Vonovia Finance B.V., Amsterdam

Unaudited Interim Financial Report 2018

Contents

1. Management Report for the Unaudited Interim Financial Report 2018

HISTORY

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

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

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

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

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

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

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

DEBT CAPITAL MARKETS

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

Most popular are the EMTN-bonds that are issued under the European Medium-Term Notes Program (EMTN Program). This program allows the company to raise funds on a short-term basis without significant administrative efforts. The EMTN Program with a total issuance volume of € 20.0 billion is updated annually and the corresponding base prospectus is supplemented anytime new material information becomes available. The latest update was completed on March 14, 2018 and the latest supplement to the base prospectus was published on 22 June 2018. Each update and supplement of the program is approved by the regulatory authority of the Grand Duchy of Luxembourg (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 €11,850 million as of June 30, 2018.

Below you can see a table with all the outstanding bonds as of June 30, 2018:

Outstanding June 30, 2018	#	amount €	avg. coupon	avg. maturity
EUR-Bonds	1	600	3.125%	1.1
USD-Bonds	1	185	4.580%	5.3
Hybrid	1	700	4.625%	0.8
Perpetual Hybrid	1	1.000	4.000%	-
EMTN fix	17	10.250	1.649%	6.4
EMTN floating	3	1.600	0.322%	2.2
Total	**24**	**14.335**	**1.910%**	**5.1**

As of June 30, 2018, FINANCE B.V. has a total indebtedness of € 14,335 million, which has been on-lent to Vonovia Group entities. The average coupon is 1.91% and the average maturity is 5.1 year.

The average maturity for the € 700 million hybrid bond is based on the first opt.-out date on April 8, 2019.

In order to complement these bonds with maturities of 1 year and longer, a debt instrument with a maturity less than a year has been launched. In 2017 a commercial paper program with a volume of € 500 million started. At the beginning of the year 2018 € 410 million have been issued under the program at favorable rates and have been paid back during the period.

The success of the company over the years has been pro founding. The average bond volume issued per year between 2015 and 2017 was around € 2,800 million, which represents the 11th-biggest issuer of the top 15 euro-investment grade-ranked companies worldwide.

OPERATIONS DURING THE PERIOD

On January 8, 2018, FINANCE B.V. issued a dual tranche bond again under the EMTN Program with a total volume of € 1,000 million. The first tranche of € 500 million has a coupon of 0.75 % and a maturity date of January 15, 2025, and the second tranche with a volume of € 500 million has a coupon of 1.50 % and a maturity date of January 14, 2028. These funds are intended to be used for the upcoming takeover of BUWOG.

Also in January 2018, FINANCE B.V. entered in addition into a € 2,650 million acquisition bridge financing agreement for the takeover of BUWOG.

On March 15, 2018, FINANCE B.V. issued a multi tranche bond again under the EMTN Program with a total volume of € 2,100 million. The first tranche of € 600 million has a coupon of 3M EURIBOR plus 0.45% and a maturity date of December 22, 2022, the second tranche with a volume of € 500 million has a coupon of 1.50 % and a maturity date of March 22, 2026, the third tranche with a volume of € 500 million has a coupon of 2.125 % and a maturity date of March 22, 2030, and the fourth tranche with a volume of € 500 million has a coupon of 2.75 % and a maturity date of March 22, 2038. These funds have been used for the BUWOG takeover.

Upon the issuance in March 2018 FINANCE B.V. reduced the commitment of the acquisition bridge financing for BUWOG from € 2,650 million down to € 960 million.

In May 2018, the undrawn € 960 million commitment of the acquisition bridge financing for BUWOG has been cancelled automatically upon an €996 million equity raise of Vonovia SE. In order to comply with all regulatory requirements the FINANCE B.V. entered in May 2018 into a new € 960 million acquisition bridge financing for the BUWOG acquisition.

On June 25, 2018, FINANCE B.V. partially cancelled the commitment in the amount of € 516 million; reducing the total commitment down to € 444 million.

On July 3, 2018, FINANCE B.V. issued another € 500 million under the EMTN Program with a coupon of 0.875% and a maturity date of July 3, 2023. This issuance was the final step of the financing activities for the public takeover offer of BUWOG.

After the issuance FINANCE B.V. cancelled the remaining outstanding € 444 million undrawn commitment of the acquisition bridge financing for the BUWOG takeover.

The most recent confirmation of the rating by S&P is from May 7, 2018, which already includes the potential takeover of Victoria Park AB in Sweden.

