Vonovia Finance B.V., Amsterdam

Unaudited Interim Financial Report 2016

PricewaterhouseCoopers Accountants N.V.
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Content

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1. Management Report for the Unaudited Interim Financial Report 2016

Vonovia SE ("Vonovia") defined their existing financing strategy originally in 2013. This makes up a major part of the overall strategy, which has the objective of carrying out balanced, flexible equity and debt financing based on a solid equity ratio and LTV (loan-to-value) ratio. The permission to trade its shares in a 2013 initial public offering in the Prime Standard Segment of the Frankfurt Stock Exchange and in the Luxembourg Stock Exchange enabled the execution of this financial strategy.

With the closing of the IPO and the inflow of the corresponding proceeds, the rating agency Standard & Poor's (S&P) issued a long-term corporate credit rating of BBB and short-term credit rating of A-2 with a stable outlook (investment-grade rating) for Vonovia. Following the GAGFAH S.A. takeover on March 6, 2015, the rating agency raised the long-term rating for Vonovia to BBB+ with a stable outlook. Standard & Poor's further raised the issue rating for the senior unsecured debt from BBB to BBB+ and for the subordinated hybrid debt from BB+ to BBB-. The short-term credit rating of A-2 was simultaneously confirmed. This was reconfirmed by S&P on October 15, 2015.

Simultaneously to the IPO of Vonovia, Vonovia Finance B.V., Amsterdam ("FINANCE B.V." or "the company"), was founded by Vonovia as a wholly owned subsidiary on June 21, 2013 as part of the post-IPO financial strategy. It was founded to act as a financing company and to arrange for debt financings on the international debt capital markets, primarily by issuing bonds. Making use of a Dutch financing company is in line with international practice. The fundraisings are then on-lent with a reasonable lending margin to the Vonovia Group entities on an arm's length basis as part of Group financing.

In 2013, the company implemented also a so called European Medium Term Notes Program (EMTN Program), which allows the Vonovia Group to raise funds through FINANCE B.V. on a short-term basis without significant administrative efforts.

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

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

The company issued on March 30, 2015 bonds of € 1,000 million from the EMTN Program, which were divided into two tranches of € 500 million each. With effect from December 9, 2015, FINANCE B.V. issued bonds from the EMTN Program totaling € 3,000 million. This amount was placed in three installments with maturities between 2 and 7 years. The 2-year tranche was the first floating-rate note. The occurring interest rate was eliminated by euro swaps.

The EMTN Program with a total issuance volume of € 8,000 million was updated in April 2016, based on the approval from April 11, 2016, of the oversight authorities of the Grand Duchy of Luxembourg (CSSF). The most recent drawdown under the EMTN Program took place on June 6, 2016 with a total volume of € 1,000 million, split in two tranches of € 500 million each.

As of June 30, 2016, the company had issued bonds with a total amount of € 8,900 million, additional an equity hybrid bond with a volume of € 1,000 million. From the 2013 bond placements the € 700 million tranche with the 2,125% coupon is to be paid back in July 2016, which actually took place as of July 25.

After the repayment of the former securitization financing of Vonovia in early 2013 with bond proceeds, the structured financings, the successful IPO and the implementation of the EMTN Program, Vonovia has laid down important cornerstones for achieving the main objectives of its financing strategy with what has, so far, been free access to the international equity and debt markets due to its investment-grade rating. This assures the objective of a balanced mixture of equity and unsecured, unsubordinated bonds, complemented with unsecured but subordinated hybrid bonds. This translates in an overall LTV of around 50 %.

The fundraisings in 2014 and 2015, which involved the innovative use of hybrid bonds, opened up further financing spheres. They also fundamentally supported Vonovia's acquisition strategy in financing the acquisitions of DeWAG (closing April 1, 2014), Vitus (closing October 1, 2014), GAGFAH (closing March 6, 2015) and SÜDEWO (closing July 8, 2015).

The unsecured and unsubordinated bonds share the same BBB+ investment grade rating as Vonovia SE. The hybrid bonds have a regular rating two notches lower at BBB-.

These achievements from executing the financing strategy stand out as a unique, distinguishing competitive advantage for a German residential real estate business.

In 2015 Vonovia derived from its financing strategy a refinancing plan which in particular focused on the absorbed financings from the GAGFAH acquisition. In October 2015, Vonovia mitigated the interest risk on future funding needs by entering into 5 forward derivative contracts through FINANCE B.V. in the amount of € 2,700 million. Following the uncompleted Deutsche Wohnen take over the refinancing plan had finally to be modified with the consequence that 4 of the 5 forward derivatives have been dissolved on June 7 and 8, 2016, with a total amount of € 2,100 million. Of the 4 dissolved derivatives two have been designated to the EMTN-bond placement on June 6, 2016 continuing the hedge accounting while the other two derivatives are subject to a hedge break so that the respective negative fair value had to be recognized as expense. Following the agreement of FINANCE B.V. with Vonovia the equivalent amount of € 54.5 million has been charged to Vonovia SE.

