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 permit holding open a currency risk in connection with the issuance of the bonds in US dollars, even temporarily.

The Prepayment penalty and the expenses from the Term loan have been paid back by the shareholder and they are also included in Interest income from affiliated companies and shareholder.

15 Other Operating Income

in € thousand	Jan.-Dec. 2018	Jan.-Dec. 2019
Income from reversal of provisions from liabilities	-	36
Write-off old receivables from suppliers	5	-
Total release of other liabilities	0	1
Total	5	37

16 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Dec. 2018	Jan.-Dec. 2019
Wages and salaries	324	515
Social security charges	39	44
Total	363	559

17 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 6 k (Jan.-Dec. 2018: € 6 k) are related to the depreciation of tangible assets, which are comprised of office equipment.

18 Audit fees

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

Jan.-Dec. 2019 in € thousand	Pricewaterhouse- Coopers Accountants N.V.	Other PwC Network	Total PwC Network
Audit of the financial statements	87	-	87
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	31	-	31
Total	118	-	118

Jan.-Dec. 2018 in € thousand	Pricewaterhouse- Coopers Accountants N.V.	Other PwC Network	Total PwC Network
Audit of the financial statements	76	-	76
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	30	-	30
Total	106	-	106

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 accountant-organisaties - 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.-Dec. 2018: € 30 k), but these are included in "Interest and Similar Expenses." The non-audit services performed by PricewaterhouseCoopers Accountants N.V. are related to the comfort letter on the EMTN Program. These non-audit services are allowed under the current regulations.

19 Other Operating Expenses

in € thousand	Jan.-Dec. 2018	Jan.-Dec. 2019
Consultancy fees	96	120
Independent auditor's remuneration	76	87
Rent and lease	78	83
IT and administration costs	35	33
Other costs	65	44
Total	350	367

The table below shows the financial obligation for the office rent:

in € thousand	within 2020	within 2021-2024	beyond 2024
Rent and lease	79	316	40

20 Income/Loss Taxation

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

in € thousand	Jan.-Dec. 2018	Jan.-Dec. 2019
Profit before taxation	12,978	12,482
Deferred tax assets	-58	-541
Current tax liabilities/assets	-280	131
Corporate income taxation	-3,025	-3,210
Profit for the year	9,615	8,862

Effective tax rate 29.00 % (Jan.-Dec. 2018: 25.9 %)

The nominal tax rate is 25.00 % (Jan.-Dec. 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 until December 31, 2018. A new APA with a validity period from January 1, 2016, to December 31, 2020, was signed in January 2017.

The current tax position is not calculated on the 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 carryforwards would be taken into account. The deferred tax assets result only from the cash flow hedge reserve.

21 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 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 implementing 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 above-mentioned financing activities.

22 Average Numbers of Employees

As of December 31, 2019, the company has six employees (December 31, 2018: five), four of whom are men and two women (December 31, 2018: four 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.

23 Financial Instruments

As of December 31, 2019, the financial instruments consist of an interest rate swap relating to a floater bond (bond 018A) with a nominal volume of € 600 million (beginning of 2018) and two cross-currency swaps corresponding to an US dollar bond with a total nominal volume of € 185.0 million (bond 004) (beginning of 2018: four cross-currency with a total nominal volume of € 379.8 million).

Future changes in the value of the cash flow hedge reserve also relate to three hedging instruments unwound in Octo-

ber 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 hedged items. In the year under review € 9.6 million were reclassified to profit or loss, reducing the cash flow hedge reserve to € 38.0 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	Jan. 1, 2019	Development		Dec. 31, 2019
		gross amount	deferred tax	
Cash flow hedge reserve related to three unwound hedging instruments	47,604	-9,626	-	37,978
Interest rate Swap Floater 600	5,618	3,566	-527	8,657
Cross Currency Swap	-20,486	-12,688	1,852	-31,322
Corresponding USD-bonds	25,122	4,276	178	29,576
Cash flow hedge reserve according to balance sheet	57,858	-14,472	1,503	44,889

in € thousand	Jan. 1, 2018	Development		Dec. 31, 2018
		gross amount	deferred tax	
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	Face-value	Jan. 1, 2019	Development				Dec. 31, 2019
			Cash flow hedge reserve	Ineffec- tiveness Income Statement	First day loss Income Statement	Reclassifi- cation	
Passive Hedge Accounting	-	-	9,626	-	-	-9,626	-
Interest rate Swap Floater Mar 2018 4,75 years 3M EURIBOR	600,000	-7,491	-3,566	-	-	-	-11,057
Cross Currency Swap eff. Oct 2013 10 years USD exchange rate	184,592	27,315	12,688	-	-	-	40,003
Cross Currency Swap first day loss/ineffectiveness		-11,626	-	1,969	-1,246	-	-10,903
		15,689	12,688	1,969	-1,246	-	29,100
Market value (clean)	784,592	8,198	18,748	1,969	-1,246	-9,626	18,043
Accrued interest	-	511	-	-	-	-	545
Market value (dirty)	-	8,709	-	-	-	-	18,588

in € thousand	Face-value	Jan. 1, 2018	Development				Dec. 31, 2018
			Cash flow hedge reserve	Ineffec- tiveness Income Statement	First day loss Income Statement	Reclassifi- cation	
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 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

24 Further Information about the Bodies and the Company

The Management Board of Vonovia Finance B.V. consists of three members as of December 31, 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.

