

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

**Unaudited Interim  
Financial Report 2020**



PricewaterhouseCoopers  
Accountants N.V.  
For identification  
purposes only

## **Content**

<b>1. Management Report for the Unaudited Interim Financial Report 2020</b>	<b>2</b>
<b>2. Unaudited Interim Financial Statements</b>	<b>11</b>
a. Balance Sheet as of June 30, 2020	11
b. Income Statement for the Period from January 1 to June 30, 2020	13
c. Statement of Cash Flows for the Period from January 1 to June 30, 2020	14
d. Notes to the Unaudited Interim Financial Statements 2020	15
<b>3. Other Information</b>	<b>40</b>
Profit Appropriation According to the Articles of Association	
Review Report	

# 1. Management Report for the Unaudited Interim Financial Report 2020

## HISTORY

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

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

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

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

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

Common Dutch practice is to have a tax ruling for these international transactions within the Vonovia group. The company has entered in an advance pricing agreement (APA) with the Dutch tax authorities for the period until December 31, 2020. In addition, FINANCE B.V. filed in 2019 for a Dutch-German bilateral Advance Pricing Agreement (BAPA) in order to mitigate the future risk of double taxation for the years 2018-2020 with a rollback for the years 2016-2017. The discussions with the competent tax authorities in both countries are ongoing.

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

The Vonovia group's broad access to the capital markets offers a competitive distinction in the real estate business and represents a clear strategic advantage. A key success factor for the company's growth in recent years was the fast and direct access to the international debt capital markets.

## DEBT CAPITAL MARKETS

### BONDS

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

Most popular are the EMTN-bonds that are issued under the European Medium-Term Notes Program (EMTN Program). This program allows the company to raise funds on a short-term basis without significant administrative efforts. The EMTN Program with a total issuance volume of € 20.0 billion is updated annually, and the corresponding base prospectus is supplemented each time new material information becomes available. Last update was on March 26, 2020. Each update and supplement of the program is approved by the regulatory authority of the Grand Duchy of Luxembourg (Commission de Surveillance du Secteur Financier, CSSF) and the bonds issued under the EMTN Program have been accepted for listing on the Luxembourg Stock Exchange. The total utilization of the EMTN Program issuance volume is € 14,552 million as of June 30, 2020.

The table below shows all the outstanding bonds as of June 30, 2020:

Bond Program/Type	#	Notional Amount in € million	avg. Coupon	rem. Term (y)
USD-bond	1	185	4.580%	3.2
Hybrid	1	1,000	4.000%	1.5
EMTN fix	25	13,952	1.522%	5.9
EMTN floating	1	600	0.450%	2.5
<b>Total</b>	<b>28</b>	<b>15,737</b>	<b>1.675%</b>	<b>5.4</b>

As of June 30, 2020, FINANCE B.V. has a total indebtedness of € 15,737 million related to the bond program without the commercial papers and loans, which has been on-lent to Vonovia Group entities. The average coupon is 1.675 % and the average maturity is 5.4 years.

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

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

In the meantime, FINANCE B.V. has established itself as one of the most frequent bond issuers globally. Between 2015 and 2019 the average bond volume issued per year was around € 3,020 million, which represents the 14<sup>th</sup>–biggest issuer of the top 15 euro-investment grade-ranked companies worldwide – as calculated by Dealogic as of December 31, 2019. With bond issuances in the first half of 2020 in the amount of € 1,200 million, FINANCE B.V. has successfully continued to take advantage of its strong positioning in the debt capital markets, even in times of increased economic uncertainty.

### LOANS

To take advantage of the attractive financing costs of secured financings for longer tenors compared to unsecured bond issuances, the company has entered loan agreements with different lenders. Already in 2019, the company entered two loans in the total amount of € 218 million. During the first half year of 2020, three structured loans with a total amount of € 500 million were added. As of June 30, 2020, FINANCE B.V. has € 718 million of loans outstanding.

The table below shows all the outstanding loans as of June 30, 2020:

Lender	collateral	Notional Amount in € million	Coupon	rem. Term (y)
M.M. Warburg & Co	unsecured	50	0.290%	6.2
Commerzbank AG	secured	168	0.540%	9.2
Landesbank Baden-Württemberg	secured	300	0.677%	9.6
ING-DiBa AG	secured	100	0.864%	9.7
Berliner Sparkasse	secured	100	0.841%	9.7
<b>Total</b>		<b>718</b>	<b>0.667%</b>	<b>9.3</b>

## COMMERCIAL PAPERS

In order to complement these bonds and loans with maturities of one year and longer, a debt instrument with a maturity of less than a year has been launched. In 2017, a commercial paper program was established and this currently has a volume of € 1,000 million. The commercial papers are sold via the company's dealer banks. The ultimate owners of these papers are large European companies who have short-term excess cash.

The program has been very successful, since FINANCE B.V. receives more than it should repay due to the negative interest rate. The last tranches had a yield to maturity of negative 23 basis points. During the first half of 2020, FINANCE B.V. received € 111 k as interest income due to the commercial paper program. At the beginning of 2020, € 300 million was outstanding under the program and was paid back on February 28, 2020. As of June 30, 2020, FINANCE B.V. has no short-term debt instruments outstanding.

## OPERATIONS DURING THE PERIOD

On January 23, 2020, the company received the final report from the Dutch tax authorities confirming the good standing of the company in respect of the unilateral APA for the years 2016-2019.

On February 6, 2020, the company issued € 200 million and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap. The original maturity date (March 22, 2026) and original coupon rate (1.500 %) remain unchanged. The re-offer yield of the tap was 51bps and the new issue price was 105.9 %, which resulted in issue proceeds of € 211.9 million.

On February 17, 2020, FINANCE B.V. undersigned a new credit agreement with LBBW for an amount of € 300 million. This secured loan has a maturity of 10 years and a coupon rate of 0.677 %. The collateral was provided by two property-owning Group companies (GAGFAH GmbH & DA Beteiligungsgesellschaft GmbH).

These funds have been used to repay the outstanding amount of € 300 million under the commercial paper program on February 28, 2020.

On March 2, 2020, FINANCE B.V. entered into a secured structured financing with ING-DiBa AG for an amount of € 100 million. The interest rate of the loan is 0.864 % at a tenor of 10 years. The collateral was provided by the same two property-owning Group companies as mentioned above.

On March 26, 2020, the company entered into another secured structured financing with Berliner Sparkasse for an amount of € 100 million. The interest rate of the loan is 0.841 % at a tenor of 10 years. The collateral was provided again by the same two property-owning Group companies.

These funds have been used to partially repay the remaining amount of € 301 million of bond 009A on March 30, 2020, which was tendered in September 2019 as part of the company's liability management exercise.

On April 7, 2020, the company issued a € 1,000 million dual-tranche under the EMTN Program. Bond 023A with a total volume of € 500 million has a coupon of 1.625 % and a tenor of 4 years. Bond 023B with a total volume of € 500 million has a coupon of 2.250 % and a tenor of 10 years. The average re-offer yield of the issuance was 2.022 %.

These funds have been used to refinance a secured loan, to acquire a 2.6 % stake in Vesteda Residential Fund, and to increase Group's liquidity. Vesteda was acquired by Deutsche Annington Acquisition Holding GmbH.

On May 28, 2020, the internal audit for FINANCE B.V. started. Due to global pandemic outbreak, the audit was performed remotely. Focus was on the internal processes of entering loans and issuing bonds. The audit was successfully completed in July 2020.

On July 9, 2020, the company issued a € 1,500 million dual-tranche under the EMTN Program. Bond 024A with a total volume of € 750 million has a coupon of 0.625 % and a tenor of 6 years. Bond 024B with a total volume of € 750 million has a coupon of 1.000 % and a tenor of 10 years. The average re-offer yield of the issuance was 0.883 %.