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

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

FINANCE B.V. closed the half year 2016 with a net loss of € 3,422k. This stems on one side mostly, on a pre-tax basis, from the difference between the incurred interest on borrowings and the earned interest, which includes the administrative margin, from on-lending. On the other side it is strongly impacted by the valuation of derivatives which cause finally the negative half year result. The company applies in general hedge accounting for the hedged currency and interest rate risks on borrowing and lending.

The function of FINANCE B.V. as a financing vehicle of Vonovia Group is set up in a way that it earns a margin in excess of its borrowing costs. This should leave the company with sufficient residual earnings and cash flows, less certain operational charges and charges for central services provided through Vonovia. In essence, future earnings will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and operational charges. Based on that, FINANCE B.V. will achieve a reasonable profit and cash flow under these circumstances. The liquidity of the company as of June 30, 2016, is ensured through the cash pool of Vonovia Group.

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

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

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

The credit and market risk of FINANCE B.V. is limited to the share premium reserve of € 25 million.

Vonovia senior management has the clearly articulated intention to raise further funds through FINANCE B.V. by issuing additional bonds to obtain debt financings to complement equity financing for more internal as well as external growth (through acquisitions). Acquisitions are an integral part of the Vonovia strategy and FINANCE B.V.; therefore they are an important execution tool for the Vonovia strategy.

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

Further positive development of Vonovia Group is envisioned from internal as well as external growth. Plus, in light of the debt structure optimization, further fundraisings may be executed at any given time, provided the international capital markets are prepared to absorb the issuance volumes. As of June 30, 2016, the company has an EMTN Program prospectus that is valid for almost eight months. It can thus issue bonds from this program at any given time, depending on the actual financing needs of Vonovia Group and the availability of the debt capital markets.

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

On July 1, 2015, FINANCE B.V. reached an agreement with the Dutch tax authorities regarding an advance pricing agreement for the period of establishment (starting June 21, 2013), which will last until December 31, 2017.

Given the relevance of FINANCE B.V., a Supervisory Board was established in order to comply with good corporate governance practices and to monitor the operational business activities of the entity. It also ensures a seamless formal interface to the parent. The formal registration at the civil court of Amsterdam took place with effect from July 3, 2015. The Supervisory Board comprises as at June 30, 2016, three members, who are representatives of the sole shareholder:

Dr. A. Stefan Kirsten (Chairman) (CFO of Vonovia SE)
Dr. Thomas Görgemanns (Legal Counsel and Compliance Officer of Vonovia SE)
Christoph Schauerte (Vice President Group Accounting and Accounting Officer of Vonovia SE)

A Supervisory Board meeting took place on April 13, 2016, on the company premises in Amsterdam, Apollolaan 133–135. The topics covered were besides operational review items in particular the financial statements 2015, the independent auditors reporting on 2015 and the updated outlook for 2016.

The 2015 fiscal year was a very successful and significant year for the Vonovia Group. As a result of the merger with GAGFAH and the acquisition of SÜDEWO Vonovia-Group expand their portfolio and improve their market position significantly. In 2016 Vonovia plans to expand the leading position on the German residential real estate market once again. This is reflected in the very favorable performance of Vonovia Group in the first six month of 2016 in particular harvesting the synergy effects from the previous acquisitions.

FINANCE B.V. financing depends on the conditions on the capital market, which are very favorable at the moment due to the low interest rates. Nevertheless, the company will strive to further improve the financing costs while maintaining the credit rating performance indicators and the desired financing structure.

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

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

Responsibility Statement

All managers confirm that, to the best of his or her knowledge:

- The interim financial statements for the six-month period ended June 30, 2016, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

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

Amsterdam, August 23, 2016

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Original has been signed by
Lars Schnidrig

2. Unaudited Interim Financial Statements

a. Balance Sheet as of June 30, 2016
(before distribution of profit)

in € thousand	Note		June 30, 2016	Dec. 31, 2015
Assets				
Fixed assets				
Tangible fixed assets	5	14		16
Financial fixed assets				
Receivables from affiliated companies and shareholder	6	9,671,847		8,680,725
Receivables from derivatives	21	142,961		154,285
Deferred tax assets	7	13,922		13,040
			9,828,744	8,848,066
Current assets				
Receivables from shareholder	6	103,944		47,886
Other assets	8	691		18,554
Cash and cash equivalents	9	1		5,001
			104,636	71,441
Total assets			9,933,380	8,919,507

