

**Vonovia Finance B.V.,  
Amsterdam**

**Unaudited Interim  
Financial Report 2017**

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# 1. Management Report for the Unaudited Interim Financial Report 2017

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

FINANCE B.V. is therefore an integral part of the Group finance strategy of Vonovia SE and consequently an important tool for executing this strategy. This strategy is to pursue various complementary objectives simultaneously, so as to ensure sufficient liquidity at all times based on a sustainable equity-funding ratio, a balanced structure and maturity of debt financing. This ensures a favorable LTV (loan-to-value) ratio while optimizing funding expenses and simultaneously ensuring the rating classification. Making use of a Dutch financing company is in line with international practice.

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia 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 bonds have a regular rating two notches lower at BBB-. The short-term credit rating of A-2 has been confirmed. The most recent confirmation of the rating by S&P is from April 2017.

In practice, it is the company’s intention to on-lend the raised funds with a reasonable lending margin to Vonovia Group entities on an arm’s length basis as part of Group financing. As of June 30, 2017, FINANCE B.V. has a total indebtedness of € 11,596 million, which has been on-lent to Vonovia Group entities. FINANCE B.V.’s financing depends on the conditions on the capital market, which are at the moment still very favorable due to the low interest rates. Nevertheless, the company will strive to further improve the financing costs while maintaining credit rating performance indicators and the desired financing structure.

Vonovia’s broad access to the markets offers a competitive distinction in the German real estate business and represents a clear strategic advantage. This becomes clear when looking at the modernization program’s realization as well as ongoing acquisitions. Without having had fast and direct access to the international debt and equity markets, Vonovia’s growth in recent years would not have taken place. In sum, the funds raised through FINANCE B.V. have been used to fund the acquisitions of the past years, the remaining refinancing and the Group’s modernization and reorganization programs.

As early as 2013, the company implemented what is known as a European Medium-Term Notes Program (EMTN Program), which allows the Vonovia Group to raise funds through FINANCE B.V. on a short-term basis without significant administrative efforts. The EMTN Program, updated in April 2017, based on the approval from April 20, 2017, of the oversight authorities of the Grand Duchy of Luxembourg (CSSF), has a total issuance volume of € 15,000 million since then. The total utilization of the EMTN Program issuance volume is € 8,500 million as at June 30, 2017.

In 2013, FINANCE B.V. issued unsecured and unsubordinated bonds for the first time totaling € 2,540 million; € 500 million of that was under the EMTN Program. Two USD-denominated bonds of 2013 were protected against currency and interest fluctuations through cross-currency derivatives.

During 2014, the company raised another € 500 million under the EMTN Program. Furthermore, the company raised a total of € 1,700 million by issuing two bonds known as hybrid bonds. Hybrid bonds are unsecured but subordinated and are long-term to unlimited in duration with comparably higher nominal interest rates.

On March 30, 2015, the company issued bonds of € 1,000 million from the EMTN Program, which were divided into two tranches of € 500 million each. With effect from December 9, 2015, FINANCE B.V. issued bonds from the EMTN Program totaling € 3,000 million. This amount was placed in three

installments with maturities between two and seven years. The two-year tranche was the first floating-rate note. The interest rate was eliminated by euro swaps.

In July 2016, the company repaid the scheduled € 700 million tranche with the 2.125 % coupon from the 2013 bond placements.

In 2016, the company issued bonds with a total volume of € 2,500 million, split in two tranches at € 500 million, each from June 10; a private placement tranche of € 500 million from September 13 and a placement of € 1,000 million from December 6, 2016.

In January 2017 the company has undertaken a bond placement of in total € 1,000 million, split in two tranches at € 500 million, one with a coupon of 0.75% for the tranche with the maturity date January 25, 2022, and one with a coupon of 1.75% for the tranche with the maturity date January 25, 2027. These funds have essentially been used by Vonovia to repay in February in advance the absorbed GAGFAH CMBS-financing under the title "Taurus", with which the CMBS financings at Vonovia find an end.

In the second half of 2017 two bonds become due for repayment, namely the USD bond with round about € 655 million and the drawdown under the EMTN of about € 750 million.

In 2015, Vonovia developed a refinancing plan from its financing strategy that focused on the absorbed financings from the GAGFAH acquisition, in particular. The GAGFAH Group was acquired by Vonovia as of March 6, 2015. In October 2015, Vonovia mitigated the interest risk on future funding needs by entering into five forward derivative contracts through FINANCE B.V. in the amount of € 2,700 million, which are disclosed in the financial statements as of 31. December 2015. Following the intended takeover of Deutsche Wohnen, which finally did not go through, the refinancing plan had to be modified in 2016 again. This had the consequence that four of the five forward derivatives were dissolved on June 7 and 8, 2016, with a total amount of € 2,100 million. Of the four dissolved derivatives, two were designated to the EMTN bond placement on June 6, 2016, continuing the hedge accounting, while the other two derivatives are subject to a hedge break; the respective negative fair value had to be recognized as an expense. In keeping with the agreement of FINANCE B.V. with Vonovia, the equivalent amount of € 54.5 million has been charged to Vonovia SE in 2016. And the remaining derivative – trade 5 – was used as planned for the December bond placement.

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

The operational execution of tasks and day-to-day business are performed by the staff of FINANCE B.V., for which FINANCE B.V. adds a reasonable margin to the on-lending to Vonovia Group companies.

FINANCE B.V. closed the previous year 2016 with a net loss which was essentially driven by discrete items which do not stem from the normal course of business. FINANCE B.V. closed the first half year of 2017 again with a net loss of € 3,496 k which is essentially driven by the same cases. While in the normal course of business the company is earning a reasonable income from the margin between the incurred interest on borrowing and the earned interest on-lending it is especially suffering from the discrete valuation measures for ineffective hedges (€ 6,614 k) and the amortization of first time losses (€ 2,016 k) causing the net loss.

However, in general, the company applies hedge accounting for the hedged currency and interest rate risks on borrowing and lending. The management expects therefore for the full year 2017 again a positive result from the normal course of business and the more than offsetting negative impacts from the before mentioned valuation effects which most likely will cause a net loss on a full year basis.

The function of FINANCE B.V. as a financing vehicle of Vonovia Group is set up in such a way that it earns a margin in excess of its borrowing costs. This should leave the company with sufficient residual

earnings and cash flows, less certain operational charges and charges for central services provided through Vonovia. In essence, 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 as of June 30, 2017, and prospectively December 31, 2017 is ensured through the cash pool of Vonovia Group.

The bonds issued by FINANCE B.V. are supported by the unconditional and unlimited guarantee of Vonovia SE.

Profitability will be continuously ensured through a markup on on-lending. Cash, however, can be withdrawn from the Vonovia SE cash pool at any given time.

The going concern status of FINANCE B.V. is therefore ensured.

The credit and market risk of FINANCE B.V. is limited to the share premium reserve of € 100 million.