For the financial year 2019 the Management has received remuneration amounting to € 325 k (Jan.-Dec. 2018: € 212 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 received remuneration amounting to €18 k in 2019. (Jan.-Dec. 2018: € 18 k).

The shares of the company entitle the shareholder to voting and profit rights and the shares 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.

25 Responsibility Statement

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

1. The 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 5:28c(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

26 Subsequent Events

On February 6, 2020, the company issued € 200 million and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap. The original maturity date (March 22, 2026) and original coupon rate (1.500 %) remain unchanged.

On February 17, 2020, FINANCE B.V. undersigned a new credit agreement with LBBW for an amount of € 300 million in respect of a secured loan.

On February 28, 2020, the outstanding amount of € 300 million under the commercial paper program was repaid.

On March 2, 2020, FINANCE B.V. undersigned a credit agreement with ING-DiBa AG for an amount of € 100 million.

Amsterdam, March 6, 2020

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 will be at the disposal of the Annual General Meeting. A resolution to pay out dividends will only be effective upon approval by 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 entitled persons 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 2019 amounting to € 8,862 k (year ended December 31, 2018: net profit € 9,615 k) to the other reserves.

The Independent Auditor's Report is set out on the next page.

Independent auditor's report

To: the general meeting and the supervisory board of Vonovia Finance B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Vonovia Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Vonovia Finance B.V., Amsterdam.

The financial statements comprise:

- > the balance sheet as at 31 December 2019;
- > the income statement for the year then ended;
- > the statement of cash flows for the year then ended; and
- > the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Vonovia Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have

complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Vonovia SE as disclosed in note 1.1 to the financial statements. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 1.5 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the fair value of derivatives and the fair value calculations of the notes receivables, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of loans issued as key audit matter because the importance of existence for users of the financial statements.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the area of valuation and accounting in our team.



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €154,000,000 (2018: €148,000,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones. Inherent to the nature of the Company's business, the amounts in the financial statements are large in proportion to the income statement line items other operating income, personnel expenses, depreciation of tangible fixed assets, other operating expenses and income taxation. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €7,700,000 (2018: €7,400,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year, hedge accounting is no longer considered as a key audit matter due to the decrease of outstanding derivative financial instruments and the associated cash flow hedge reserve.

Key audit matter

Valuation of the loans issued

Note 6

We consider the valuation of the loans issued, as disclosed in note 6 to the financial statements for a total amount of €15,212,462,000 to be a key audit matter. This is because the management board has to identify objective evidence of impairment, which is very important and judgemental, and because of the possible material effect an impairment may have on the financial statements.

The management board did not identify any objective evidence that a loan is impaired.

How our audit addressed the matter

We performed the following procedures to test the management board's assessment of possible loss events to support the valuation of the loans issued to Vonovia SE group companies:

- > We evaluated the financial situation of the group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company.
- > We evaluated the financial position of Vonovia SE by verifying observable data from rating agencies, developments in credit spreads and other publicly available data.
- > We performed a margin analysis.
- > We recalculated the amortised cost value based on the effective interest method.
- > We have reconciled data input such as projected cash flows, interest rates and maturities with underlying contracts.
- > We performed confirmation procedures with the counterparties of the loans.

We found the management board's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Key audit matter

Existence of the loans issued

Note 6

We consider the existence of the loans issued, as disclosed in note 6 to the financial statements for a total amount of €15,212,462,000 to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

How our audit addressed the matter

We performed the following procedures to support the existence of the loans issued to Vonovia SE group companies:

- > We confirmed the existence of the loans with the counterparties on a sample basis.
- > We evaluated the existence of the counterparties by means of verification through the chamber of commerce.
- > We performed analytical procedures on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread.

Based on the procedures as set out above, we found no material differences.

Derivative valuation

Note 23

We consider the fair value of the derivatives portfolio of €29,100,000 positive and €11,057,000 negative, as disclosed in note 23 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps. The market for these swaps is not fully liquid, and therefore valuation is a complex area.

We performed the following procedures to support the valuation of derivatives:

- > We tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relationships (when relevant) by testing the input of contracts in the Company's valuation system on a sample basis.
- > We reconciled the interest rate curves and other market data with independent sources.
- > We assessed whether the settings used in the valuation system and the models are in line with market practice.

We found the management board's assumptions used in the valuation of derivatives to be reasonable compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- > the supervisory board report;
- > the management report; and
- > the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- > is consistent with the financial statements and does not contain material misstatements;
- > contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Vonovia Finance B.V. in July 2013 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of seven years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 18 to the financial statements.

For the period to which our statutory audit relates, in addition to the audit, we have provided the following services to the Company which are not disclosed in the annual report of the Company:

- > review of the interim financial statements;
- > comfort letter for the prospectus

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- > the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- > such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the

going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 6 March 2020

PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statements 2019 of Vonovia Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- > Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- > Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- > Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- > Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the

context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.

- > Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Vonovia Finance B.V.
Apollolaan 133-135
1077 AR Amsterdam
The Netherlands

www.vonovia.de



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only