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in € thousand	Note	June 30, 2016		Dec. 31, 2015
Equity and Liabilities				
Equity				
Subscribed capital		18		18
Share premium reserve		25,000		5,000
Cash flow hedge reserve		-80,127		-31,852
Other reserves		4,663		-3,184
Unappropriated profit		-3,422		7,847
Total shareholders' equity	10		-53,868	-22,171
Long-term liabilities				
Hybrid bond	10/11		991,567	993,697
Total capital base	10		937,699	971,526
Long-term liabilities				
Bonds	11	8,135,285		7,157,639
Derivative financial liabilities	21	39,282		20,485
			8,174,567	7,178,124
Current liabilities				
Bonds	11	699,836		700,000
Accrued liabilities		816		3,106
Other liabilities	12	120,462		66,751
			821,114	769,857
Total equity and liabilities			9,933,380	8,919,507

b. Income Statement for the Period from January 1 to June 30, 2016

in € thousand	Note		Jan.-Jun. 2016	Jan.-Jun. 2015
Income				
Interest and similar income	13		214,038	168,837
Expenses				
Interest and similar expenses	13		-218,300	-158,389
Financial result			-4,262	10,448
Other operating income	14		27	17
Personnel expenses	15	-126		-121
Depreciation of tangible fixed assets	16	-2		-1
Other operating expenses	17	-130		-220
Total expenses			-258	-342
Loss / profit before taxation			-4,493	10,123
Income taxation	18		1,071	-2,760
Loss / profit for the period			-3,422	7,363

c. Statement of Cash Flows for the Period from January 1 to June, 2016

in € thousand	Note		Jan.-Jun. 2016	Jan.-Jun. 2015
Loss / profit for the period			**-3.422**	**7.363**
Cash flows from operating activities				
Adjustments for:				
Cash flow hedge reserve	10	-48.275		-2.584
Bonds	11	977.483		1.056.942
Hybrid (perpetual)	10/11	-2.130		517
Receivables to affiliated companies and shareholder	6	-1.047.179		-1.022.281
Derivative financial instruments	21	30.123		-76.838
Deferred tax assets	7	-882		1.429
Other assets	8	17.863		19.841
Accrued liabilities		-2.290		-10.696
Trade payables		-		73
Other liabilities	12	53.711		24.775
Net cash (used in)/generated from operating activities			**-21.576**	**-8.822**
			-24.998	**-1.459**
Cash flows from investing activities				
Adjustment for:				
Tangible fixed assets	5	-2		1
Net cash (used in)/generated from investing activities			**-2**	**1**
Cash flows from financing activities				
Adjustments for:				
Capital contributions	10	20.000		-
Net cash (used in)/generated from financing activities			**20.000**	**-**
Net decrease in cash and cash equivalents			-5.000	-1.458
			-5.000	**-1.458**

Movements in cash and cash equivalents can be broken down as follows:

Balance as of January 1	5.001	6.460
Movement during the period	-5.000	-1.458
Balance as of June 30	**1**	**5.002**

d. Notes to the Unaudited Interim Financial Statements 2016

1 General Information

1.1 Activities

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

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

The rating agency Standard and Poor's (S&P) has issued a long-term corporate credit rating of BBB+ and a short-term credit rating of A-2 with a stable outlook for Vonovia SE. This 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. Standard & Poor's further raised the issue rating for the senior unsecured debt from BBB to BBB+ and for the subordinated hybrid debt from BB+ to BBB-. At the same time the short-term credit rating of A-2 was confirmed.

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
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1.2 Group Structure

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

1.3 Going Concern

The company generated a net loss of € 3,422k for the period from January 1 to June 30, 2016, which, together with the negative hedge accounting impact, resulted in negative net equity of € 53,868k (December 31, 2015: € 22,171k) for the shareholder's equity. Including the hybrid bond of € 991,567k the total capital base had a positive value of € 937,699k (December 31, 2015: € 971,526k). In the future the earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and the service charges. Based on that, FINANCE B.V. will achieve a reasonable profit under these circumstances. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE. The accounts have therefore been prepared based upon the going concern principle.

1.4 Related Party Transactions

All legal entities that can be controlled, jointly controlled or significantly be influenced are considered to be a related party. Also, entities that can control the company are considered a related party. In addition, statutory directors, 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 is disclosed if this is required for to provide a true and fair view.

1.5 Estimates

Preparing interim financial statements and the application of relevant rules may require the use of critical accounting estimates, which thus requires exercising professional judgment. Estimates used in these interim financial statements are limited to the use of other assets, accrued liabilities for general expenses and other liabilities based on tax experience and sound professional judgment. This predominately applies to the determination of the fair value of the swap (Note 21) and the fair value calculations of the notes receivables (Note 6).

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

Unless explained otherwise, the estimates made by the management in preparing the Financial Statement 2016 are similar to those used in 2015.

1.6 Accounting Policies for the Statement of Cash Flows

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

1.7 Comparison with Previous Year

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

2 Principles of Valuation for Assets and Liabilities

2.1 General

The interim 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 interim financial statements are denominated in Euros.

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

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

2.2 Foreign Currencies

Functional Currency
Items in the interim financial statements of Group companies are stated with due observance of the currency of the primary economic environment in which the respective Group company operates (the functional currency), and as this is Europe, the functional currency is the Euro.

The functional currency of the entity for the Vonovia Group is also the Euro.