Vonovia senior management has the clearly articulated intention to raise further funds through FINANCE B.V. by issuing additional bonds to obtain debt financings to complement equity financing for more internal as well as external growth (through acquisitions). Acquisitions are an integral part of the Vonovia strategy and FINANCE B.V.; therefore they are an important execution tool for the Vonovia strategy. But also regarding the two scheduled repayments of bonds in 2017 may be funded through a bond refinancing placement.

Leaving the impact from the evaluation of derivatives and financial instruments aside, for 2017, management expects a result alongside the intended profit margin.

Consequently FINANCE B.V. is and will be an integral part of the Vonovia Group. In particular, it plays a role in its execution of the financing strategy with regard to raising funds on the international debt capital markets. As such, it serves as a financing company for the parent as well as for individual Group entities.

Further positive development of Vonovia Group is expected from internal as well as external growth. Plus, in light of the debt structure optimization, further funds may be raised at any given time, provided the international capital markets are prepared to absorb the issuance volumes.

As the company's business volume continues to expand, the organizational structure of the company will be developed accordingly. FINANCE B.V. does not engage in any research and development activities. The company employs five employees; four of them are male and one female. The Management Board of three people comprises only men.

On July 1, 2015, FINANCE B.V. reached an agreement with the Dutch tax authorities regarding an advance pricing agreement for the period of establishment (starting June 21, 2013), which will last until December 31, 2017. In 2016, the company applied for a new APA with a period of validity from January 1, 2016, to December 31, 2020. Recently, the Dutch tax authorities had approved the application, and it was signed on January 17, 2017.

Given the relevance of FINANCE B.V., a Supervisory Board was established in order to comply with good corporate governance practices and to monitor the operational business activities of the entity. It also ensures a seamless formal interface with the parent and a qualified monitoring of the financing activities. The formal registration of the Supervisory Board at the Chamber of Commerce of Amsterdam took place on July 3, 2015. As of June 30, 2017, the Supervisory Board comprises the following three members, two of them are representatives of the sole shareholder, and one member is a finance expert dedicated to such finance structures in the Netherlands:

Dr. A. Stefan Kirsten (Chairman; CFO of Vonovia SE)

Christoph Schauerte (Vice Chairman; Vice President Group Accounting and Accounting Officer of Vonovia SE) **Resignation:** April 6, 2017

Dr. Fabian Heß (Legal Counsel and Compliance Officer of Vonovia SE) **Inaugurations: April 7, 2017**

Simone Schumacher (Head of Accounting of BMW Finance NV).

A Supervisory Board meeting took place on April 7, 2017, at the company premises at Apollolaan 133, Amsterdam. The topics covered in addition to operational review items the independent auditor report on financial statements of 2016, corporate governance items and the updated outlook for 2017.

FINANCE B.V.'s financing depends on the conditions of the capital market, which are very favorable at the moment due to the low interest rates. Nevertheless, the company will strive to further improve the financing costs while maintaining the credit rating performance indicators and the desired financing structure. Furthermore the Vonovia-Group and Finance B.V. will both increase at their size.

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

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

| Management Board<br>(Strategy, Requirements/Goals, Control Environment, Monitoring) |  |  |   |   |
|---|--|--|---|---|
| 1 Performance   | 2 Compliance   | 3 Risk Management  | 4 Internal Control System   | 5 Internal Audit                            |
| Controlling<br>> Budget<br>> Forecast<br>> Results                                  | Compliance Officer<br>> Guidelines, regulations<br>> Contracts<br>> Capital market compliance<br>> Data protection | Controlling<br>> Risk management process<br>> Risk reporting                       | IT<br>> Process documentation<br><br>Accounting<br>> Accounting-based internal control system | Internal Audit<br>> Process-oriented audits |
| Operational Areas<br>> Performance management<br>> Technical integrity              | Operational Areas<br>> Ensuring compliance   | Operational Areas<br>><br><br>Risk identification and evaluation<br>> Risk control | Operational Areas<br>> Documentation of core processes<br>> Control activities                | Operational Areas<br>> Process improvements |

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 in general monitored by corresponding derivative instruments. Derivatives are contracted with major financial institutions with a positive credit rating.

In order to minimize the liquidity risk, the cash flow risk and fair value risk management, Finance B.V. is part of the Vonovia Group cash-pooling system. There is a significant concentration of credit risk as all borrowings are lent on to Vonovia Group companies. However, the sole shareholder acts as a general guarantor for all the borrowings. Therefore the financial risk for the company is limited to the capital and reserves of € 100 million.

Lars Schnidrig resigned from his position in the management board as of July 1, 2017 and was replaced by Thorsten Arsan, Head of Treasury Front Office of Vonovia-Group. Further Olaf Weber, being appointed Head of Finance of Vonovia-Group as of July 1, 2017 joint the supervisory board as its fourth member before acting as secretary of the supervisory board.

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

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

## **Responsibility Statement**

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

- The interim financial statements for the six month period ended June 30, 2017, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.
- The Management Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

**Amsterdam, August 22, 2017**

**Iwan Oude Roelink**

**Rick van Dijk**

**Thorsten Arsan**

## 2. Unaudited Interim Financial Statements

### a. Balance Sheet as of June 30, 2017 (before distribution of profit/loss)

| in € thousand   | Note | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|---|------|----------------------------|--------------------------|
| <b>Assets</b>   |      |                            |                          |
| <b>Fixed assets</b>                                   |      |                            |                          |
| Tangible fixed assets                                 | 5    | 18                         | 16                       |
| Financial fixed assets                                |      |                            |                          |
| Receivables from affiliated companies and shareholder | 6    | 11.456.164                 | 10.462.769               |
| Receivables from derivatives                          | 21   | 17.765                     | 31.533                   |
| Deferred tax assets                                   | 7    | 5.001                      | 7.193                    |
|   |      | 11.478.948                 | 10.501.511               |
| <b>Current assets</b>                                 |      |                            |                          |
| Financial current assets                              |      |                            |                          |
| Receivables from affiliated companies and shareholder | 6    | 171.504                    | 106.530                  |
| Receivables from derivatives                          | 21   | 102.125                    | 153.215                  |
| Other assets  | 8    | 1.633                      | 1.066                    |
| Cash and cash equivalents                             | 9    | 1                          | 1                        |
|   |      | 275.263                    | 260.812                  |
| <b>Total assets</b>                                   |      | <b>11.754.211</b>          | <b>10.762.323</b>        |



| in € thousand                       | Note  | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|-------------------------------------|-------|----------------------------|--------------------------|
| <b>Equity and Liabilities</b>       |       |                            |                          |
| <b>Equity</b>                       |       |                            |                          |
| Subscribed capital                  |       | 18                         | 18                       |
| Share premium reserve               |       | 100.000                    | 100.000                  |
| Cash flow hedge reserve             |       | -63.490                    | -81.353                  |
| Other reserves                      |       | 2.539                      | 4.663                    |
| Unappropriated loss                 |       | <u>-3.496</u>              | <u>-2.124</u>            |
| <b>Total shareholders' equity</b>   | 10    | 35.571                     | 21.204                   |
| <b>Long-term liabilities</b>        |       |                            |                          |
| Hybrid bond                         | 10/11 | <u>992.949</u>             | <u>992.459</u>           |
| <b>Total capital base</b>           | 10    | 1.028.520                  | 1.013.663                |
| <b>Long-term liabilities</b>        |       |                            |                          |
| Bonds                               | 11    | 9.198.675                  | 8.218.020                |
| Derivative financial liabilities    | 21    | <u>912</u>                 | <u>1.205</u>             |
|                                     |       | 9.199.587                  | 8.219.225                |
| <b>Current liabilities</b>          |       |                            |                          |
| Bonds                               | 11    | 1.404.491                  | 1.457.287                |
| Accrued liabilities                 | 12    | 121.509                    | 71.491                   |
| Other liabilities                   | 12    | <u>104</u>                 | <u>657</u>               |
|                                     |       | 1.526.104                  | 1.529.435                |
| <b>Total equity and liabilities</b> |       | <u>11.754.211</u>          | <u>10.762.323</u>        |