In June 2018 the new CFO of Vonovia SE, Ms. Helene von Röder, joined the Supervisory Board - increasing it to five members. As a result the Supervisory Board of the FINANCE B.V. men/women ratio is above 30% for both genders.

FINANCIAL RESULT

FINANCE B.V. closed the first half year of 2018 with a net income of € 4,059 k, which was essentially driven by the normal course of business. The company has earned a reasonable income of € 20.1 million from the margin between the incurred interest on borrowing and the earned interest on-lending.

After subtracting € 8.8 million of amortized finance expenses and € 5.5 million valuation effects, the financial result is € 5.8 million.

These valuation effects result from first time losses CCS and EUR swaps (-€ 0.7 million) and the amortization of ‘frozen’ OCI from the termination of several pre-hedges (-€ 4.8 million). There were no valuation effects from ineffectiveness as the hedge accounting methodology was slightly changed. The net present value of the derivative is now used as the hypothetical derivative – and therefore avoiding the impact of credit spreads at designation on the hedge accounting relationship.

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

RISK MANAGEMENT

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

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

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

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

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

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

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

OUTLOOK

FINANCE B.V.'s financing depends on the conditions of the capital market, which are very favorable at the moment due to the low interest rates and to the favorable mispricing of the unsecured loans.

The European Central Bank's program to acquire qualified bonds will end by the close of the year. However, the interest rates remain unchanged at least through the summer of 2019. We therefore believe that the interest environment remains stable.

In comparison, the U.S. markets were influenced by the recent decision about the new rate hike by the Fed. Consequently, the spread between the ECB Rate and the Fed Fund is now 1.75%.

In September a bond with a volume of € 500 million will become due. Management will analyze different options how to refinance it.

Leaving the impact from the valuation of derivatives and financial instruments aside, for 2018, management expects a positive result alongside the intended profit margin from the normal course of business, which may offset the negative impacts from the remaining aforementioned valuation effects from derivatives.

The company currently employs four employees. A new employee will be joining the company during August this year taking the position of analyst financial risk management. At the end of the year the company should therefore have five employees in total.

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 of men and women (at least 30 % of each gender) on the board of directors and the supervisory board of large entities (as defined in said law). After considering the current nature and activities of the Group and the knowledge and expertise of the current board members, the existing composition of the Board of Directors and the Supervisory Board is considered appropriate. However, the new law will be taken into account when appointing future members of the Management Board and the Supervisory Board. The men/women rate of the Supervisory Board is now more than 30%.

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

RESPONSIBILITY STATEMENT

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

- The interim financial statements for the six month period ending June 30, 2018, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

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

Amsterdam, August 22, 2018

Thorsten Arsan (Chairman)

Iwan Oude Roelink

Rick van Dijk

2. Unaudited Interim Financial Statements

a. Balance Sheet as of June 30, 2018
(before distribution of profit / loss)

in € thousand	**Note**	**Dec. 31, 2017 Audited**	**Jun. 30, 2018 Unaudited**
Assets			
Fixed assets			
Tangible fixed assets	5	14	11
Financial fixed assets			
Receivables from affiliated companies and shareholder	6	11,563,141	14,220,017
Receivables from derivatives	22	5,041	7,358
Deferred tax assets	7	4,696	6,898
		11,572,892	14,234,284
Current assets			
Financial current assets			
Receivables from affiliated companies and shareholder	6	143,497	210,020
Receivables from derivatives	22	482	591
Other assets	8	545	2,111
Cash and cash equivalents	9	1	1
		144,525	212,723
Total assets		11,717,417	14,447,007

in € thousand	Note	Dec. 31, 2017 Audited	Jun. 30, 2018 Unaudited
Equity and Liabilities			
Equity			
Subscribed capital		18	18
Share premium reserve		100,000	100,000
Cash flow hedge reserve		-63,084	-64,662
Other reserves		2,539	8,192
Unappropriated profit		5,653	4,059
Total shareholder's equity	10	45,126	47,607
Long-term liabilities			
Hybrid bond	10/11	993,814	994,331
Total capital base	10	1,038,940	1,041,938
Long-term liabilities			
Bonds	11	9,689,882	12,067,958
Derivative financial liabilities	22	283	5,384
		9,690,165	12,073,342
Current liabilities			
Bonds	11	499,713	1,198,199
Commercial papers	11	410,215	-
Accrued liabilities	12	78,068	133,254
Other liabilities	12	316	274
		988,312	1,331,727
Total equity and liabilities		11,717,417	14,447,007