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

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

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

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

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

Hedging
In respect of any positions in the balance sheet that are covered by cross-currency interest rate swaps or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the period and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than Euros, the respective correction is allocated to this loan. Otherwise the respective loan granted is corrected. The underlying exchange rate EUR/USD on June, 30, 2016, is fixed at 1.1102 and at December 31, 2015 was fixed at 1.0887.

2.3 Tangible Fixed Assets

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

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

2.4 Financial Fixed Assets

Loans, in Particular Loans to Affiliated Companies
Loans and receivables to Group companies with an original term of more than one year are treated as financial fixed assets. They are valued initially at fair value of the amount owed, which normally consists of the face value, net of any provisions considered necessary. Subsequently they are measured at their amortized cost.

2.5 Impairment of Fixed Assets

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

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

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

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

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

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

At the balance sheet date no fixed assets were subject to impairments.

2.6 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.

2.7 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.

2.8 Equity

When FINANCE B.V. purchases treasury 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 cancelled 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.

2.9 Long-term Liabilities

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

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

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

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

2.10 Current Liabilities

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

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

Other Liabilities (Including Trade Payables)
On initial recognition current liabilities are recognized at fair value. After initial recognition current liabilities are recognized at amortized cost, which equals the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

Current and Deferred Income Tax
The current Dutch nominal tax rate of 25 % has been applied.

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

2.11 Provisions

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

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

Where some or all of the expenditure required 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.

2.12 Financial Instruments

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

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

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

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

The company shall discontinue prospective hedge accounting if:

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

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

2.13 Deferred Taxes

Deferred income tax assets are recognized to provide for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the interim financial statements. This is done with the understanding that deferred income tax assets are recognized only to the extent that it is probable that a future taxable profit will be available against which the temporary differences and fiscal losses can be utilized.
Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized.

Deferred income taxes are recognized at face value.

3 Principles for Recognition of Income and Expenses

3.1 General

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

3.2 Revenue Recognition, Financial Income and Expenses

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

3.3 Exchange Rate Differences

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

3.4 Other Operating Income and Expenses

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

3.5 Personnel Expenses

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

3.6 Depreciation of Tangible Fixed Assets

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

3.7 Taxation

Profit tax is calculated on the profit before taxation in the income statement, taking into account any losses carried forward from previous fiscal years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

4 Financial Instruments and Risks

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

4.1 Market Risk

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

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

Interest Rate Risk
Risks associated with movements in interest rates are addressed through adequate interest rate hedges. There are two Interest Rate Swap contracts in use for this purpose. Loans to affiliated companies are in general on fixed terms.

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

4.2 Credit Risk

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

4.3 Liquidity Risk

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

4.4. Price Risk

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

4.5 Notes to the Statement of Cash Flows

The cash flow statement shows how the cash of FINANCE B.V. has changed during the first half year of 2016 as a result of cash inflows and outflows. A distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit or loss for the period using the indirect method. It was mainly increased by the placement of new bonds, but more decreased by the issue of some more loans to the companies of Vonovia Group. Furthermore the cash flow from financing activities increased by paid up to the share premium reserve.

5 Tangible Fixed Assets

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

in € thousand	**Jun. 30, 2016**	**Dec. 31, 2015**
Acquisition cost beginning of period	23	16
Additions during the period	-	7
Disposals during the period	-	-
Acquisitions cost end of period	22	23
Accumulated depreciation beginning of period	7	3
Depreciation for the period (Note 16)	2	4
Accumulated depreciation disposals	-	-
Accumulated depreciation end of period	8	7
Total book value	**14**	**16**

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6 Receivables from Affiliated Companies and Shareholder

Receivables from affiliated companies are related to Group financing. The receivables from intercompany loans bear an average interest rate as of Jun. 30, 2016, of 2.3113 % for EMTNs (as of Dec. 31, 2015: 2.3495 %), 4.9747 % for the hybrid debt (as of Dec. 31, 2015: 4.2282 %) and 4.2328 % for the perpetual hybrid (as of Dec. 31, 2015, 4.2328 %), and the contracts have an unlimited term; therefore, all intercompany loans are long-term loans. In addition there are receivables from the cash pool agreement with Vonovia SE, these bear interest at EONIA -0.25 % (Dec. 31, 2015: EONIA -0.25 %). Receivables from cash pooling are classified as current assets in the balance sheet.