**b. Income Statement for the Period from January 1 to June 30, 2017**

| in € thousand                         | Note | Jan.-Jun. 2017 | Jan.-Jun. 2016 |
|---------------------------------------|------|----------------|----------------|
|                                       |      | Unaudited      | Unaudited      |
| <b>Income</b>                         |      |                |                |
| Interest and similar income           | 13   | 158.354        | 214.038        |
| <b>Expenses</b>                       |      |                |                |
| Interest and similar expenses         | 13   | -162.490       | -218.300       |
| Financial result                      |      | -4.136         | -4.262         |
| Other operating income                | 14   | 6              | 27             |
| Personnel expenses                    | 15   | -181           | -126           |
| Depreciation of tangible fixed assets | 16   | -3             | -2             |
| Other operating expenses              | 17   | -119           | -130           |
| <b>Total expenses</b>                 |      | -303           | -258           |
| <b>Loss before taxation</b>           |      | -4.433         | -4.493         |
| Income taxation                       | 18   | 937            | 1.071          |
| <b>Loss for the period</b>            |      | -3.496         | -3.422         |

**c. Statement of Cash Flows for the Period from January 1 to June 30, 2017**

| in € thousand   | Note  | Jan.-Jun. 2017<br>Unaudited | Jan.-Jun. 2016<br>Unaudited |
|---|-------|-----------------------------|-----------------------------|
| Loss for the period   |       | -3.496                      | -3.422                      |
| <b>Cash flows from operating activities</b>                           |       |                             |                             |
| <i>Adjustments for:</i>   |       |                             |                             |
| Cash flow hedge reserve   |       | 17.863                      | -48.275                     |
| Bonds (long-term liabilities)   | 11    | 980.654                     | 977.483                     |
| Bonds (current liabilities)   | 11    | -52.797                     | -                           |
| Hybrid (perpetual)  | 10/11 | 490                         | -2.130                      |
| Receivables to affiliated companies and shareholder                   | 6     | -1.058.370                  | -1.047.179                  |
| Derivative financial instruments                                      | 21    | 64.565                      | 30.123                      |
| Deferred tax assets   | 7     | 2.192                       | -882                        |
| Other assets  | 8     | -567                        | 17.863                      |
| Accrued liabilities   | 12    | 50.017                      | -2.290                      |
| Other liabilities   | 12    | -553                        | 53.711                      |
| <b>Net cash used in/generated from operating activities</b>           |       | <b>3.494</b>                | <b>-21.576</b>              |
|   |       | <b>-2</b>                   | <b>-24.998</b>              |
| <b>Cash flows from investing activities</b>                           |       |                             |                             |
| Tangible fixed assets   | 5     | 2                           | -2                          |
| <b>Net cash generated/(used in) from investing activities</b>         |       | <b>2</b>                    | <b>-2</b>                   |
| <b>Cash flows from financing activities</b>                           |       |                             |                             |
| Capital contributions   | 10    | -                           | 20.000                      |
| <b>Net cash generated from financing activities</b>                   |       | <b>-</b>                    | <b>20.000</b>               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>           |       | <b>-</b>                    | <b>-5.000</b>               |
|   |       | <b>-</b>                    | <b>-5.000</b>               |
| Movements in cash and cash equivalents can be broken down as follows: |       |                             |                             |
| <b>Balance as of January 1</b>  |       | 1                           | 5.001                       |
| Movement during the period  |       | -                           | -5.000                      |
| <b>Balance as of June 30</b>  |       | <b>1</b>                    | <b>1</b>                    |

**d. Notes to the Unaudited Interim Financial Statements 2017**

## 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 for and on behalf of Vonovia SE, Düsseldorf, Germany, and its affiliated companies and to on-lend the raised funds to Vonovia SE and its Group companies for the purposes of Group financing.

The head office (principal place of business) is located at Apollolaan 133, 1077 AR Amsterdam, Netherlands. The company is registered under the number 58224416 at commercial register “KvK.”

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia 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 bonds have a regular rating two notches lower at BBB-. The short-term credit rating of A-2 has been confirmed. The most recent confirmation of the rating by S&P is from April 2017. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.’s activities on the international debt markets.

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

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

### 1.2 Group Structure

FINANCE B.V. is a member of the Vonovia Group. The ultimate parent of this Group is Vonovia SE with its legal domicile in Düsseldorf, Germany. 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 the website of Vonovia under [www.vonovia.de](http://www.vonovia.de).

### 1.3 Going Concern

The company generated a net loss of € 3,496 k for the period from January 1 to June 30, 2017, which, together with an decreased negative hedge reserve, resulted in net equity of € 35,571 k (December 31, 2016: € 21,204 k) for the shareholder’s equity. Including the hybrid bond of € 992,949 k the total capital base had a value of € 1,028,520 k (December 31, 2016: € 1,013,663 k). In the future, the earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and the service charges. 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 be influenced are considered to be a related party. Also, entities that can control the company are considered 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 interim financial statements and the application of relevant rules may require the use of critical accounting estimates, which thus requires exercising professional judgment. Estimates used in these interim financial statements are limited to the use of other assets, accrued liabilities for general expenses and other liabilities based on tax experience and sound professional judgment. This predominately applies to the determination of the fair value of the swap (Note 21) and the fair value calculations of the notes receivables (Note 6).

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

Unless explained otherwise, the estimates made by the management in preparing the half year 2017 Financial Statements are similar to those used in 2016.

### *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. Transactions not resulting in inflow or outflow of cash, including finance leases, 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, generally. The interest rates of the issued bonds were reclassified from the Other liabilities to the Accrued liabilities pursuant to art. 2:363 part. 5 DCC. The company summarized the Accrued liabilities and the Other liabilities under Note 12.

## **2 Principles of Valuation for Assets and Liabilities**

### *2.1 General*

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

The financial statements are denominated in euros.

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

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

## 2.2 Foreign Currencies

### *Functional Currency*

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

### *Transactions, Receivables and Liabilities*

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing on the balance sheet date. Investments are stated at the historical exchange rate. Transactions denominated in foreign currencies in the reporting period are recognized in the interim 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 or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the period and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than euros, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected. The underlying exchange rate EUR/USD on June 30, 2017, is fixed at 1.1412 and on December 31, 2016, was fixed at 1.0541.