These funds have been used mainly to refinance secured loans of the Group's companies Hembla and Victoria Park worth a total of € 1,300 million.

The most recent confirmation of the credit ratings by S&P is from July 22, 2020.

The company has six employees in total as per June 30, 2020.

## FINANCIAL RESULT

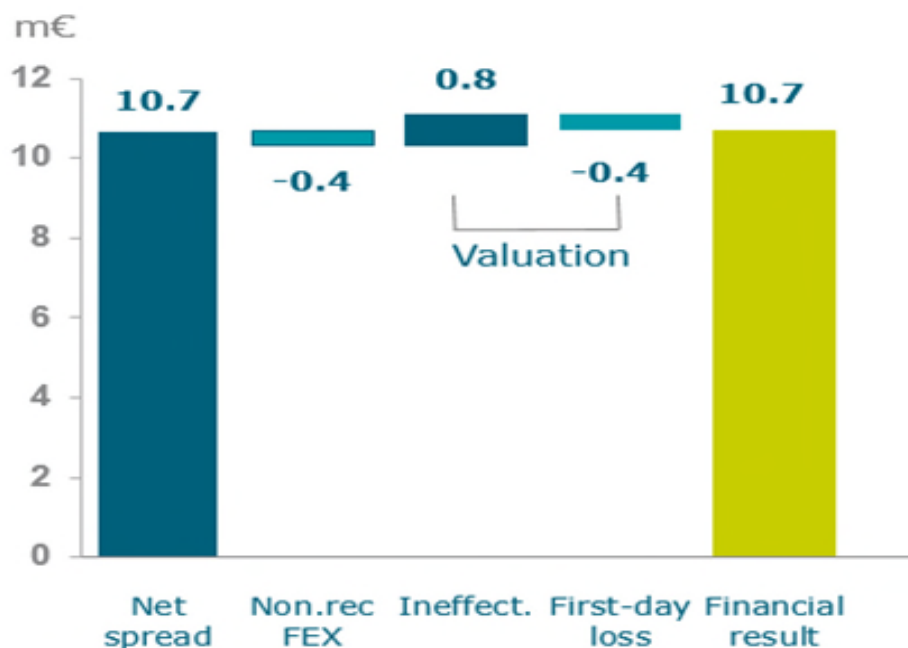
FINANCE B.V. closed the first half year 2020 with a net income of € 8.9 million, which was essentially driven by the normal course of business. The company has earned a reasonable income of € 23.6 million from the margin between the incurred interest on borrowing and the earned interest on lending.

After subtracting € 7.4 million of amortized finance expenses, € 4.8 million of amortized "frozen" OCI from the termination of several pre-hedges and € 0.7 million swap effects, the net spread is € 10.7 million.

Below is the reconciliation of the amounts between the gross to net spread calculation as well as the interest income and expenses as mentioned in Note 14 of the profit and loss statement:

Interest and Similar Income and Expenses (see Note 14 P&L) in € thousands	Gross spread	Swaps	Financial expenses	Amort. Frozen OCI - Prehedges	Amort. Frozen Ineffectiveness - Prehedges	Net spread
Interest income affiliates / shareholder	152,442					152,442
Interest income third parties		5,889			384	6,273
						<b>158,715</b>
Interest expenses EMTN bonds	-100,997					-100,997
Interest expenses Hybrid bond (perpetual)	-19,891					-19,891
Interest expenses from USD-bond	-5,724					-5,724
Interest expenses from secured financings	-1,670					-1,670
Interest expenses from Term Loan	-547					-547
Interest expenses from swaps		-6,614				-6,614
Interest expenses liquidation Forward swaps				-4,813	-384	-5,197
Other interest expenses to third parties			-7,393			-7,393
						<b>-148,033</b>
<b>Total</b>	<b>23,614</b>	<b>-726</b>	<b>-7,393</b>	<b>-4,813</b>	<b>-</b>	<b>10,682</b>

The picture below shows the bridge between the net spread and the financial result. The non-recoverable financial expenses relate mainly to the yearly update of the EMTN-Program. The valuation effects result from ineffectiveness from the hedge accounting methodology in the amount of positive € 0.8 million and from the first-day loss of the CCS in the amount of € 0.4 million.



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

## RISK MANAGEMENT

Vonovia SE serves within the Vonovia Group as the management holding and the cash-pool leader. FINANCE B.V. is an integral part of the Vonovia SE risk management and internal control system and is monitored by the middle office of the Vonovia Treasury department. This department takes care of the main business risks of FINANCE B.V., which include the interest rate risk, the liquidity risk, the counterparty risk and, to a certain degree, 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 activities are performed by the staff of FINANCE B.V.












The shareholder Vonovia SE has a series of standards, procedures and systems for identifying, measuring and managing different types of risk. These are described in its annual reports, which are publicly available under [www.vonovia.de](http://www.vonovia.de).

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


The financial risks have been identified as the main risks to be monitored. The financial risks of the company are managed through matching interest expenses from its borrowings with interest income from loans to the Group companies. Interest rate risk and foreign currency risk are generally mitigated by corresponding derivative instruments. Derivative contracts are contracted with major financial institutions with a high credit rating. Derivatives are not collateralized, but Vonovia SE acts as guarantor for the cross-currency-swaps.


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

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

Risk Area	Risk	Controls/Mitigation	Risk Appetite				
			Low	-	Medium	-	High
Strategic	Uncertainty of funding costs	Continuous monitoring of debt markets and forward looking decision making approach					
	Funding requirements and funding mix for rating agencies and covenants	Covenant Management					
	Implementation of new technologies (Blockchain)	Extensive „test environment“ with low volumes and renowned investors and external advisors					
Operational	Liquidity risk	Cash pool with Vonovia SE					
	Refinancing risk	Increased debt issuance limits, diversified financing alternatives (CP/RCF/secured/unsecured)					
Financial	Foreign currency risk (USD/SEK)	Hedging with FX Derivatives (Forwards, Options, Swaps), Asset-Liability Management					
	Credit risk (CVA/DVA)	Continuous monitoring/analysis					
	Cash flow interest rate risk	Hedging with IR Derivatives (Swaps, Swaptions)					
Compliance	International tax compliance	Bilateral APA					
	Compliance with code of conduct/corporate governance	Continuous monitoring					
	New regulatory requirements (MiFID2, EMIR Refit)	Continuous monitoring					

Legend:

 = current risk profile

 = preferred risk profile



## *Impact of COVID-19 on the company's business*

FINANCE B.V. continues monitoring the situation and its evolution. The company takes deliberate action to keep its people safe, its environment protected and its business strong. The financial position is unaffected with no increase in expected credit losses or similar asset impairments. The half-year valuation of the investment properties of the 20 most important cities has shown no negative developments rather than again an increase in values. The performance and cash-flows of the business continue alongside the budget so that Vonovia could confirm the 2020 guidance to the capital markets. On this basis FINANCE B.V. and Vonovia SE are able to perform any upcoming debt-services. The Vonovia Group has even more demonstrated, that with such a business model and performance the debt capital markets are wide and deep enough to raise funds with a magnitude of € 2.5 billion.

As explained in note 1.3.1 Impact of COVID-19 on the company's business in the interim financial statements, the COVID-19 outbreak and resulting measures taken by various governments to contain the virus have a limited impact on the company's business and financial results in the first six months of 2020.

FINANCE B.V. carefully manages its credit risks and subjects all its counterparties to stringent creditworthiness tests. The company continuously monitors their financial strengths to adequately respond to any situational change. To date, the company has no collectability issues from counterparties. None of the Group's affiliates are -and have been- in a default position and there are neither indications to date that this will occur.