In June 2016, the company used its EMTN Program in the amount of € 1,000 million and passed the liquidity onto Vonovia SE, using it for an intercompany loan.

in € thousand	**Jun. 30, 2016**	**Dec. 31, 2015**
Vonovia SE	3,250,586	3,023,860
Deutsche Annington Beteiligungsverwaltungs GmbH	1,551,784	1,551,784
Deutsche Annington Acquisition Holding GmbH	1,467,972	1,467,972
Süddeutsche Wohnen GmbH	649,330	649,330
Deutsche Annington Holdings Eins GmbH	221,437	221,437
Kieler Wohnungsbaugesellschaft GmbH	204,265	204,265
Gagfah Erste Grundbesitz GmbH	194.530	-
Bremische Ges. f. Stadtern.-entw.& W.Bau GmbH	163,847	163,847
Prima Wohnbauten Privatisierungs-Management GmbH	136.259	-
GBH Acquisition GmbH	136,246	136,246
Vonovia Immobilienmanagement one GmbH	122.519	-
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	119,952	119,952
Deutsche Annington DMB Netherlands B.V.	116,337	116,337
Eisenbahn-Wohnungsbauges. Karlsruhe GmbH	100,139	100,139
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	99.012	-
Osnabrücker Wohnungsbau GmbH	98,204	98,204
Gagfah Acquisition 1 GmbH	93.399	-
Siege Siedlungsgesellschaft mbH Mainz	84,135	84,135
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Vonovia Elbe Wohnen GmbH	67,472	67,472
Deutsche Annington Wohnungsgesellschaft I mbH	66.254	-
Deutsche Annington Wohnungsgesellschaft IV mbH	62,953	-
Deutsche Annington Wohnungsgesellschaft III mbH – accretion -	-	*62,953*
DAIG 9. Objektgesellschaft B.V.	50,068	50,068
Bundesbahn-Wohnungsbauges. Kassel GmbH	47,268	47,268
GAGFAH S. A.	36,163	36,016
Gagfah Acquisition 2 GmbH	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	-
DAIG 22. Objektgesellschaft B.V.	14,475	14,475
DAIG 10. Objektgesellschaft B.V.	12,078	12,078
DAIG 3. Objektgesellschaft mbH	11,061	11,061
DAIG 24. Objektgesellschaft B.V.	9,167	9,167
DAIG 23. Objektgesellschaft B.V.	7,979	7,979
DAIG 17. Objektgesellschaft B.V.	6,322	6,322
Börsenhof A Besitz GmbH	5,648	5,648

DAIG 18. Objektgesellschaft B.V.	4,534	4,534
DAIG 25. Objektgesellschaft B.V.	1,071	1,071
DAIG 12. Objektgesellschaft mbH	945	945
Total (Long-Term)	**9,671,847**	**8,680,725**
Vonovia SE Cash-Pooling (current)	103,944	47,886
Total (Long-Term and current)	**9,775,791**	**8,728,611**

The fair value of the receivables from affiliated companies and shareholder is € 1,038 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2015: € 492 million higher).

Loans to Affiliated Companies and Shareholder

in € thousand	**2016**	**2015**
Balance as of January 1	8,680,725	4,717,760
Additions	1,054,075	6,533,716
Terminations	-62,953	-1,000,000
Repayments during the year	-	-1,570,751
Balance as of June 30 / December 31	**9,671,847**	**8,680,725**

7 Deferred Tax Assets

The deferred tax assets are based on temporary differences from the valuation of the cross-currency swap. Further, the deferred tax assets are dependent on changes in the currency rate from the bond in U.S. dollars. The position as a whole is of a long-term nature.

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

Deferred Tax Assets in € thousand					
	Cross-currency swap	Pre-hedges	Yankee bonds	Other	Total
As of January 1, 2016	**-38,571**	**5,104**	**44,842**	**1,665**	**13,040**
Addition during the period	-	-	-	-	**-**
Change recognized in fair value movement in deferred taxes on derivative financial instruments	2,831	4,564	-4,437	-2,076	**882**
As of June 30, 2016	**-35,740**	**9,668**	**40,405**	**-411**	**13,922**

Deferred Tax Assets in € thousand					
	Cross-currency swap	Pre-hedges	Yankee bonds	Other	Total
As of January 1, 2015	**-12,644**	**-**	**21,011**	**2,032**	**10,399**
Addition during the period	-	5,104	-	-	**5,104**
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-25,927	-	23,831	-367	**-2,463**
As of December 31, 2015	**-38,571**	**5,104**	**44,842**	**1,665**	**13,040**

8 Other Assets

The other assets in the amount of € 691k (2015: € 18,554k) mainly pertains to prepaid tax for 2016.

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 € 18k (2015: € 18k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

Statement of Changes in Capital Base in € thousand

	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profits	**Total shareholders' equity**	Hybrid bond	**Total capital base**
As of January 1, 2016	**18**	**5,000**	**-31,852**	**-3,184**	**7,847**	**-22,171**	993,697	**971,526**
Shareholder's capital contributions	-	20,000	-	-	-	**20,000**	-	**20,000**
Change in value	-	-	-	-	-	**-**	-2,130	**-2,130**
Other reserves	-	-	-	7,847	-7,847	**-**	-	**-**
Unappropriated profits	-	-	-	-	-3,422	**-3,422**	-	**-3,422**
Assignment to Cash flow hedge reserve	-	-	-48,275	-	-	**-48,275**	-	**-48,275**
As of June 30, 2016	**18**	**25,000**	**-80,127**	**4,663**	**-3,422**	**-53,868**	**991,567**	**937,699**