## 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. For computer hardware a depreciation period of three years is used.

## 2.4 Financial Fixed Assets

### *Loans, in Particular Loans to Affiliated Companies*

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

## 2.5 Impairment of Fixed Assets

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

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

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

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

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

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

## *2.6 Deferred Taxes*

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

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

Deferred income taxes are recognized at face value.

## *2.7 Current Assets*

### *Receivables and Other Assets*

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

## 2.8 Cash and Cash Equivalents

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

## 2.9 Equity

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

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

## 2.10 Long-term Liabilities

### *Bonds*

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

### *Other Liabilities*

Other liabilities are initially valued at fair value and subsequently at amortized cost.

### *Long-term Debt*

On initial recognition long-term debts are recognized at fair value. Transaction costs that can be directly attributed to the acquisition of long-term debts are included in initial recognition. After initial recognition long-term debts are recognized at amortized cost, which equals the amount received, taking into account premiums or discounts, and minus transaction costs.

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*

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

### *Accrued Liabilities*

The accruals are stated at the amount required, based on sound business judgment and valued at the expected costs. 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 received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.



### *Current and Deferred Income Tax*

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

### *2.12 Provisions*

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

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

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

### *2.13 Financial Instruments*

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

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

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

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

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

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

To measure the cross-currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the U.S. dollar forward exchange rate (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The

fair value contains the credit risk of the cross-currency swaps and therefore allows for adjustments for the company's own credit risk or for the counterparty credit risk.

### **3 Principles for Recognition of Income and Expenses**

#### *3.1 General*

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

#### *3.2 Revenue Recognition, Financial Income and Expenses*

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

#### *3.3 Exchange Rate Differences*

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

#### *3.4 Other Operating Income and Expenses*

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

#### *3.5 Personnel Expenses*

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

#### *3.6 Depreciation of Tangible Fixed Assets*

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

#### *3.7 Taxation*

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

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

## 4 Financial Instruments and Risks

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

### 4.1 Market Risk

#### Currency Risk

FINANCE B.V. mainly operates in the European Union. The currency risk for the company largely concerns positions and future transactions in U.S. dollars. 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 denominated in U.S. dollars are hedged, to the extent that it is highly probable that the purchases will occur.

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

#### Interest Rate Risk

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

### 4.3 Liquidity Risk

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

### 4.4. Price Risk

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

### 4.5 Notes to the Statement of Cash Flows

The statement of cash flows shows how the cash of FINANCE B.V. has changed during the first half year of 2017 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 or loss for the period using the indirect method. It was mainly increased by the placement of new bonds, but decreased by the issue of some more loans to the companies of Vonovia Group. It was also decreased by the derivative financial instruments and the accrued liabilities. The changes of tangible fixed assets were settled in the cash flow from investing activities. There have been no capital increases in the first half of 2017, resulting in the cash flow from financing activities being null.

## 5 Tangible Fixed Assets

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

| in € thousand                                      | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|--|----------------------------|--------------------------|
| Acquisition cost as of January 1                   | 27                         | 23                       |
| Additions during the period                        | 5                          | 4                        |
| Disposals during the period                        | -                          | -                        |
| Acquisition cost as of June 30/December 31         | 32                         | 27                       |
| Accumulated depreciation as of January 1           | 11                         | 7                        |
| Depreciation for the period                        | 3                          | 4                        |
| Accumulated depreciation disposals                 | -                          | -                        |
| Accumulated depreciation as of June 30/December 31 | 14                         | 11                       |
| <b>Total book value</b>                            | <b>18</b>                  | <b>16</b>                |

## 6 Receivables from Affiliated Companies and Shareholder

Receivables from affiliated companies are related to Group financing. The receivables from intercompany loans bear an average interest rate as of Jun. 30, 2017, of 2.0887 % for EMTNs and Yankees (as of Dec. 31, 2016: 2.1610 %), 4.9955 % for the hybrid debt (as of Dec. 31, 2016: 4.9955 %) and 4.2536 % for the perpetual hybrid (as of Dec. 31, 2016, 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, 2016: EONIA 0.25 %). Receivables from cash pooling are classified as current assets in the balance sheet, they are unsecured and unlimited, too.

In January 2017 the company used its EMTN Program in the amount of € 1,000 million and passed the liquidity into the Vonovia Group, using it for some more intercompany loans. At the balance sheet date no fixed assets were subject to impairments. The fair value of the receivables from affiliated companies and shareholder approximates the book value.

| in € thousand   | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|---|----------------------------|--------------------------|
| Gagfah GmbH (formerly: Gagfah I Invest GmbH & Co. KG)                       | 1,813,214                  | 1,813,214                |
| Deutsche Annington Beteiligungsverwaltungs GmbH                             | 1,551,784                  | 1,801,784                |
| Deutsche Annington Acquisition Holding GmbH                                 | 1,467,972                  | 1,706,092                |
| Vonovia SE  | 1,462,207                  | 1,028,015                |
| Süddeutsche Wohnen GmbH   | 649,330                    | 649,330                  |
| Südost Woba Dresden GmbH  | 565,350                    | -                        |
| Wohnbau Nordwest GmbH   | 478,460                    | -                        |
| Wohnungsgesellschaft Norden mbH<br>(formely: WG Norden Asset GmbH & Co. KG) | 297,099                    | 297,099                  |
| Wohnungsbau Niedersachsen GmbH  |                            |                          |