b. Income Statement for the Period from January 1 to June 30, 2018

in € thousand	Note	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Income			
Interest and similar income	13	158,354	159,175
Expenses			
Interest and similar expenses	13	-162,490	-153,408
Financial result		-4,136	5,767
Other operating income	14	6	0
Personnel expenses	15	-181	-152
Depreciation of tangible fixed assets	16	-3	-3
Other operating expenses	18	-119	-166
Total expenses		-303	-321
Loss / profit before taxation		-4,433	5,446
Loss / Income taxation	19	937	-1,387
Loss / profit for the period		-3,496	4,059

c. Statement of Cash Flows for the Period from January 1 to June 30, 2018

in € thousand	Note	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Loss / profit for the year		**-3,496**	**4,059**
Cash flows from operating activities			
Adjustments for:			
Cash flow hedge reserve		17,863	-1,578
Bonds (long-term liabilities)	11	980,654	2,378,077
Bonds and commercial papers (current liabilities)	11	-52,797	288,272
Hybrid (perpetual)	10/11	490	517
Receivables to affiliated companies and shareholder	6	-1,058,370	-2,723,397
Derivative financial instruments	22	64,565	2,676
Deferred tax assets	7	2,192	-2,201
Other assets	8	-567	-1,566
Accrued liabilities	12	50,017	55,186
Other liabilities	12	-553	-42
Net cash generated from/(used in) operating activities		**3,494**	**-4,056**
		-2	**3**
Cash flows from investing activities			
Tangible fixed assets	5	2	-3
Net cash generated from/(used in) investing activities		**2**	**-3**
Cash flows from financing activities			
Capital contributions	10	-	-
Net cash generated from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		-	-
		-	**-**

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

Balance as of January, 1		1	1
Movement during the year		-	-
Balance as of June, 30		**1**	**1**

d. Notes to the Unaudited Interim Financial Statements 2018

1 General Information

1.1 Activities

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

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

Based on a comfortable platform of equity and debt investors and the long-term credit rating BBB+ (investment grade rating) for Vonovia 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 bonds have a regular rating two notches lower at BBB-. The short-term credit rating of A-2 has been confirmed. The most recent confirmation of the rating by S&P is from December 19, 2017. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.'s activities on the international debt markets.

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

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

1.2 Group Structure

FINANCE B.V. is a member of the Vonovia Group. The ultimate parent of this Group is Vonovia SE with its legal domicile in Bochum, Germany. Vonovia SE is also the immediate parent company of the 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 the Vonovia's website at www.vonovia.de.

1.3 Going Concern

The company generated a net profit of € 4,059 k for the period from January 1 to June 30, 2018 (January 1 to December 31, 2017: € 5,653 k) which, together with the negative hedge reserve, resulted in net equity of € 47,607 k (December 31, 2017: € 45,126 k) for the shareholder's equity. Including the hybrid bond of € 994,331 k (December 31, 2017: € 993,814 k), the total capital base had a value of € 1,041,938 k (December 31, 2017: € 1,038,940 k). In the future, the earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and the service charges. Based on that, FINANCE B.V. will achieve a reasonable profit under these circumstances. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE. The accounts have therefore been prepared based upon the going concern principle.

1.4 Related Party Transactions

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

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

1.5 Estimates

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

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

Unless explained otherwise, the estimates made by the management in preparing the 2018 Interim Financial Statements are similar to those used in 2017.

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

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

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

2.2 Foreign Currencies

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

Transactions, Receivables and Liabilities
Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing on the balance sheet date. Investments are stated at the historical exchange rate. Transactions denominated in foreign currencies in the reporting period are recognized in the 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, 2018, was fixed at 1.1658 and on December 31, 2017, was fixed at 1.1993.

2.3 Tangible Fixed Assets

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

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

2.4 Financial Fixed Assets

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

2.5 Impairment of Fixed Assets

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

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

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

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

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

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

2.6 Deferred Taxes

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

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

Deferred income taxes are recognized at face value.

2.7 Current Assets

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

2.8 Cash and Cash Equivalents

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

2.9 Equity

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

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

2.10 Long-term Liabilities

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

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

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

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

2.11 Current Liabilities

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

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

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

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

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

2.12 Provisions

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

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

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

2.13 Financial Instruments

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

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

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

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

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

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

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

3 Principles for Recognition of Income and Expenses

3.1 General

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

3.2 Revenue Recognition, Financial Income and Expenses

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

3.3 Exchange Rate Differences

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

3.4 Other Operating Income and Expenses

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

3.5 Personnel Expenses

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

3.6 Depreciation of Tangible Fixed Assets

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

3.7 Taxation

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

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

4 Financial Instruments and Risks

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

4.1 Market Risk

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

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

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

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

4.2 Credit Risk

Vonovia SE 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 that of Vonovia SE are defined as eligible counterparties of the FINANCE B.V.