Statement of Changes in Capital Base in € thousand

	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profits	**Total shareholders' equity**	Hybrid bond	**Total capital base**
As of January 1, 2015	**18**	**5,000**	**-17,855**	**-6,992**	**3,808**	**-16,021**	993,034	**977,013**
Shareholder's capital contributions	-	-	-	-	-	**-**	-	**-**
Appreciation of the hybrid bond	-	-	-	-	-	**-**	663	**663**
Other reserves	-	-	-	3,808	-3,808	**-**	-	**-**
Unappropriated profits	-	-	-	-	7,847	**7,847**	-	**7,847**
Assignment to Cash flow hedge reserve	-	-	-13,997	-	-	**-13,997**	-	**-13,997**
As of December 31, 2015	**18**	**5,000**	**-31,852**	**-3,184**	**7,847**	**-22,171**	**993,697**	**971,526**

Presentation of the Hybrid Bond

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

Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the interim financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base. Accrued interest liabilities in the amount of € 21,530 million on the hybrid bond are shown under other liabilities (Note 12).

11 Bonds

The long-term liabilities comprise the following bonds, issued by June 30, 2016:

Bond	Face Value	Coupon	Maturity
Eurobond 1	€ 100k	2.125 % listed	7-2016
Eurobond 2	€ 100k	3.125 % listed	7-2019
Yankee bond 1	USD 50k	3.200 % unlisted	10-2017
Yankee bond 2	USD 50k	5.000 % unlisted	10-2023
EMTN 2013	€ 1,000	3.625 % listed	10-2021
EMTN 2014	€ 1,000	2.125 % listed	7-2022
Hybrid Bond	€ 100k	4.625 % listed	4-2074
Hybrid Bond (perpetual)	€ 100k	4.000 % listed	-
EMTN 3/2015 1	€ 1,000	0.875 % listed	3-2020
EMTN 3/2015 2	€ 1,000	1.500 % listed	3-2025
EMTN 12/2015 1	€ 100k	EURIM03+95bps	12-2017
EMTN 12/2015 2	€ 100k	1.625 % listed	12-2020
EMTN 12/2015 3	€ 100k	2.250 % listed	12-2023
EMTN 6/2016	€ 100k	0.875 % listed	06-2022
EMTN 6/2016	€ 100k	1.500 % listed	06-2026

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

The Eurobonds are listed on the Frankfurt Stock Exchange; the EMTNs are listed on the Luxembourg Stock Exchange as are the hybrid bonds.

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

in € thousand	**Book value Jun. 30, 2016**	**Book value Dec. 31, 2015**	**Market value Jun. 30, 2016**	**Market value Dec. 31, 2015**
Long-Term				
Eurobond 2	598,099	597,731	652,320	641,010
Yankee bond 1	672,600	685,495	689,545	696,018
Yankee bond 2	223,018	227,276	247,969	237,292
EMTN 2013	497,330	497,098	579,130	549,080
EMTN 2014	495,543	495,166	543,145	504,570
Hybrid Bond	694,620	693,770	729,750	710,654
EMTN 3/2015 1	495,484	494,899	508,730	490,240
EMTN 3/2015 2	490,600	490,084	522,800	461,330
EMTN 12/2015 1	747,997	747,806	756,821	753,150
EMTN 12/2015 2	1,243,633	1,243,187	1,312,250	1,248,363
EMTN 12/2015 3	986,730	986,132	1,102,080	994,410
EMTN 6/2016 1	495,737	-	505,440	-
EMTN 6/2016 2	493,894	-	509,660	-
Total	**8,135,285**	**7,158,644**	**8,659,640**	**7,286,117**
Hybrid Bond (perpetual)	991,567	993,697	1,019,750	975,000
Total	**9,126,852**	**8,152,341**	**9,679,390**	**8,261,117**
Current				
Eurobond 1	699,836	698,995	700,896	707,728
Total	**9,826,688**	**8,851,336**	**10,380,286**	**8,968,845**

The U.S. dollar market value for the Yankee bonds is USD 765,532,500 for Yankee bond 1 and USD 275,295,000 for Yankee bond 2.

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

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

Vonovia SE serves as the guarantor of the bonds and associated interest obligations of its subsidiary FINANCE B.V. These obligations result from the issuance of bonds in the amount of € 9.8 million.

in € thousand	**Balance as of Jun. 30, 2016**	**Repayment obligation within 1 year**	**Remaining maturity 1–5 years**	**Remaining maturity > 5 years**
Euro- / EMTN Bonds	7,244,883	699,836	3,085,213	3,459,834
Hybrid Bond (perpetual)	991,567	-	-	991,567
Yankee Bonds	895,618	-	672,600	223,018
Hybrid Bonds (without perpetual)	694,620	-	-	694,620
	9,826,688	699,836	3,757,813	5,369,039

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

12 Other Liabilities

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

The current liabilities as of June 30, 2016, result from accrued interest liabilities on the issued bonds.