|   |                      |                      |
|---|----------------------|----------------------|
| (formely: WBN Asset GmbH & Co. KG)  | 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<br>(formely: NILEG Residential Asset GmbH & Co. KG) | 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<br>(formely: Gagfah A Asset GmbH & Co. KG)                    | 76,299               | 76,299               |
| Vonovia Elbe Wohnen GmbH  | 67,472               | 67,472               |
| Deutsche Annington Wohnungsgesellschaft I mbH   | 66,254               | 66,254               |
| Deutsche Annington Wohnungsgesellschaft IV mbH  | 62,953               | 62,953               |
| DAIG 9. Objektgesellschaft B.V.   | 50,068               | 50,068               |
| Bundesbahn-Wohnungsbauges. Kassel GmbH  | 47,268               | 47,268               |
| GAGFAH S. A.  | 36,016               | 36,016               |
| Gagfah Acquisition 2 GmbH   | 33,495               | 33,495               |
| DAIG 21. Objektgesellschaft B.V.  | 27,831               | 27,831               |
| DAIG 20. Objektgesellschaft B.V.  | 26,322               | 26,322               |
| Deutsche Annington Heimbau GmbH   | 24,921               | 24,921               |
| DAIG 13. Objektgesellschaft mbH   | 24,635               | 24,635               |
| Deutsche Annington DMB Eins GmbH  | 21,547               | 21,547               |
| DAIG 19. Objektgesellschaft B.V.  | 21,404               | 21,404               |
| DAIG 2. Objektgesellschaft mbH  | 20,896               | 20,896               |
| DAIG 11. Objektgesellschaft B.V.  | 19,909               | 19,909               |
| DAIG 4. Objektgesellschaft mbH  | 19,109               | 19,109               |
| Vonovia Immobilienmanagement two GmbH   | 18,781               | 18,781               |
| DAIG 22. Objektgesellschaft B.V.  | 14,475               | 14,475               |
| DAIG 10. Objektgesellschaft B.V.  | 12,078               | 12,078               |
| DAIG 3. Objektgesellschaft mbH  | 11,061               | 11,061               |
| DAIG 24. Objektgesellschaft B.V.  | 9,167                | 9,167                |
| DAIG 23. Objektgesellschaft B.V.  | 7,979                | 7,979                |
| DAIG 17. Objektgesellschaft B.V.  | 6,322                | 6,322                |
| Börsenhof A Besitz GmbH   | 5,648                | 5,648                |
| DAIG 18. Objektgesellschaft B.V.  | 4,534                | 4,534                |
| Liegenschaft Weissig GmbH   | 2,971                | -                    |
| DAIG 25. Objektgesellschaft B.V.  | 1,071                | 1,071                |
| DAIG 12. Objektgesellschaft mbH   | 945                  | 945                  |
| <b>in € thousand</b>  | <b>Jun. 30, 2017</b> | <b>Dec. 31, 2016</b> |
|   | <b>Unaudited</b>     | <b>Audited</b>       |
| Woba Dresden GmbH   | 542                  | -                    |
| <b>Total (Long-Term)</b>  | <b>11,456,164</b>    | <b>10,462,769</b>    |
| Vonovia SE Cash Pooling (current)   | 171,504              | 106,530              |
| <b>Total (Long-Term and current)</b>  | <b>11,627,668</b>    | <b>10,569,299</b>    |

The fair value of the receivables from affiliated companies and shareholder is € 768 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2016: € 800 million higher).

### Long-Term loans to Affiliated Companies and Shareholder

| in € thousand                            | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|--|----------------------------|--------------------------|
| <b>Balance as of January 1</b>           | 10,462,769                 | 8,680,725                |
| Additions                                | 1,481,515                  | 3,840,842                |
| Terminations                             | -                          | - 62,953                 |
| Repayments during the period             | - 488,120                  | -1,995,845               |
| <b>Balance as of June 30/December 31</b> | <b>11,456,164</b>          | <b>10,462,769</b>        |

### 7 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in U.S. dollars. Further, the deferred tax assets are based on temporary differences from the valuation of the financial instruments, for more information see note 21. The position as a whole is of a long-term nature, but the deferred tax assets which based on the currency Yankee bond and the cross-currency swap for this bond are due in the second half of the year of 2017.

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

| Deferred Tax Assets  |                            |         |                 |       |        |
|--|----------------------------|---------|-----------------|-------|--------|
| in € thousand  |                            |         |                 |       |        |
|  | Cross-<br>currency<br>swap | Floater | Yankee<br>bonds | Other | Total  |
| <b>As of January 1, 2017 -Audited-</b>   | -45.589                    | 300     | 52.482          | -     | 7.193  |
| Addition during the year   | -                          | -       | -               | -     | -      |
| Change recognized in fair value movement in deferred taxes on derivative financial instruments | 15.978                     | -       | -18.170         | -     | -2.192 |
| <b>As of June 30, 2017 -Unaudited-</b>   | -29.611                    | 300     | 34.312          | -     | 5.001  |

| Deferred Tax Assets  |                            |            |         |                 |        |        |
|--|----------------------------|------------|---------|-----------------|--------|--------|
| in € thousand  |                            |            |         |                 |        |        |
|  | Cross-<br>currency<br>swap | Pre-hedges | Floater | Yankee<br>bonds | Other  | Total  |
| <b>As of January 1, 2016 -Audited-</b>   | -38.571                    | 5.104      | -       | 44.842          | 1.665  | 13.040 |
| Addition during the year   | -                          | -          | 300     | -               | -      | 300    |
| Change recognized in fair value movement in deferred taxes on derivative financial instruments | -7.018                     | -5.104     | -       | 7.640           | -1.665 | -6.147 |
| <b>As of December 31, 2016 -Audited-</b>   | -45.589                    | -          | 300     | 52.482          | -      | 7.193  |

## 8 Other Assets

The other assets in the amount of € 1,633 k (2016: € 1,066 k) mainly pertains to prepaid tax for the year. 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 (2016: € 18 k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

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

The Management Board has proposed to charge the net loss of first half year of 2017 amounting to € 3,496 k to the other reserves.

| 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 |
| <b>As of January 1, 2017 -Audited-</b>             | <b>18</b>          | <b>100.000</b>        | <b>-81.353</b>          | <b>4.663</b>   | <b>-2.124</b>                | <b>21.204</b>              | <b>992.459</b> | <b>1.013.663</b>   |
| Appreciation of the hybrid bond                    | -                  | -                     | -                       | -              | -                            | -                          | 490            | 490                |
| Other reserves                                     | -                  | -                     | -                       | -2.124         | 2.124                        | -                          | -              | -                  |
| Unappropriated loss                                | -                  | -                     | -                       | -              | -3.496                       | -3.496                     | -              | -3.496             |
| Assignment to Cash flow hedge reserve              | -                  | -                     | 17.863                  | -              | -                            | 17.863                     | -              | 17.863             |
| <b>As of June 30, 2017 -Unaudited-</b>             | <b>18</b>          | <b>100.000</b>        | <b>-63.490</b>          | <b>2.539</b>   | <b>-3.496</b>                | <b>35.571</b>              | <b>992.949</b> | <b>1.028.520</b>   |

| 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 |
| <b>As of January 1, 2016 -Audited-</b>             | <b>18</b>          | <b>5.000</b>          | <b>-31.852</b>          | <b>-3.184</b>  | <b>7.847</b>                 | <b>-22.171</b>             | <b>993.697</b> | <b>971.526</b>     |
| Shareholder's capital contributions                | -                  | 95.000                | -                       | -              | -                            | 95.000                     | -              | 95.000             |
| Change in value                                    | -                  | -                     | -                       | -              | -                            | -                          | -1.238         | -1.238             |
| Other reserves                                     | -                  | -                     | -                       | 7.847          | -7.847                       | -                          | -              | -                  |
| Unappropriated loss                                | -                  | -                     | -                       | -              | -2.124                       | -2.124                     | -              | -2.124             |
| Assignment to Cash flow hedge reserve              | -                  | -                     | -49.501                 | -              | -                            | -49.501                    | -              | -49.501            |
| <b>As of December 31, 2016 -Audited-</b>           | <b>18</b>          | <b>100.000</b>        | <b>-81.353</b>          | <b>4.663</b>   | <b>-2.124</b>                | <b>21.204</b>              | <b>992.459</b> | <b>1.013.663</b>   |

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

Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the interim financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base. Accrued liabilities in the amount of € 21,479 million on the hybrid bond are shown under Accrued liabilities (Note 12).