4.3 Liquidity Risk

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

4.4. Price Risk

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

4.5 Notes to the Statement of Cash Flows

The statement of cash flows shows how the cash of FINANCE B.V. has changed during the first half year of 2018 as a result of cash inflows and outflows. A distinction is made between changes in cash flow from operating activities, investing activities and financing activities.

The cash flow from operating activities is determined from the profit for the period using the indirect method. It was mainly increased by the placement from a grand volume of new bonds as long-term liabilities and also by the bonds of current liabilities but it decreased by the issue of a lot of more loans to the companies of the Vonovia Group. The current bonds and commercial papers were increased, because the reclassification of the bonds in the first half year of 2018 was much higher than the total repayment of the commercial papers. The changes of tangible fixed assets were settled in the cash flow from investing activities. There have been no capital increases in the first half year of 2018, resulting in the cash flow from financing activities being null.

5 Tangible Fixed Assets

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

in € thousand	**Dec. 31, 2017 Audited**	**Jun. 30, 2018 Unaudited**
Acquisition cost as of January 1	27	31
Additions during the period	4	-
Disposals during the period	-	-
Acquisition cost as of December 31/June 30	31	31
Accumulated depreciation as of January 1	11	17
Depreciation for the period	6	3
Accumulated depreciation disposals	-	-
Accumulated depreciation as of December 31/June 30	17	20
Total book value	**14**	**11**

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, 2018, of 1.9043 % for EMTNs, Yankee and Commercial Papers (as of Dec. 31, 2017: 1.8661 %), 4.9955 % for the hybrid debt (as of Dec. 31, 2017: 4.9955 %) and 4.2536 % for the perpetual hybrid (as of Dec. 31, 2017, 4.2536 %), and the contracts have an unlimited term; therefore, all intercompany loans are unsecured, long-term loans. In addition, there are receivables from the cash pool agreement with Vonovia SE. These bear interest at EONIA -0.25 % (Dec. 31, 2017: EONIA -0.25 %). Receivables from cash pooling are classified as current assets in the balance sheet; they are unsecured and unlimited, too.

The company used its EMTN Program in amount of € 1,000 million in January and also in März 2018 with four new Bonds in amount of € 2,100 million, and passed the liquidity into the Vonovia Group, using it for some more intercompany loans. At the balance sheet date, no fixed assets were subject to impairments. The fair value of the receivables from affiliated companies and shareholder approximates the book value.

in € thousand	Dec. 31, 2017 Audited	Jun. 30, 2018 Unaudited
Vonovia SE	1,605,199	3,752,194
Deutsche Annington Acquisition Holding GmbH	1,467,972	1,977,853
Gagfah GmbH	1,813,214	1,813,214
Deutsche Annington Beteiligungsverwaltungs GmbH	1,551,784	1,551,784
Süddeutsche Wohnen GmbH	649,330	649,330
Südost Woba Dresden GmbH	565,350	565,350
Wohnbau Nordwest GmbH	478,460	478,460
Wohnungsgesellschaft Norden mbH	297,099	297,099
Wohnungsbau Niedersachsen GmbH	235,573	235,573
Deutsche Annington Holdings Eins GmbH	221,437	221,437
Kieler Wohnungsbaugesellschaft mbH	204,265	204,265
Gagfah Erste Grundbesitz GmbH	194,530	194,530
Bremische Ges. f. Stadtern.-entw.& Wohnungsbau mbH	163,847	163,847
Prima Wohnbauten Privatisierungs-Management GmbH	136,259	136,259
GBH Acquisition GmbH	136,246	136,246
Vonovia Immobilienmanagement one GmbH	122,519	122,519
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	119,952	119,952
DA DMB Netherlands B.V.	116,337	116,337
NILEG Norddeutsche Immobiliengesellschaft mbH	103,335	103,335
Eisenbahn-Wohnungsbauges. Karlsruhe GmbH	100,139	100,139
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	99,012	99,012
Osnabrücker Wohnungsbauges. mbH	98,204	98,204
Gagfah Acquisition 1 GmbH	93,399	93,399
Siege Siedlungsgesellschaft mbH Mainz	84,135	84,135
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Gagfah M Immobilien-Management GmbH	76,299	76,299
Vonovia Elbe Wohnen GmbH	67,472	67,472
Deutsche Annington Wohnungsgesellschaft I mbH	66,254	66,254
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	6,322
Börsenhof A Besitz GmbH	5,648	5,649
DAIG 18. Objektgesellschaft B.V.	4,534	4,534
Liegenschaften Weissig GmbH	2,971	2,971
DAIG 25. Objektgesellschaft B.V.	1,071	1,071
DAIG 12. Objektgesellschaft mbH	945	945