in € thousand			**Jun 30, 2016**	**Dec. 31, 2015**
Bond	**Coupon**	**Interest Payment**		
Eurobond 1	2.125 %	annual 25 July	13,899	6,503
Eurobond 2	3.125 %	annual 25 July	17,469	8,146
Yankee bond 1	3.200 %	semi-annual 2 October/2 April	5,344	5,450
Yankee bond 2	5.000 %	semi-annual 2 October/2 April	2,784	2,839
EMTN 2013	3.625 %	annual 8 October	13,173	4,160
EMTN 2014	2.125 %	annual 9 July	10,364	5,080
Hybrid Bond	4.625 %	annual 8 April	7,451	23,706
EMTN 3/2015 1	0.875 %	annual 30 March	1,115	3,311
EMTN 3/2015 2	1.500 %	annual 31 March	1,890	5,676
EMTN 12/2015 1	EURIM3+	quarter 15 March/Jun./Sep./Dec.	234	291
EMTN 12/2015 2	1.625 %	annual 15 December	11,044	944
EMTN 12/2015 3	2.250 %	annual 15 December	12,234	1,045
EMTN 06/2016 1	0.875 %	annual 10 June	252	-
EMTN 06/2016 2	1.500 %	annual 10 June	431	-
Hybrid Bond Perp.	4.000 %	annual 17 December	21,530	1,639
Total			119,214	68,790
Compensation with swaps without ccs			3,178	-
Compensation with the cross-currency swap			- 1,960	- 2,127
Other tax liabilities			24	83
Trade payables			6	5
Total			**120,462**	**66,751**

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

Syndicated Bridge Facility

On October 14, 2015, Vonovia SE concluded an agreement on a syndicated bridge facility amounting to € 5,450 million via FINANCE B.V. with JPMorgan Chase Bank N.A. and Bank of America N.A. for the interim financing of the acquisition of the Deutsche Wohnen AG. The credit line had never been drawn.

13 Interest and Similar Income and Expenses

in € thousand	Jan.-Jun. 2016	Jan.-Jun. 2015
Interest income from affiliated companies and shareholder	195,283	140,754
Interest income from third parties	18,755	28,083
Total interest and similar income	**214,038**	**168,837**
Interest expenses from affiliated companies	0	- 1
Interest expenses from Euro/EMTN Bonds	- 61,793	- 33,949
Interest expenses from Hybrid Bond (perpetual)	- 19,891	- 21,479
Interest expenses from Yankee Bonds	- 15,803	- 17,601
Interest expenses from Hybrid Bonds (without perpetual)	- 16,119	- 16,034
Interest expenses from Term Loan	- 73,984	- 52,335
Other Interest expenses to third parties	- 26,587	- 16,460
Other Interest expenses	- 4,123	- 530
Total interest and similar expenses	**- 218,300**	**- 158,389**
Total financial result	**- 4,262**	**10,448**

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

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

14 Other Operating Income

in € thousand	Jan.-Jun. 2016	Jan.-Jun. 2015
Income from reversal of provisions from liabilities	5	-
Income from prior years	-	14
Total release of other liabilities	22	3
Total	**27**	**17**

15 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Jun. 2016	Jan.-Jun. 2015
Wages and salaries	114	110
Social security charges	12	11
Total	**126**	**121**

16 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 2k (Jan.-Jun. 2015: € 1k) are related to the depreciation of tangible assets, which are comprised of office equipment.

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17 Other Operating Expenses

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

Jan.-Jun. 2015 in € thousand	PricewaterhouseCoopers Accountants N.V.	Other PWC Network	Total PWC Network	Other Network	Total
Audit of the financial statements	25	-	25	-	25
Other audit services	20	-	20	-	20
Tax services	-	-	-	7	7
Other non-audit services	-	-	-	12	12
	45	-	45	19	64
General administrative expenses	-	-	-	156	156
Total	**45**	**-**	**45**	**175**	**220**

The audit fees of the financial statements are based on invoices and estimated work orders for auditing services rendered from PricewaterhouseCoopers Accountants N.V. related to the audit of the 2015 and 2016 financial statements, regardless of whether the work was performed during the year. PricewaterhouseCoopers Accountants N.V. have done other non-audit services for the company about € 24k (Jan.-Jun. 2015: € 48k), but these are included in our bonds.

18 Income Taxation

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

in € thousand	**Jan.-Jun. 2016**	**Jan.-Jun. 2015**
Loss / Profit before taxation	- 4,493	10,123
Deferred tax assets	1,797	- 2,357
Income taxation	- 726	- 403
Total	**- 3,422**	**7,363**

Effective tax rate 23.84 % (Jan.-Jun. 2015: 27.26 %)
The nominal tax rate is 25.0 % (Jan.-Jun. 2015: 25.0 %)

The effective tax rate deviates from the nominal tax rate as a result of one-off items from the deferred tax assets.

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19 Related Parties

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

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

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

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

20 Average Numbers of Employees

As of June 30, 2016, the company has four employees (2015: two), of which are three male and one female (2015: two male). A new employee for the Finance Middle Office started in January 2016 and a new employee for accounting started in April 2016. The Management Board of three people comprises only men; two of them work in the Netherlands and the other one in Germany. Services are obtained by the shared service functions of Vonovia Group.