## 11 Bonds

The long-term and the current liabilities comprise the following bonds, issued by June 30, 2017:

| <b>Bond</b>             | <b>Face Value</b> | <b>Coupon</b>    | <b>Maturity</b> |
|-------------------------|-------------------|------------------|-----------------|
| Eurobond 2              | € 100k            | 3.125 % listed   | 7-2019          |
| Yankee bond 1           | USD 50k           | 3.200 % unlisted | 10-2017         |
| Yankee bond 2           | USD 50k           | 5.000 % unlisted | 10-2023         |
| EMTN 2013               | € 1,000           | 3.625 % listed   | 10-2021         |
| EMTN 2014               | € 1,000           | 2.125 % listed   | 7-2022          |
| Hybrid Bond             | € 100k            | 4.625 % listed   | 4-2074          |
| Hybrid Bond (perpetual) | € 100k            | 4.000 % listed   | -               |
| EMTN 3/2015 1           | € 1,000           | 0.875 % listed   | 3-2020          |
| EMTN 3/2015 2           | € 1,000           | 1.500 % listed   | 3-2025          |
| EMTN 12/2015 1          | € 100k            | EURIM03+95bps    | 12-2017         |
| EMTN 12/2015 2          | € 100k            | 1.625 % listed   | 12-2020         |
| EMTN 12/2015 3          | € 100k            | 2.250 % listed   | 12-2023         |
| EMTN 6/2016 1           | € 100k            | 0.875 % listed   | 6-2022          |
| EMTN 6/2016 2           | € 100k            | 1.500 % listed   | 6-2026          |
| EMTN 9/2016             | € 100k            | EURIM03+38bps    | 9-2018          |
| EMTN 12/2016            | € 100k            | 1.250 % listed   | 12-2024         |
| EMTN 01/2017 1          | € 100k            | 0.750 % listed   | 1-2022          |
| EMTN 01/2017 2          | € 100k            | 1.750 % listed   | 1-2027          |

The bonds issued are unsecured and unsubordinated, only the hybrid bonds are subordinated.

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

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

| <b>in € thousand</b>    | <b>Book value<br/>Jun. 30, 2017<br/>Unaudited</b> | <b>Book value<br/>Dec. 31, 2016<br/>Audited</b> | <b>Market value<br/>Jun. 30, 2017</b> | <b>Market value<br/>Dec. 31, 2016</b> |
|-------------------------|---|---|---------------------------------------|---------------------------------------|
| <b>Long-Term</b>        |   |   |                                       |                                       |
| Eurobond 2              | 598,694   | 598,344   | 637,212                               | 644,640                               |
| Yankee bond 2           | 217,266   | 234,992   | 248,005                               | 247,277                               |
| EMTN 2013               | 497,790   | 497,576   | 565,650                               | 571,875                               |
| EMTN 2014               | 496,227   | 495,860   | 534,020                               | 535,360                               |
| Hybrid Bond             | 696,409   | 695,444   | 742,049                               | 738,990                               |
| EMTN 3/2015 1           | 496,662   | 496,076   | 508,925                               | 509,225                               |
| EMTN 3/2015 2           | 491,595   | 491,099   | 507,165                               | 506,635                               |
| EMTN 12/2015 2          | 1,245,003   | 1,244,370                                       | 1,304,263                             | 1,307,125                             |
| EMTN 12/2015 3          | 988,372   | 987,623   | 1,072,930                             | 1,076,550                             |
| EMTN 6/2016 1           | 496,432   | 496,082   | 504,315                               | 504,025                               |
| EMTN 6/2016 2           | 494,458   | 494,166   | 498,425                               | 500,275                               |
| EMTN 9/2016             | 499,505   | 499,313   | 501,000                               | 500,830                               |
| EMTN 12/2016            | 987,818   | 987,075   | 1,005,000                             | 996,180                               |
| EMTN 1/2017             | 497,727   | -   | 502,500                               | -                                     |
| EMTN 2/2017             | 494,717   | -   | 502,500                               | -                                     |
| <b>Total</b>            | <b>9,198,675</b>                                  | <b>8,218,020</b>                                | <b>9,633,959</b>                      | <b>8,638,987</b>                      |
| Hybrid bond (perpetual) | 992,949   | 992,459   | 1,078,750                             | 1,035,000                             |
| <b>Total</b>            | <b>10,191,624</b>                                 | <b>9,210,479</b>                                | <b>10,712,709</b>                     | <b>9,673,987</b>                      |
| <b>Current</b>          |   |   |                                       |                                       |
| Yankee bond 1           | 655,196   | 708,718   | 703,713                               | 717,377                               |
| EMTN 12/2015 1          | 749,295   | 748,569   | 752,644                               | 754,763                               |
| <b>Total</b>            | <b>11,596,115</b>                                 | <b>10,667,766</b>                               | <b>12,169,066</b>                     | <b>11,146,127</b>                     |

The U.S. dollar market value for the Yankee bonds is USD 752,340,000 (2016: USD 756,187,500) for Yankee bond 1 and USD 265,142,500 (2016: USD 260,655,000) for Yankee bond 2.

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

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

Vonovia SE serves as the guarantor of the bonds and associated interest obligations of its subsidiary FINANCE B.V. These obligations result from the issuance of bonds in the amount of € 11.6 billion.

| <b>in € thousand<br/>-Unaudited-</b> | <b>Balance as<br/>of Jun. 30,<br/>2017</b> | <b>Repayment<br/>obligation<br/>within 1 year</b> | <b>Remaining<br/>maturity<br/>1–5 years</b> | <b>Remaining<br/>maturity<br/>&gt; 5 years</b> |
|--------------------------------------|--|---|---|--|
| Euro- / EMTN bonds                   | 9,034,295                                  | 749,295   | 4,331,813                                   | 3,953,187                                      |
| Hybrid bond (perpetual)              | 992,949                                    | -   | -   | 992,949  |
| Yankee bonds                         | 872,462                                    | 655,196   | -   | 217,266  |
| Hybrid bonds (without perpetual)     | 696,409                                    | -   | -   | 696,409  |
|                                      | <b>11,596,115</b>                          | <b>1,404,491</b>                                  | <b>4,331,813</b>                            | <b>5,859,811</b>                               |
| <b>in € thousand<br/>-Audited-</b>   | <b>Balance as<br/>of Dec. 31,<br/>2016</b> | <b>Repayment<br/>obligation<br/>within 1 year</b> | <b>Remaining<br/>maturity<br/>1–5 years</b> | <b>Remaining<br/>maturity<br/>&gt; 5 years</b> |
| Euro- / EMTN bonds                   | 8,036,153                                  | 748,569   | 3,335,679                                   | 3,951,905                                      |
| Hybrid bond (perpetual)              | 992,459                                    | -   | -   | 992,459  |
| Yankee bonds                         | 943,710                                    | 708,718   | -   | 234,992  |
| Hybrid bonds (without perpetual)     | 695,444                                    | -   | -   | 695,444  |
|                                      | <b>10,667,766</b>                          | <b>1,457,287</b>                                  | <b>3,335,679</b>                            | <b>5,874,800</b>                               |