In addition to the already known effects, the macro economic uncertainty causes disruption to economic activity and the global market. However, it is too early to predict the long-term impact on the company's business and financial results. The scale and duration of this pandemic remain uncertain.

## **OUTLOOK**

FINANCE B.V.'s financing depends on the conditions of the capital markets, which remain very favorable for the second half of 2020 with generally low risk-free rates and a rapid recovery of overall risk spreads after a temporary spike in Q2 caused by the global pandemic outbreak. Secured financing rates have remained attractive especially for the longer tenors with shorter-term secured-unsecured spread differentials tightening as investor's price in increased shorter-term risks for unsecured debt financings.

During the first half year of 2020, the European Central Bank (ECB) has confirmed its commitment to keeping interest rates low for the foreseeable future. On February 20, 2020, the ECB communicated the continuance of its monetary stimulus program of monthly net purchases of € 20.0 billion beyond a future date of interest rate hikes, while reaffirming its stance that a low interest rate environment in the Eurozone is likely to persist.

Other measures that have been implemented consider potential reinvestment in maturities from asset purchase program, and a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) that started in September 2019 and run until March of 2021.

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

The extraordinary policy measures by the ECB should keep the interest rates negative in a large part of the fixed income universe. FINANCE B.V. therefore expects interest rates to remain at suppressed levels for at least the remainder of 2020.

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

As of January 1, 2013, a new law on management and supervision (Wet Bestuur en Toezicht) came into effect in the Netherlands. The purpose of this law is to attain a balance of men and women (at least 30 % of each gender) on the board of directors and the supervisory board of large entities (as defined in said law). After considering the current nature and activities of the Group and the knowledge and

expertise of the current board members, the existing composition of the Management Board and the Supervisory Board is considered appropriate. However, the new law will be taken into account when appointing future members of the Management Board and the Supervisory Board. The men/women rate of the Supervisory Board is more than 30 %.

### *Impact of COVID-19 on the company's business*

As explained in note 1.3.1 Impact of COVID-19 on the company's business in the interim financial statements, the COVID-19 outbreak and resulting measures taken by various governments to contain the virus have a limited impact on the company's business and financial results in the first six months of 2020.

At this stage the impact on the activities and results of FINANCE B.V. is limited as Financial Services continue to be needed within the Group of Vonovia affiliates it serves. However, it is too early to predict the long-term impact on the company's business and financial results. The scale and duration of this pandemic remain uncertain.

The Management Board is confident that FINANCE B.V. manages through these challenging times with ongoing operations while keeping its people safe, its environment protected and its company strong. During the first six months of 2020 the company's liquidity position remained strong. At this stage, the company has no intention to implement actions impacting its business plan. However, the company continues monitoring the situation and the evolution of the COVID-19 outbreak in order to implement the necessary actions in a timely manner if needed.

**Amsterdam, August 27, 2020**

**Thorsten Arsan (Chairman)**

**Iwan Oude Roelink**

**Rick van Dijk**

## **Responsibility Statement**

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

- The interim financial statements for the six month period ending June 30, 2020, 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 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 six-month period ended June 30, 2020, and the risks to which the company is exposed are faced as required pursuant to section 5:25d of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

**Amsterdam, August 27, 2020**

**Thorsten Arsan (Chairman)**

**Iwan Oude Roelink**

**Rick van Dijk**

## 2. Unaudited Interim Financial Statements

### a. Balance Sheet as of June 30, 2020 (before distribution of profit / loss)

in € thousand

	Note	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	5	5	4
Financial fixed assets			
Receivables from affiliated companies and shareholder	6	15,212,462	16,615,152
Receivables from derivatives	23	29,100	39,715
Deferred tax assets	7	4,269	1,996
		15,245,836	16,656,867
<b>Current assets</b>			
Financial current assets			
Receivables from affiliated companies and shareholder	6	218,937	-
Receivables from derivatives		664	666
Other assets	8	373	2,884
Cash and cash equivalents	9	0	0
		219,974	3,550
<b>Total assets</b>		15,465,810	16,660,417

in € thousand

	<b>Note</b>	<b>Dec. 31, 2019 Audited</b>	<b>Jun. 30, 2020 Unaudited</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Subscribed capital		18	18
Share premium reserve		100,000	100,000
Cash flow hedge reserve	23	-44,889	-32,229
Other reserves		17,182	26,044
Unappropriated profit		<u>8,862</u>	<u>8,857</u>
<b>Total shareholder's equity</b>	10	81,173	102,690
<b>Long-term liabilities</b>			
Hybrid bond	10/12	<u>996,690</u>	<u>997,325</u>
 Total capital base	10	1,077,863	1,100,015
<b>Long-term liabilities</b>			
Liabilities to banks	11	217,899	717,202
Bonds	12	12,714,111	13,921,384
Derivative financial liabilities	23	<u>11,057</u>	<u>10,448</u>
		<u>12,943,067</u>	<u>14,649,034</u>
 <b>Total long-term liabilities</b>		13,939,757	15,646,359
<b>Current liabilities</b>			
Bonds	12	1,051,226	751,228
Commercial papers	12	300,000	-
Shareholder liabilities	6	-	29,566
Accrued liabilities	13	93,485	130,408
Other liabilities	13	<u>169</u>	<u>166</u>
		<u>1,444,880</u>	<u>911,368</u>
 <b>Total equity and liabilities</b>		<u>15,465,810</u>	<u>16,660,417</u>

**b. Income Statement for the Period from January 1 to June 30, 2020**

in € thousand	Note	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
<b>Income</b>			
Interest and similar income	14	163,261	159,592
<b>Expenses</b>			
Interest and similar expenses	14	-155,816	-148,859
Financial result		7,445	10,733
Other operating income	15	0	0
Personnel expenses	16	-295	-345
Depreciation of tangible fixed assets	17	-3	-2
Other operating expenses	19	-293	-148
<b>Total expenses</b>		-591	-495
<b>Profit before taxation</b>		6,854	10,238
Income taxation	20	-1,621	-1,381
<b>Profit for the period</b>		5,233	8,857

**c. Statement of Cash Flows for the Period from January 1 to June 30, 2020**

in € thousand	Note	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Profit for the period		5,233	8,857
<b>Cash flows from operating activities</b>			
<i>Adjustments for:</i>			
Cash flow hedge reserve		4,040	12,660
Bonds (long-term liabilities)	12	6,971	1,207,273
Liabilities to banks		-	499,304
Bonds and commercial papers (current liabilities)	12	-620,199	-599,998
Hybrid (perpetual)	10/12	546	635
Receivables to affiliated companies and shareholder	6	588,173	-1,154,186
Derivative financial instruments	23	-1,047	-11,226
Deferred tax assets	7	-145	2,273
Other assets	8	-1,589	-2,511
Accrued liabilities	13	18,000	36,923
Other liabilities	13	20	-3
<b>Net cash used in operating activities</b>		<b>-5,230</b>	<b>-8,856</b>
		<b>3</b>	<b>1</b>
<b>Cash flows from investing activities</b>			
Tangible fixed assets	5	-3	-1
<b>Net cash used in investing activities</b>		<b>-3</b>	<b>-1</b>
<b>Cash flows from financing activities</b>			
Capital contributions	10	-	-
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
		<b>-</b>	<b>-</b>
Movements in cash and cash equivalents can be broken down as follows:			
<b>Balance as of January, 1</b>		<b>1</b>	<b>-</b>
Movement during the period		<b>-</b>	<b>-</b>
<b>Balance as of June, 30</b>		<b>1</b>	<b>-</b>

## **d. Notes to the Unaudited Interim Financial Statements 2020**

### **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, commercial papers and, since 2019, secured and unsecured loans for Vonovia SE, Bochum, Germany, and its affiliated companies and to on-lend the raised funds to Vonovia SE and its Group companies for the purposes of Group financing.