21 Financial Instruments

The company's policy is to fully hedge its interest rate and exchange rate exposure. The financial instruments of the company had the following nominal amounts:

in € thousand	**2016**	**2015**
Balance as of January 1	4,189,809	739,809
Additions Pre-hedge (Forward Swaps)	-	2,700,000
Additions Floater	-	750,000
Release Pre-hedge (Forward Swaps)	- 2,100,000	-
Balance as of June 30 / December 31	**2,089,809**	**4,189,809**

At the beginning of the year 2016 the financial instruments were including five forward swap tranches with a nominal total volume of € 2,700 million, two interest rate swap contracts for a floater bond with a nominal total volume of € 750 million and four cross-currency swap contracts for two USD-bonds with a nominal total volume of € 739,8 million.

The refinancing plan, which was developed back in 2015, was modified in June 2016. As a direct consequence, four out of the five forward swaps that were designated in October 2015, with a nominal volume of € 2,100 million, were terminated prematurely and settled with the counterparts in June 2016 for an amount of € 100.7 million and recorded through the cash flow hedge reserve in equity and the income statement, respectively.

Hedge accounting is still valid for two of the four settled hedging instruments.

The negative market value as per the date of settlement has initially been reported outside the income statement under equity (cash flow hedge reserve) and will be amortized on a straight line basis with the expected cash flows from the underlying hedged items over the period of their terms (two tranches of the bond issued on June 6, 2016, each with a volume of € 500 million). The interest costs (amortization) at June 30, 2016 amounts to € 546k.

Since the originally intended hedged items for the other two terminated hedging instruments are no longer associated with a high probability of occurrence, their termination prices totaling € 54.5 million were recognized as an expense for FINANCE B.V. in the income statement and were subsequently re-charged to Vonovia SE.

As far as the remaining forward swap is concerned, the company still deems the outstanding hedged item to be a highly probable transaction.

The financial instruments of the company had the following market values, which correspond to the amounts at the balance sheet as per 30 June 2016:

in € thousand	**Jun. 30, 2016**	**Dec. 31, 2015**
Receivables from derivatives (market value effective)	142,961	154,285
Derivative financial liabilities (market value ineffective)	-39,282	-20,485
Total Interest Rate/ Cross Currency swaps	**103,679**	**133,800**

The positive clean present market value of the derivatives consist out of an effective amount of € 113,048k (2015: € 137,733k) and an ineffective amount of € -9,370k (2015: € -3,933k).

The main parameters on June 30, 2016, are as follows:

	in € thousand Designation Date	Term	Size	Counterparty	variable Rate	Fair Value	neg. Fair value = Total costs of unwinding hedges	Expenses in Income Statement	Expenses in Income Statement from ineff.	Cashflow Hedge Reserve
Forward Swap*	06.10.2015	8 years	500.000	JPM	6M EURIBOR	-	-27.540	-	-1.845	-25.695
Forward Swap*	06.10.2015	6 years	500.000	BoAMerrill Lynch	6M EURIBOR	-	-18.672	-	-777	-17.895
Forward Swap*	07.10.2015	7 years	800.000	BoAMerrill Lynch	6M EURIBOR	-	-37.820	-37.820	-	-
Forward Swap*	07.10.2015	8 years	300.000	JPM	6M EURIBOR	-	-16.710	-16.710	-	-
	Total		**2.100.000**			**-**	**-100.742**	**-54.530**	**-2.622**	**-43.590**
Forward Swap	07.10.2015	8 years	600.000	JPM	6M EURIBOR	-36.950	-	-	-	-
Interest Rate Swap	07/09.12.2015	2 years	750.000	JPM / BoAM.Lynch	3M EURIBOR	-2.333	-	-	-	-
Cross Currency Swap	02.10.2013	10 years	184.952	JPM	USD-exchange rate	28.441				
Cross Currency Swap	02.10.2013	4 years	554.857	JPM	USD-exchange rate	114.521				
	Total		**4.189.809**			**103.679**	**-100.742**	**-54.530**	**-2.622**	**-43.590**

*terminated

22 Directors

Management Board:

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

The Management has received remuneration for the first half year of 2016 amounting to € 75k (Jan.-Jun. 2015: € 6k).

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

Directors and the Supervisory Board is considered to be appropriate. However, the new law will be taken into account while appointing the future members of the Board of Managers and the Supervisory Board.

Amsterdam, August 23, 2016

Management Board

Original has been signed by
Iwan Oude Roelink

Original has been signed by
Rick van Dijk

Original has been signed by
Lars Schnidrig

3. Other Information

a. Profit Appropriation According to the Articles of Association

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

b. Proposed Appropriation of the Profit

The Management Board has proposed to charge the net loss of 2016 amounting to € 3,421,930.82 to the other reserves.

c. Responsibility Statement

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

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

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

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only