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

## 12 Accrued Liabilities / Other Liabilities

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

The current liabilities as of June 30, 2017, result mainly from accrued interest liabilities on the issued bonds.

in € thousand

| Bond                                | Coupon  | Interest Payment               | Jun. 30, 2017<br>Unaudited | Dec. 31, 2016<br>Audited |
|-------------------------------------|---------|--------------------------------|----------------------------|--------------------------|
| Eurobond 2                          | 3.125 % | annual July, 25                | 17,466                     | 8,168                    |
| Yankee bond 1                       | 3.200 % | semi-annual October/April, 2   | 5,199                      | 5,629                    |
| Yankee bond 2                       | 5.000 % | semi-annual October/April, 2   | 2,708                      | 2,932                    |
| EMTN 2013                           | 3.625 % | annual October, 8              | 13,159                     | 4,171                    |
| EMTN 2014                           | 2.125 % | annual July, 9                 | 10,363                     | 5,094                    |
| Hybrid bond                         | 4.625 % | annual April, 8                | 7,451                      | 23,771                   |
| EMTN 3/2015 1                       | 0.875 % | annual March, 30               | 1,115                      | 3,320                    |
| EMTN 3/2015 2                       | 1.500 % | annual March, 31               | 1,890                      | 5,671                    |
| EMTN 12/2015 1                      | EURIM3+ | quarterly March/Jun/Sep/Dec 15 | 193                        | 226                      |
| EMTN 12/2015 2                      | 1.625 % | annual December, 15            | 11,019                     | 946                      |
| EMTN 12/2015 3                      | 2.250 % | annual December, 15            | 12,205                     | 1,048                    |
| EMTN 6/2016 1                       | 0.875 % | annual June, 10                | 252                        | 2,457                    |
| EMTN 6/2016 2                       | 1.500 % | annual June, 10                | 432                        | 4,212                    |
| EMTN 9/2016                         | EURIM3+ | quarterly March/Jun/Sep/Dec 13 | 12                         | 18                       |
| EMTN 12/2016                        | 1.250 % | annual December, 6             | 7,089                      | 891                      |
| EMTN 01/2017                        | 0.750 % | annual January, 25             | 1,613                      | -                        |
| EMTN 01/2017                        | 1.750 % | annual January, 25             | 3,764                      | -                        |
| Hybrid bond (perpetual)             | 4.000 % | annual December 17             | 21,479                     | 1,644                    |
| <b>Total</b>                        |         |                                | <b>117,409</b>             | <b>70,198</b>            |
| Compensation with swaps without ccs |         |                                | 3,751                      | 257                      |
| Accruals                            |         |                                | 349                        | 1,036                    |
| <b>Total Accrued liabilities</b>    |         |                                | <b>121,509</b>             | <b>71,491</b>            |
| Corporate income tax                |         |                                | -                          | 602                      |
| Other tax liabilities               |         |                                | 28                         | 12                       |
| Trade payables                      |         |                                | 76                         | 43                       |
| <b>Total Other liabilities</b>      |         |                                | <b>104</b>                 | <b>657</b>               |

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

### *Syndicated Bridge Facility*

Vonovia SE has acquired the Conwert-Group in January 2017. FINANCE B.V. has incurred legal expenses for a proposed bridge facility for this acquisition. The plans for a bridge facility were seized in February 2017. The prepaid assets have been paid by the shareholder in accordance with the agreement between the shareholder and FINANCE B.V.

There are no bridge facilities in use per June 30, 2017.

### 13 Interest and Similar Income and Expenses

| in € thousand   | Jan.–Jun. 2017<br>Unaudited | Jan.–Jun. 2016<br>Unaudited |
|---|-----------------------------|-----------------------------|
| Interest income from affiliated companies and shareholder | 139,437                     | 195,283                     |
| Interest income from third parties                        | 18,917                      | 18,755                      |
| <b>Total interest and similar income</b>                  | <b>158,354</b>              | <b>214,038</b>              |
| Interest expenses from affiliated companies               | 0                           | 0                           |
| Interest expenses from Euro/EMTN bonds                    | - 70,622                    | - 61,793                    |
| Interest expenses from Hybrid bond (perpetual)            | - 19,836                    | - 19,891                    |
| Interest expenses from Yankee bonds                       | - 16,417                    | - 15,803                    |
| Interest expenses from Hybrid bonds (without perpetual)   | - 16,054                    | - 16,119                    |
| Interest expenses from Term loan                          | - 1,007                     | - 73,984                    |
| Termination expenses from Forward swaps                   | - 15,945                    | -                           |
| Interest expenses from liquidation Forward swaps          | - 5,197                     | -                           |
| Interest expenses from ineffectiveness of Forward swaps   | - 6,614                     | -                           |
| Other interest expenses to third parties                  | - 8,782                     | - 26,587                    |
| Other interest expenses                                   | - 2,016                     | - 4,123                     |
| <b>Total interest and similar expenses</b>                | <b>- 162,490</b>            | <b>- 218,300</b>            |
| <b>Total financial result</b>                             | <b>- 4,136</b>              | <b>- 4,262</b>              |

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

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

### 14 Other Operating Income

| in € thousand                                       | Jan.–Jun. 2017<br>Unaudited | Jan.–Jun. 2016<br>Unaudited |
|---|-----------------------------|-----------------------------|
| Income from reversal of provisions from liabilities | 6                           | 5                           |
| Total release of other liabilities                  | -                           | 22                          |
| <b>Total</b>  | <b>6</b>                    | <b>27</b>                   |

### 15 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

| in € thousand           | Jan.–Jun. 2017<br>Unaudited | Jan.–Jun. 2016<br>Unaudited |
|-------------------------|-----------------------------|-----------------------------|
| Wages and salaries      | 162                         | 114                         |
| Social security charges | 19                          | 12                          |
| <b>Total</b>            | <b>181</b>                  | <b>126</b>                  |

## 16 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 3 k (Jan.–Jun. 2016: € 2 k) are related to the depreciation of tangible assets, which are comprised of office equipment.

## 17 Other Operating Expenses

| Jan.-Jun. 2017 -Unaudited-<br>in € thousand | PricewaterhouseCoopers<br>Accountants N.V. | Other PWC<br>Network | Total PWC<br>Network | Other<br>Network | Total      |
|---|--|----------------------|----------------------|------------------|------------|
| Audit of the financial statements           | 27   | -                    | 27                   | -                | 27         |
| Other audit services                        | -  | -                    | -                    | -                | -          |
| Tax services                                | -  | -                    | -                    | 12               | 12         |
| Other non-audit services                    | -  | -                    | -                    | 16               | 16         |
|   | 27   | -                    | 27                   | 28               | 55         |
| General administrative expenses             | -  | -                    | -                    | 64               | 64         |
| <b>Total</b>                                | <b>27</b>                                  | <b>-</b>             | <b>27</b>            | <b>92</b>        | <b>119</b> |

| Jan.-Jun. 2016 -Unaudited-<br>in € thousand | PricewaterhouseCoopers<br>Accountants N.V. | Other PWC<br>Network | Total PWC<br>Network | Other<br>Network | Total      |
|---|--|----------------------|----------------------|------------------|------------|
| Audit of the financial statements           | 30   | -                    | 30                   | -                | 30         |
| Other audit services                        | 20   | -                    | 20                   | -                | 20         |
| Tax services                                | -  | -                    | -                    | 3                | 3          |
| Other non-audit services                    | -  | -                    | -                    | 17               | 17         |
|   | 50   | -                    | 50                   | 20               | 70         |
| General administrative expenses             | -  | -                    | -                    | 60               | 60         |
| <b>Total</b>                                | <b>50</b>                                  | <b>-</b>             | <b>50</b>            | <b>80</b>        | <b>130</b> |

The audit fees of the financial statements are based on invoices and estimated work orders for auditing services rendered from PricewaterhouseCoopers Accountants N.V. related to the audit of the 2017 financial statements. PricewaterhouseCoopers Accountants N.V. have done other non-audit services for the company amounting to € 30 k (Jan.–Jun. 2016: € 24 k), but these are included in the capital finance costs of the bonds.