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

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia SE from Standard & Poor's (S&P), the company has excellent access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The unsecured and unsubordinated bonds share the same BBB+ investment grade rating as Vonovia SE. The hybrid bond has a regular rating two notches lower at BBB-. The short-term credit rating of A-2 by S&P has been confirmed. The most recent confirmation of the rating by S&P is from July 22, 2020. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.'s activities on the international debt markets.

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

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

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

#### *1.2 Group Structure*

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

#### *1.3 Going Concern*

The company generated a net profit of € 8,857 k for the first half year from January 1 to June 30, 2020 (January 1 to December 31, 2019: € 9,615 k) which, together with the negative hedge reserve, resulted in net equity of € 102,690 k (December 31, 2019: € 81,173 k) for the shareholder's equity. Including the hybrid bond of € 997,325 k (December 31, 2019: € 996,690 k), the total capital base had a value of € 1,100,015 k (December 31, 2019: € 1,077,863 k).



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

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

### *1.3.1 Impact of COVID-19 on the company's business*

FINANCE B.V. continues monitoring the situation and its evolution. The company takes deliberate action to keep its people safe, its environment protected and its company strong. The financial position is unaffected with no increase in expected credit losses or similar asset impairments. The half-year valuation of the investment properties of the 20 most important cities has shown no negative developments rather than again an increase in values. The performance and cash-flows of the business continue alongside the budget so that Vonovia could confirm the 2020 guidance to the capital markets. On this basis FINANCE B.V. and Vonovia SE are able to perform any upcoming debt-services. The Vonovia Group has even more demonstrated, that with such a business model and performance the debt capital markets are wide and deep enough to raise funds with a magnitude of € 2.5 billion.

FINANCE B.V. carefully manages its credit risks and subjects all its counterparties to stringent creditworthiness tests. The company continuously monitors their financial strengths to adequately respond to any situational change. To date, the company has no collectability issues from counterparties. None of the Group's affiliates are -and have been- in a default position and there are neither indications to date that this will occur. In addition, during the first six months of 2020 the company's liquidity position remained strong which is also supported by the credit rating review of Vonovia SE in July 2020 where S&P reconfirmed the rating of BBB+. While uncertainties remain, it is currently not reasonably possible to estimate the future impact. Whilst uncertain, the company does not believe that the impact of the COVID-19 virus would have a material adverse effect on its financial condition or liquidity.

### *1.4 Related Party Transactions*

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

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

### *1.5 Estimates*

Preparing financial statements and applying relevant rules may require the use of critical accounting estimates, which requires exercising professional judgment. Estimates used in these financial statements are limited to the use of other assets, accrued liabilities for general expenses, and other liabilities based on tax experience and sound professional judgment. This predominately applies to the determination of the derivative instruments' fair value (Note 23) and the fair value calculations of the receivables from affiliated companies and shareholders (Note 6).

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

Unless explained otherwise, the estimates made by the management in preparing the 2020 interim financial statements are similar to those used in the financial statements 2019.

### *1.6 Accounting Policies for the Statement of Cash Flows*

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

### *1.7 Comparison with Previous Period*

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

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

### *2.1 General*

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

The financial statements are denominated in euros.

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

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

### *2.2 Foreign Currencies*

#### *Functional Currency*

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

#### *Transactions, Receivables, and Liabilities*

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

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

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

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

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

#### *Hedging*

In respect of any positions in the balance sheet that are covered by cross-currency interest rate swaps, which mitigate foreign currency risk and interest rate risk, or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the period and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than euros, the respective correction is allocated to this loan. Otherwise the relevant loan granted is corrected. The underlying EUR/USD exchange rate on June 30, 2020, was fixed at 1.1198 and on December 31, 2019, was fixed at 1.1234. The company applies cash flow hedging for derivative financial instruments that meet certain criteria. Refer to note 2.14.

### *2.3 Tangible Fixed Assets*

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

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

### *2.4 Financial Fixed Assets*

#### *Loans, Particularly Loans to Affiliated Companies*

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

### *2.5 Impairment of Fixed Asset*

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

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

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

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

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the

previously recognized impairment loss will be reversed. The reversal will not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized on the date the impairment is reversed. The amount of the reversal will be recognized through profit or loss.

## *2.6 Deferred Taxes*

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

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

Deferred income taxes are recognized at face value.

## *2.7 Current Assets*

### *Receivables and Other Assets*

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

## *2.8 Cash and Cash Equivalents*

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

## *2.9 Equity*

When FINANCE B.V. purchases shares, the consideration paid is deducted from equity (other reserves or any other reserve, if the articles of association allow so) until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The 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*

### *Liabilities to Banks*

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

## *Bonds*

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

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

## *2.11 Current Liabilities*

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

### *Bonds and Commercial Papers*

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

### *Accrued Liabilities*

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

### *Other Liabilities*

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

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

### *Current and Deferred Income Tax*

The current Dutch nominal tax rate of 25 % has been applied. For deferred taxes 21.7 % is used.

## *2.12 Accounting Policies for Operational Lease and Rental Contracts*

Operational lease contracts exist whereby a large part of the risks and rewards associated with ownership are not incurred by or for the benefit of FINANCE B.V. The lease contracts are recognized as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

## *2.13 Provisions*

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

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

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

## **2.14 Financial Instruments**

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

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

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

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

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

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

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

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

### **3.1 General**

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

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

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

### *3.3 Exchange Rate Differences*

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

### *3.4 Other Operating Income and Expenses*

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

### *3.5 Personnel Expenses*

Salaries 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*

FINANCE B.V. has reached an agreement with the Dutch tax authority regarding an advance pricing agreement ("APA") for the period of establishment until December 31, 2020. Additionally, in 2019 an application process for a bilateral APA ("BAPA") has started.

The current tax position is not calculated on the basis of the ordinary profit or loss but by using the margin applied for the BAPA; the current income tax occurs even with a potential loss. Account is also taken of changes in deferred tax assets and deferred tax liabilities.

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

## **4 Financial Instruments and Risks**

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



## COVID-19

FINANCE B.V. considers that COVID-19 yields no impact on the procedures executed by the risk management system of Vonovia Group. The risk management procedures in place adequately cover the risks associated with financial instruments. Therefore, no amendments to this system are deemed necessary as a result of COVID-19."

### 4.1 Market Risk

#### Currency Risk for the Yankee bond

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

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

#### Interest Rate Risk

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

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

### 4.2 Credit Risk

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

### 4.3 Liquidity Risk

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

### 4.4 Price Risk

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



#### 4.5 Notes to the Statement of Cash Flows

The cash flow statement shows how the cash of FINANCE B.V. has changed during the first half year of 2020 as a result of cash inflows and outflows. A distinction is made between changes in cash flow from operating activities, investing activities, and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method. The long-term liabilities were mainly increased by the issue of a tap-bond and two new bonds. Three new loans were risen up in the beginning of 2020, too. The current liabilities, especially the bonds and commercial papers, decreased because bond 009A and the commercial papers were paid back. However, the receivables to affiliated companies and the shareholder increased by the new loans to the companies of the Vonovia Group and by the changed cash pool in credit balance. The liabilities from cash pool with Vonovia SE were risen up by the repayment of the commercial papers since end of February 2020.

The changes of tangible fixed assets were settled in the cash flow from investing activities. There were no capital increases in the first half year of 2020, resulting in the cash flow from financing activities being zero.

#### 5 Tangible Fixed Assets

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

in € thousand	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
Acquisition cost as of January 1	34	34
Additions during the year/period	-	-
Disposals during the year/period	-	-
Acquisition cost as of December 31/June 30	34	34
Accumulated depreciation as of January 1	23	29
Depreciation for the year/period	6	1
Accumulated depreciation disposals	-	-
Accumulated depreciation as of December 31/June 30	29	30
<b>Total book value</b>	<b>5</b>	<b>4</b>

#### 6 Receivables / liabilities 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 June 30, 2020, of 1.7636 % for EMTNs, Yankee, and commercial papers (as of December 31, 2019: 1.7542 %) and 4.2328 % for the perpetual hybrid (as of December 31, 2019, 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 on December 31, 2019. On June 30, 2020 there are liabilities from the cash pool agreement with Vonovia SE by the repayment of the commercial papers at the end of February. These bear interest at EONIA - 0.25 % (December 31, 2019: EONIA - 0.25 %). Receivables / liabilities from cash pooling are classified as current assets / liabilities in the balance sheet; they are unsecured and unlimited too.

The company used its EMTN Program in the amount of € 200 million in February, 2020 and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap as well as € 1,000 million in April 2020 and passed the liquidity into the Vonovia Group, using it for more intercompany loans. Refer to note 12 for further disclosures of the debt issued by FINANCE B.V. At the balance sheet date, no fixed assets were subject to impairments.

in € thousand

	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
Vonovia SE	8,545,698	9,736,950
Deutsche Annington Beteiligungsverwaltungs GmbH	881,944	881,944
Gagfah GmbH	659,849	659,849
Süddeutsche Wohnen GmbH	649,330	649,330
Südost Woba Dresden GmbH	565,350	565,350
Wohnbau Nordwest GmbH	478,460	478,460
Wohnungsgesellschaft Norden mbH	297,099	297,099
Wohnungsbau Niedersachsen GmbH	235,573	235,573
Deutsche Annington Holdings Eins GmbH	221,437	221,437
Deutsche Annington Acquisition Holding GmbH	-	207,437
Kieler Wohnungsbaugesellschaft mbH	204,265	204,265
Gagfah Erste Grundbesitz GmbH	194,530	194,530
Bremische Ges. f. Stadtern.-entw. & Wohnungsbau mbH	163,847	163,847
Prima Wohnbauten Privatisierungs-Management GmbH	136,259	136,259
GBH Acquisition GmbH	136,246	136,246
Vonovia Immobilienmanagement one GmbH	122,519	122,519
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	119,952	119,952
DA DMB Netherlands B.V.	116,337	116,337
NILEG Norddeutsche Immobiliengesellschaft mbH	103,335	103,335
Eisenbahn-Wohnungsbauges. Karlsruhe GmbH	100,139	100,139
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	99,012	99,012
Osnabrücker Wohnungsbauges. mbH	98,204	98,204
Gagfah Acquisition 1 GmbH	93,399	93,399
Siege Siedlungsgesellschaft mbH Mainz	84,135	84,135
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Gagfah M Immobilien-Management GmbH	76,299	76,299
Vonovia Elbe Wohnen GmbH	67,472	67,472
Deutsche Annington Wohnungsgesellschaft I mbH	66,253	66,253
Deutsche Annington Wohnungsgesellschaft IV GmbH & Co. KG	62,953	62,953
DAIG 9. Objektgesellschaft B.V.	50,068	50,068
Bundesbahn-Wohnungsbauges. Kassel GmbH	47,268	47,268
Gagfah Acquisition 2 GmbH	33,495	33,495
DAIG 21. Objektgesellschaft B.V.	27,831	27,831
DAIG 20. Objektgesellschaft B.V.	26,322	26,322
Deutsche Annington Heimbau GmbH	24,921	24,921
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	6,323
Börsenhof A Besitz GmbH	5,649	5,649
DAIG 18. Objektgesellschaft B.V.	4,534	4,534
Bien-Ries GmbH	-	4,000
Liegenschaften Weissig GmbH	2,971	2,971
DAIG 25. Objektgesellschaft B.V.	1,071	1,071
DAIG 12. Objektgesellschaft mbH	945	945
Woba Dresden GmbH	542	542

<b>Total (long-term)</b>	<b>15,212,462</b>	<b>16,615,152</b>
Vonovia SE cash pooling (current)	218,937	- 29,566
<b>Total (long-term and current)</b>	<b>15,431,399</b>	<b>16,585,586</b>

The fair value of the receivables from affiliated companies and shareholder is € 1,238 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2019: € 1,335 million higher).

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

in € thousand	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
<b>Balance as of January 1</b>	14,636,498	15,212,462
Additions	6,578,768	1,402,690
Terminations	-	-
Repayments during the period	- 6,002,804	-
<b>Balance as of December 31/June 30</b>	<b>15,212,462</b>	<b>16,615,152</b>

### 7 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in US dollars. Furthermore, the deferred tax assets are based on temporary differences from the valuation of the financial instruments; for more information see note 23. The position as a whole is of a long-term nature. The deferred tax assets are mainly based on the Yankee bond and the cross-currency swap for this bond. All the instruments are long-term.

In the Netherlands, it is planned that the corporation tax rate will drop from 25 % in 2020 to 21.7 % in 2021. For taxable income up to € 200 k, a tax rate of only 16.5 % in 2020 and 15 % in 2021 is applicable. As deferred taxes takes future developments into account, the calculation of 2020's DTA is already based on 21.7 %.

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

Deferred Tax Assets					
in € thousand					
	Cross-currency swap	Floater	Yankee bonds	Other	Total
<b>As of January 1, 2020 -Audited-</b>	<b>-6,314</b>	<b>2,387</b>	<b>8,196</b>	<b>-</b>	<b>4,269</b>
Addition during the period	-	-	-	-	-
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-2,304	-132	163	-	-2,273
<b>As of June 30, 2020 -Unaudited-</b>	<b>-8,618</b>	<b>2,255</b>	<b>8,359</b>	<b>-</b>	<b>1,996</b>

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

## 8 Other Assets

The other assets in the amount of € 2,884 k (December 31, 2019: € 373 k) pertain to prepaid invoices and receivables for taxes on income. The fair value of the other assets approximates the book value.

## 9 Cash and Cash Equivalents

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

## 10 Capital Base

The authorized share capital of FINANCE B.V. amounts to € 18 k (2019: € 18 k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

The Management Board has proposed to add the net profit of the first half year amounting to € 8,857 k (year ended December 31, 2019: net profit € 8,862 k) to the other reserves.

### *Presentation of the Hybrid Bond*

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

Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base. Accrued liabilities in the amount of € 21,530 million on the hybrid bond are shown under "Accrued Liabilities" (Note 13).

Statement of Changes in Capital Base in € thousand								
	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit / loss	Total shareholder's equity	Hybrid bond	Total capital base
<b>As of January 1, 2020 -Audited-</b>	<b>18</b>	<b>100,000</b>	<b>-44,889</b>	<b>17,182</b>	<b>8,862</b>	<b>81,173</b>	<b>996,690</b>	<b>1,077,863</b>
Appreciation of the hybrid bond	-	-	-	-	-	-	635	635
Other reserves	-	-	-	8,862	-8,862	-	-	-
Unappropriated profit	-	-	-	-	8,857	8,857	-	8,857
Development to Cash flow hedge reserve	-	-	12,660	-	-	12,660	-	12,660
<b>As of June 30, 2020 -Unaudited-</b>	<b>18</b>	<b>100,000</b>	<b>-32,229</b>	<b>26,044</b>	<b>8,857</b>	<b>102,690</b>	<b>997,325</b>	<b>1,100,015</b>

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

## 11 Liabilities to Banks

FINANCE B.V. has signed a € 50 million unsecured corporate loan and a secured structured financing in the amount of € 168 million in 2019.