## 18 Income Taxation

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

| in € thousand             | Jan.-Jun. 2017<br>Unaudited | Jan.-Jun. 2016<br>Unaudited |
|---------------------------|-----------------------------|-----------------------------|
| Loss before taxation      | - 4,433                     | - 4,493                     |
| Deferred tax assets       | 2,159                       | 1,797                       |
| Corporate Income taxation | - 1,222                     | - 726                       |
| <b>Total</b>              | <b>- 3,496</b>              | <b>3,422</b>                |

Effective tax rate 21.14 % (Jan.–Jun. 2016: 23.84 %)

The nominal tax rate is 25.0 % (Jan.–Jun. 2016: 25.0 %)

FINANCE B.V. has reached an agreement with the Dutch tax authorities regarding an advance pricing agreement for the period of establishment, which will last until December 31, 2017. A new APA with a period of validity from January 1, 2016, to December 31, 2020 was signed on January 17, 2017.

The current tax position is not calculated on basis of the ordinary profit or loss but by using the margin agreed in the advanced pricing agreement; current income tax occurs even with a loss, too. Furthermore, because of the APA, no deferred tax assets on tax loss carryforwards are taken into account. The deferred tax assets result only from cash flow hedge reserve. Therefore no deferred income tax from the 2017 tax loss can be offset against the current 2017 income tax. In conclusion, the effective tax rate deviates from the nominal tax rate.

## **19 Related Parties**

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

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

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

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

## **20 Average Numbers of Employees**

As of June 30, 2017, the company has five employees (2016: five), of which are four male and one female (2016: three male and two female). All employees work in the Netherlands. The Management Board of three people comprises only men; two of them work in the Netherlands and the other one in Germany. Services are obtained by the shared service functions of Vonovia Group.

## **21 Financial Instruments**

The company's policy is to fully hedge its interest rate and exchange rate exposures.

In 2017 the financial instruments consisted of two interest rate swaps relating to floater bonds with a total nominal volume of € 750 million and € 500 million respectively as well as four cross-currency swaps corresponding to two U.S. dollar bonds with a total nominal volume of € 739.8 million.

Five forward swaps with a previously nominal volume of € 2,700 million, were settled with the counterparties in 2016. Thereof three hedging instruments could be continued within what is known as passive hedge accounting. 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 (two tranches of the bond issued on June 6, 2016, each with a volume of € 500 million and maturities on June 2022 and June 2026 respectively, as well as the bond issued on December 6, 2016, with a volume of € 1,000 million and maturity on December 2024). Until the reporting date an amount of € 5.2 million, relating to these three hedging instruments, has been amortized.

The main parameters on June 30, 2017, are as follows:

| in € thousand                      | Designation Date | Term     | Size (m€)        | Counterparty | var. Rate         | Amortization 2017 | Fair Value CCS Dec. 31, 2016 | Fair Value Interest Rate Swaps June 30, 2017 | Ineffectiveness June 30, 2017 | Cashflow Hedge Reserve June 30, 2017 |
|------------------------------------|------------------|----------|------------------|--------------|-------------------|-------------------|------------------------------|--|-------------------------------|--------------------------------------|
| passive hedge accounting trade 1-3 |                  |          |                  |              |                   | 5,197             |                              |  | 5,219                         | 62,043                               |
| Interest rate Swap                 | Sep 2016         | 2 years  | 500.000          | BoAML        | 3M EURIBOR        |                   |                              | -178   |                               | 178                                  |
| Interest rate Swap                 | Dec 2015         | 2 years  | 750.000          | JPM / BoAML  | 3M EURIBOR        |                   |                              | -734   |                               | 734                                  |
| Cross Currency Swap                | Oct 2013         | 10 years | 184.952          | JPM / MS     | USD exchange rate |                   | 17,765                       |  | 8,599                         | -26,364                              |
| Cross Currency Swap                | Oct 2013         | 4 years  | 554.857          | JPM / MS     | USD exchange rate |                   | 100,386 <sup>1)</sup>        |  | 10,313                        | -110,699                             |
|                                    |                  |          | <b>1,989.809</b> |              |                   | <b>5,197</b>      | <b>118,151</b>               | <b>-912</b>                                  | <b>24,131</b>                 | <b>-74,108</b>                       |
| Accrued interest                   |                  |          |                  |              |                   |                   | 1,739                        |  | -3,751                        |                                      |
| Fair Value (dirty)                 |                  |          |                  |              |                   |                   | <b>119,890</b>               |  | <b>-4,663</b>                 |                                      |

1) short term (settlement Oct 2, 2017)

## 22 Directors

Management Board:

- Iwan Oude Roelink, Amsterdam
- Rick van Dijk, Rotterdam
- Lars Schnidrig, Düsseldorf

The Management has received remuneration for the first half year of 2017 amounting to € 77 k (Jan.– Jun. 2016: € 75 k).

The members of the Supervisory Board didn't receive remuneration in the first half year of 2017 (Jan.- Jun. 2016: € 0 k).

## 23 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 period and the risks to which the company is exposed are faced as required pursuant to section 5:28d(8)/(9) of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

## 24 Subsequent Events

As of July 1, 2017 Lars Schnidrig resigned from his position in the management board and was replaced by Thorsten Arsan, Head of Treasury Front Office of Vonovia-Group. Further Olaf Weber, being appointed Head of Finance of Vonovia-Group as of July 1, 2017 joint the supervisory board as its fourth member before acting as secretary of the supervisory board.

**Amsterdam, August 22, 2017**

Management Board

**Iwan Oude Roelink**

**Rick van Dijk**

**Thorsten Arsan**





## *Review report*

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

### *Introduction*

We have reviewed the accompanying interim financial information for the six-month period ended 30 June 2017 of Vonovia Finance B.V., Amsterdam, which comprises the condensed balance sheet as at 30 June 2017, the condensed income statement for the period then ended, the condensed statement of changes in equity, the condensed cash flow statement and the related notes on the aforementioned interim financial information. The management board is responsible for the preparation and presentation of this interim financial information in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Rotterdam, 22 August 2017  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Ref.: e0407612

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