On February 17, 2020, FINANCE B.V. undersigned a new credit agreement with LBBW for an amount of € 300 million. This secured loan has a maturity of 10 years. The collateral was provided by two property-owning Group companies (GAGFAH GmbH & DA Beteiligungsgesellschaft GmbH).

On March 2, 2020, FINANCE B.V. entered into a secured structured financing with ING-DiBa AG for an amount of € 100 million. This loan has a tenor of 10 years. The collateral was provided by the same two property-owning Group companies as mentioned above.

On March 26, 2020, the company entered into another secured structured financing with Berliner Sparkasse for an amount of € 100 million. This loan has a maturity of 10 years. The collateral was provided again by the same two property-owning Group companies.

## 12 Bonds and Commercial Papers

The long-term and the current liabilities comprise the following bonds, issued by June 30, 2020:

Bond	VNA*	ISIN Code	Face value	Coupon	Maturity
Yankee bond	004	US25155FAB22	\$ 50 k	5.000 % unlisted	10-2023
EMTN 2013	005	DE000A1HRVD5	€ 1,000	3.625 % listed	10-2021
EMTN 2014	007	DE000A1ZLUN1	€ 1,000	2.125 % listed	7-2022
Hybrid Bond perp.	008	XS1117300837	€ 100 k	4.000 % listed	-
EMTN 3/2015 2	009B	DE000A1ZY989	€ 1,000	1.500 % listed	3-2025
EMTN 12/2015 2	010B	DE000A18V138	€ 100 k	1.625 % listed	12-2020
EMTN 12/2015 3	010C	DE000A18V146	€ 100 k	2.250 % listed	12-2023
EMTN 6/2016 1	011A	DE000A182VS4	€ 100 k	0.875 % listed	6-2022
EMTN 6/2016 2	011B	DE000A182VT2	€ 100 k	1.500 % listed	6-2026
EMTN 12/2016	013	DE000A189ZX0	€ 100 k	1.250 % listed	12-2024
EMTN 01/2017 1	014A	DE000A19B8D4	€ 100 k	0.750 % listed	1-2022
EMTN 01/2017 2	014B	DE000A19B8E2	€ 100 k	1.750 % listed	1-2027
EMTN 09/2017	015	DE000A19NS93	€ 100 k	1.125 % listed	9-2025
EMTN 01/2018 1	017A	DE000A19UR61	€ 100 k	0.750 % listed	01-2024
EMTN 01/2018 2	017B	DE000A19UR79	€ 100 k	1.500 % listed	01-2028
EMTN 03/2018 1	018A	DE000A19X793	€ 100 k	EURIM03+45bps	12-2022
EMTN 03/2018 2	018B	DE000A19X8A4	€ 100 k	1.500 % listed	03-2026
EMTN 03/2018 3	018C	DE000A19X8B2	€ 100 k	2.125 % listed	03-2030
EMTN 03/2018 4	018D	DE000A19X8C0	€ 100 k	2.750 % listed	03-2038
EMTN 07/2018	019	DE000A192ZH7	€ 100 k	0.875 % listed	07-2023
EMTN 01/2019	020	DE000A2RWZZ6	€ 100 k	1.800 % listed	06-2025
EMTN 09/2019 1	021A	DE000A2R7JD3	€ 100 k	0.500 % listed	09-2029
EMTN 09/2019 2	021B	DE000A2R7JE1	€ 100 k	1.125 % listed	09-2034
EMTN 10/2019 1	022A	DE000A2R8NC5	€ 100 k	0.125 % listed	04-2023
EMTN 10/2019 2	022B	DE000A2R8ND3	€ 100 k	0.625 % listed	10-2027
EMTN 10/2019 3	022C	DE000A2R8NE1	€ 100 k	1.625 % listed	10-2039
EMTN 04/2020 1	023A	DE000A28VQC4	€ 100 k	1.625 % listed	04-2024
EMTN 04/2020 2	023B	DE000A28VQD2	€ 100 k	2.250 % listed	04-2030

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

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

The EMTNs are listed on the Luxembourg Stock Exchange, as the hybrid bond. The Yankee bond has been issued in a private placement exclusively to qualified investors in accordance with Rule 144A under the US Securities Act.

The company used its EMTN Program in February 2020 and issued € 200 million and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap. The original maturity date (March 22, 2026) and original coupon rate (1.500 %) remain unchanged. The tap issuance was € 11,893 million higher than the issue price.

On April 7, 2020, the company issued a € 1,000 million dual-tranche under the EMTN Program. Bond 023A with a volume of € 500 million has a maturity of 4 years and bond 023B with a volume of € 500 million has a maturity of 10 years.

The company paid back bond 009A with a nominal value of € 301 million on March 30, 2020, the bond was tendered in September 2019.

The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Since September 2017 the company acts as an issuer under the € 1,000 million commercial paper program established by the company. Debt issuances under these programs have unconditional and irrevocable guarantees from Vonovia SE. Commercial papers in the amount of € 300 million as of December 2019 have been paid back on February 28, 2020. There are no commercial papers outstanding on June 30, 2020, but the program is still active.

in € thousand	Book value Dec. 31, 2019 Audited	Book value Jun. 30, 2020 Unaudited	Market value Dec. 31, 2019	Market value Jun. 30, 2020
<b>Long-Term</b>				
Yankee bond 2	219,434	220,337	239,069	240,782
EMTN 2013	498,994	499,261	532,915	520,865
EMTN 2014	497,993	498,401	526,320	518,130
EMTN 3/2015 2	494,180	494,710	529,505	524,660
EMTN 12/2015 3	992,653	993,498	1,076,340	1,065,870
EMTN 6/2016 1	498,205	498,573	510,165	506,060
EMTN 6/2016 2	495,911	496,228	526,160	523,980
EMTN 12/2016	991,757	992,588	1,043,020	1,038,320
EMTN 1/2017 1	498,949	499,201	508,320	503,745
EMTN 1/2017 2	496,000	496,266	533,690	533,625
EMTN 9/2017	496,456	496,749	515,170	514,090
EMTN 01/2018 1	496,499	496,922	508,975	506,990
EMTN 01/2018 2	495,837	496,074	524,950	525,825
EMTN 03/2018 1	598,629	598,947	601,392	594,750
EMTN 03/2018 2	495,444	704,103	525,385	737,009
EMTN 03/2018 3	494,006	494,247	557,115	553,755
EMTN 03/2018 4	488,603	488,840	582,815	579,675
EMTN 07/2018	496,733	497,198	510,925	507,685
EMTN 01/2019	497,383	497,635	533,280	530,720
EMTN 09/2019 1	493,255	493,594	477,300	482,245
EMTN 09/2019 2	497,381	497,468	472,875	487,260
EMTN 10/2019 1	497,806	498,139	498,610	496,705
EMTN 10/2019 2	493,136	493,566	491,645	495,015
EMTN 10/2019 3	488,867	489,110	482,385	492,220
EMTN 04/2020 1	-	497,186	-	506,990
EMTN 04/2020 2	-	492,543	-	557,900
<b>Total</b>	<b>12,714,111</b>	<b>13,921,384</b>	<b>13,308,326</b>	<b>14,544,871</b>
Hybrid bond (perpetual)	996,690	997,325	1,070,650	1,031,690
<b>Total</b>	<b>13,710,801</b>	<b>14,918,709</b>	<b>14,378,976</b>	<b>15,576,561</b>
<b>Current</b>				
EMTN 3/2015 1	300,419	-	301,544	-
EMTN 12/2015 2	750,807	751,228	765,095	755,496
CP 14 Commerzbank AG	40,000	-	-	-
CP 15 Bayerische LB	175,000	-	-	-
CP 16 Societe Generale	85,000	-	-	-
<b>Total Long-term and current</b>	<b>15,062,027</b>	<b>15,669,937</b>	<b>15,445,615</b>	<b>16,332,057</b>

The US dollar market value for the USD-bond was USD 269,627,500 (December 31, 2019: USD 268,570,000).

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

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

Vonovia SE serves as the guarantor of the bonds and associated interest obligations of its subsidiary FINANCE B.V. These obligations result from the issuance of bonds in the amount of € 15,670 million.



in € thousand -Unaudited-	Balance as of Jun. 30, 2020	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity > 5 years
EMTN bonds	14,452,275	751,228	7,065,073	6,635,974
Hybrid bond (perpetual)	997,325	-	997,325	-
Yankee bond	220,337	-	220,337	-
	15,669,937	751,228	8,282,735	6,635,974
in € thousand -Audited-	Balance as of Dec. 31, 2019	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity > 5 years
EMTN bonds	13,545,903	1,051,226	6,068,218	6,426,459
Hybrid bond (perpetual)	996,690	-	996,690	-
Yankee bond	219,434	-	219,434	-
Commercial papers	300,000	300,000	-	-
	15,062,027	1,351,226	7,284,342	6,426,459

### Movement of the Bonds

in € thousand	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
<b>Balance as of January 1</b>	14,689,382	15,062,027
Additions	2,967,828	1,200,886
Repayments during the year	- 2,497,688	- 300,612
Change in valuation rate	- 97,495	- 292,364
<b>Balance as of December 31/June 30</b>	<b>15,062,027</b>	<b>15,669,937</b>

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

### 13 Accrued Liabilities / Other Liabilities

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

The current liabilities as of June 30, 2020, mainly result from accrued interest liabilities on the issued bonds.



in € thousand

Bond	Coupon	Interest payment	Dec. 31, 2019 Audited	Jun. 30, 2020 Unaudited
Yankee bond 2	5.000 %	semi-annual October/April 2	2,751	2,760
EMTN 2013	3.625 %	annual October 8	4,160	13,173
EMTN 2014	2.125 %	annual July 9	5,080	10,364
EMTN 3/2015 1	0.875 %	annual March 30	1,991	-
EMTN 3/2015 2	1.500 %	annual March 31	5,656	1,890
EMTN 12/2015 2	1.625 %	annual December 15	567	6,642
EMTN 12/2015 3	2.250 %	annual December 15	1,045	12,234
EMTN 6/2016 1	0.875 %	annual June 10	2,451	252
EMTN 6/2016 2	1.500 %	annual June 10	4,201	431
EMTN 12/2016	1.250 %	annual December 6	883	7,065
EMTN 01/2017	0.750 %	annual January 25	3,503	1,614
EMTN 01/2017	1.750 %	annual January 25	8,175	3,767
EMTN 09/2017	1.125 %	annual September 8	1,746	4,559
EMTN 01/2018 1	0.750 %	annual January 15	3,606	1,721
EMTN 01/2018 2	1.500 %	annual January 14	7,212	3,443
EMTN 03/2018 1	EURIM3+	quarterly March/Jun/Sep/Dec 22	9	8
EMTN 03/2018 2	1.500 %	annual March 22	5,820	2,877
EMTN 03/2018 3	2.125 %	annual March 22	8,234	2,922
EMTN 03/2018 4	1.750 %	annual March 22	10,640	3,740
EMTN 07/2018	0.875 %	annual July 3	2,176	4,351
EMTN 01/2019	1.800 %	annual June 29	4,574	49
EMTN 09/2019	0.500 %	annual September 14	731	1,974
EMTN 09/2019	1.125 %	annual September 14	1,645	4,442
EMTN 10/2019	0.125 %	annual April 6	146	147
EMTN 10/2019	0.625 %	annual October 7	734	2,288
EMTN 10/2019	1.625 %	annual October 7	1,887	5,927
EMTN 04/2024	1.625 %	annual April 7	-	1,892
EMTN 04/2030	2.250 %	annual April 7	-	2,620
Hybrid bond (perpetual)	4.000 %	annual December 17	1,639	21,530
Commercial paper 14			15	-
Commercial paper 15			65	-
Commercial paper 16			31	-
<b>Total</b>			<b>91,373</b>	<b>124,682</b>
Senior loans			49	122
Compensation with swaps without ccs			119	2,490
Accruals			1,944	3,114
<b>Total accrued liabilities</b>			<b>93,485</b>	<b>130,408</b>
Other tax liabilities			169	166
<b>Total other liabilities</b>			<b>169</b>	<b>166</b>

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

## Working Capital Facility / Revolving Credit Facility

In October 2018, Vonovia SE concluded an agreement on a new Working Capital Facility / Revolving Credit Facility amounting to € 1,000 million via FINANCE B.V. with Commerzbank AG. The prepaid assets 2019 have been paid by the shareholder in accordance with the agreement between the shareholder and the company. The working capital facility is still active in 2020 and the shareholder paid commitment fee as a prepaid asset in the first half year 2020.

## 14 Interest and Similar Income and Expenses

in € thousand	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Interest income from affiliated companies and shareholder	155,468	152,442
Interest income from third parties	6,712	6,273
Valuation effects from ineffectiveness	1,081	877
<b>Total interest and similar income</b>	<b>163,261</b>	<b>159,592</b>
Interest expenses from Euro/EMTN bonds	- 99,524	- 100,997
Interest expenses from Hybrid bond (perpetual)	- 19,836	- 19,891
Interest expenses from Yankee bonds	- 5,579	- 5,724
Interest expenses from Hybrid bonds (without perpetual)	- 8,603	-
Interest expenses from secured financings	-	- 1,670
Interest expenses from Term loan	- 584	- 547
Interest expenses from swaps	- 6,614	- 6,614
Interest expenses from liquidation Forward swaps	- 5,197	- 5,197
Other interest expenses to third parties	- 8,607	- 7,393
Valuation effects from First day loss	- 634	- 427
Non-recoverable finance expenses	- 638	- 399
<b>Total interest and similar expenses</b>	<b>- 155,816</b>	<b>- 148,859</b>
<b>Total financial result</b>	<b>7,445</b>	<b>10,733</b>

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

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

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

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

## 15 Other Operating Income

in € thousand	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Income from reversal of provisions from liabilities	-	0
Total release of other liabilities	0	-
<b>Total</b>	<b>0</b>	<b>0</b>

## 16 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Wages and salaries	272	325
Social security charges	23	20
<b>Total</b>	<b>295</b>	<b>345</b>

## 17 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 2 k (January - June 2019: € 3 k) are related to the depreciation of tangible assets, which are comprised of office equipment.

## 18 Audit fees

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

Jan.-Jun. 2020 -Unaudited- in € thousand	PricewaterhouseCoopers Accountants N.V.	Other PwC Network	Total PwC Network
Audit of the financial statements	32	-	32
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	32	-	32
<b>Total</b>	<b>64</b>	<b>-</b>	<b>64</b>

Jan.-Jun. 2019 -Unaudited- in € thousand	PricewaterhouseCoopers Accountants N.V.	Other PwC Network	Total PwC Network
Audit of the financial statements	58	-	58
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	31	-	31
<b>Total</b>	<b>89</b>	<b>-</b>	<b>89</b>

The fees listed above relate to the procedures applied to the company by accounting firms and the external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties - Wta) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees mainly relate to the audit of 2020 financial statements, regardless of whether the work was performed during the financial year.

PricewaterhouseCoopers Accountants N.V. have provided other non-audit services for the company amounting to € 32 k (January - June 2019: € 31 k), but these are included in "Interest and Similar Expenses." The non-audit services performed by PricewaterhouseCoopers Accountants N.V. are related to the comfort letter on the EMTN Program. These non-audit services are allowed under the current regulations.

## 19 Other Operating Expenses

in € thousand	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Consultancy fees	161	46
Independent auditor's remuneration	57	32
Rent and lease	42	40
IT and administration costs	17	16
Other costs	16	14
<b>Total</b>	<b>293</b>	<b>148</b>

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

in € thousand	within 2020	within 2021-2024	beyond 2024
<b>Rent and lease</b>	80	320	40

## 20 Income / Loss Taxation

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

in € thousand	Jan.-Jun. 2019 Unaudited	Jan.-Jun. 2020 Unaudited
Profit before taxation	6,854	10,238
Deferred tax assets	- 112	- 97
Current tax liabilities / assets	-	-
Corporate income taxation	- 1,509	- 1,284
<b>Profit for the period</b>	<b>5,233</b>	<b>8,857</b>

Effective tax rate 13.49 % (January - June 2019: 23.65 %)

The nominal tax rate is 25.00 % (January - June 2019: 25.0 %)

FINANCE B.V. has reached an agreement with the Dutch tax authority regarding an advance pricing agreement ("APA") for the period of establishment until December 31, 2018. A new APA with a validity period from January 1, 2016, to December 31, 2020, was signed in January 2017. Additionally, in 2019 an application process for a bilateral APA ("BAPA") has started.

The current tax position is not calculated on the basis of the ordinary profit or loss but by using the margin applied for the BAPA; the current income tax occurs even with a potential loss. Furthermore, because of the BAPA, no deferred tax assets on tax loss carryforwards would be taken into account. The deferred tax assets result only from the cash flow hedge reserve.

## 21 Related Parties

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

All loans are granted to Group companies for Group financing purposes. The interest income mainly stems from these Group companies. The interest rates charged to the Group companies are comprised

of a weighted mix of interest rates from the issued bonds and loans plus a service charge margin on an arm's-length basis.

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

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

## 22 Average Number of Employees

As of June 30, 2020, the company has six employees (June 30, 2019: six), four of whom are men and two women (June 30, 2019: four men and two woman). All employees work in the Netherlands. The Management Board of three people comprises only men; all of them work in the Netherlands. Services are obtained by the shared service functions of the Vonovia Group.

## 23 Financial Instruments

As of June 30, 2020 the financial instruments consist of an interest rate swap relating to a floater bond (bond 018A) with a nominal volume of € 600 million (beginning of 2018) and two cross-currency swaps corresponding to an USD-bond with a total nominal volume of € 185 million (bond 004).

Future changes in the value of the cash flow hedge reserve also relate to three hedging instruments unwound in October 2015. Corresponding future changes in value, previously reported outside profit or loss under cash flow hedge reserve, will be amortized through profit or loss in line with the expected cash flows from the underlying hedged items. In the year under review € 4.8 million were reclassified to profit or loss, reducing the respective cash flow hedge reserve to € 33.2 million.

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

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

in € thousand -Unaudited-	Jan. 1, 2020	Development		Jun. 30, 2020
		gross amount	deferred tax	
Cash flow hedge reserve related to three unwound hedging instruments	37,978	-4,813	-	33,165
Interest rate Swap Floater 600	8,657	-609	132	8,180
Cross Currency Swap	-31,322	-10,166	2,206	-39,282
corresponding USD-bonds	29,576	753	-163	30,166
<b>Cash flow hedge reserve according to balance sheet</b>	<b>44,889</b>	<b>-14,835</b>	<b>2,175</b>	<b>32,229</b>

in € thousand -Audited-	Jan. 1, 2019	Development		Dec. 31, 2019
		gross amount	deferred tax	
Cash flow hedge reserve related to three unwound hedging instruments	47,604	-9,626	-	37,978
Interest rate Swap Floater 600	5,618	3,566	-527	8,657
Cross Currency Swap	-20,486	-12,688	1,852	-31,322
corresponding USD-bonds	25,122	4,276	178	29,576
<b>Cash flow hedge reserve according to balance sheet</b>	<b>57,858</b>	<b>-14,472</b>	<b>1,503</b>	<b>44,889</b>

## Development of Derivatives:

in € thousand -Unaudited-	Face- value	Jan. 1, 2020	Development				Jun. 30, 2020
			Cash flow hedge reserve	Ineffectiveness Income Statement	First day loss Income Statement	Reclas- sification	
Passive Hedge Accounting	-	-	4,813	-	-	-4,813	-
Interest rate Swap Floater Mar 2018 4,75 year 3M EURIBOR	600,000	-11,057	609	-	-	-	-10,448
Cross Currency Swap eff. Oct 2013 10 years USD exchange rate	184,592	40,003	10,166	-	-	-	50,169
Cross Currency Swap first day loss / ineffectiveness		-10,903	-	877	-427	-	-10,453
		29,100	10,166	877	-427	-	39,716
<b>Market value (clean)</b>	<b>784,592</b>	<b>18,043</b>	15,588	877	-427	-4,813	29,268
Accrued interest	-	545	-	-	-	-	-1,825
<b>Market value (dirty)</b>	<b>-</b>	<b>18,588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,443</b>

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

## 24 Further Information about the Bodies and the Company

The Management Board of Vonovia Finance B.V. consists of three members as of June 30, 2020.

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

Iwan Oude Roelink  
Director of Vonovia Finance B.V.

Rick van Dijk  
Director of Vonovia Finance B.V.

The Management has received remuneration for the first half year of 2020 amounting to € 204 k (January - June 2019: € 192 k)

The Supervisory Board currently consists of five members.

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

Helene von Roeder  
CFO of Vonovia SE

Simone Schumacher  
Head of Accounting BMW Finance N.V.

Olaf Weber  
Head of Finance and Treasury Vonovia SE

Dr. Fabian Heß  
General Counsel of Vonovia SE

The members of the Supervisory Board didn't receive remuneration in the first half year of 2020 (January - June 2019: € 0 k).

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

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

## 25 Subsequent Events

After the balance sheet date of June 30, 2020, the company issued on July 9, 2020 a € 1,500 million dual-tranche under the EMTN Program. Bond 024A with a total volume of € 750 million has a tenor of 6 years and bond 024B with a volume of € 750 million has a tenor of 10 years.

On July 9, 2020, FINANCE B.V. undersigned a new credit agreement with Berlin Hyp AG for an amount of € 184 million in respect of a secured loan.

On July 22, 2020, S&P affirmed the BBB+ rating with stable outlook and improved the business risk profile at the same time from „strong“ to „excellent“. The rating improvement was driven by robustness and resilience of the groups business.

## Amsterdam, August 27, 2020

### Management Board

**Thorsten Arsan (Chairman)**

**Iwan Oude Roelink**

**Rick van Dijk**



### 3. Other Information

#### Profit Appropriation According to the Articles of Association

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

The Management Board has proposed to add the net profit of the first half year 2020 amounting to € 8,857 k (year ended December 31, 2019: net profit € 8,862 k) to the other reserves.



## ***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 2020 of Vonovia Finance B.V., Amsterdam, which comprises the balance sheet as at 30 June 2020, the income statement for the period then ended, the statement of cash flows and the related notes on the aforementioned statements. The management board is responsible for the preparation and presentation of this interim financial 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 2020 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Rotterdam, 27 August 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. IJspeert RA

*RMU34XMEKE2R-1761134339-14*

*PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands  
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, [www.pwc.nl](http://www.pwc.nl)*

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.