in € thousand	Dec. 31, 2017 Audited	Jun. 30, 2018 Unaudited
Woba Dresden GmbH	542	542
Total (long-term)	**11,563,140**	**14,220,017**
Vonovia SE cash pooling (current)	143,497	210,020
Total (long-term and current)	**11,706,637**	**14,430,037**

The fair value of the receivables from affiliated companies and shareholder is € 1,027 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2017: € 609 million higher).

Long-Term Loans to Affiliated Companies and Shareholder

in € thousand	Dec. 31, 2017 Audited	Jun. 30, 2018 Unaudited
Balance as of January 1	10,462,769	11,563,140
Additions	1,624,507	2,656,877
Terminations	- 36,016	-
Repayments during the period	- 488,120	-
Balance as of December 31/June 30	**11,563,140**	**14,220,017**

7 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in U.S. dollars. Furthermore, the deferred tax assets are based on temporary differences from the valuation of the financial instruments; for more information see note 21. The position as a whole is of a long-term nature. The deferred tax assets mainly based on the Yankee bond and the cross-currency swap for this bond. Together with the four EMTN-bonds a new Floater came into the account in March 2018.

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

Deferred Tax Assets in € thousand	Cross-currency swap	Floater	Yankee bonds	Other	Total
As of January 1, 2018 -Audited-	**-1,260**	**71**	**5,885**	**-**	**4,696**
Addition during the period	-	1,325	-	-	**1,325**
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-579	-50	1,506	-	**877**
As of June 30, 2018 -Unaudited-	**-1,839**	**1,346**	**7,391**	**-**	**6,898**

Deferred Tax Assets in € thousand					
	Cross-currency swap	Floater	Yankee bonds	Other	Total
As of January 1, 2017 -Audited-	**-45,589**	**300**	**52,482**	**-**	**7,193**
Addition during the year	-	-229	-	-	**-229**
Change recognized in fair value movement in deferred taxes on derivative financial instruments	44,329	-	-46,597	-	**-2,268**
As of December 31, 2017 -Audited-	**-1,260**	**71**	**5,885**	**-**	**4,696**

8 Other Assets

The other assets in the amount of € 2,111 k (December 31, 2017: € 545 k) pertain to prepaid tax for the year 2018 and 2017. 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 (2017: € 18 k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

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

The Management Board propose to add the net profit of the first half year amounting to € 4,059 k (December 31, 2017: net profit € 5,653 k) to the other reserves.

Statement of Changes in Capital Base in € thousand

	Subscribed capital	Share premium reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit / loss	**Total shareholder's equity**	Hybrid bond	**Total capital base**
As of January 1, 2018 -Audited-	**18**	**100,000**	**-63,084**	**2,539**	**5,653**	**45,126**	**993,814**	**1,038,940**
Appreciation of the hybrid bond	-	-	-	-	-	**-**	517	**517**
Other reserves	-	-	-	5,653	-5,653	**-**	-	**-**
Unappropriated profit	-	-	-	-	4,059	**4,059**	-	**4,059**
Assignment to Cash flow hedge reserve	-	-	-1,578	-	-	**-1,578**	-	**-1,578**
As of June 30, 2018 -Unaudited-	**18**	**100,000**	**-64,662**	**8,192**	**4,059**	**47,607**	**994,331**	**1,041,938**

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**
As of January 1, 2017 -Audited-	**18**	**100,000**	**-81,353**	**4,663**	**-2,124**	**21,204**	**992,459**	**1,013,663**
Appreciation of the hybrid bond	-	-	-	-	-	**-**	1,355	**1,355**
Other reserves	-	-	-	-2,124	2,124	**-**	-	**-**
Unappropriated profit	-	-	-	-	5,653	**5,653**	-	**5,653**
Assignment to Cash flow hedge reserve	-	-	18,269	-	-	**18,269**	-	**18,269**
As of December 31, 2017 -Audited-	**18**	**100,000**	**-63,084**	**2,539**	**5,653**	**45,126**	**993,814**	**1,038,940**

Presentation of the Hybrid Bond

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

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

11 Bonds and Commercial Papers

the long-term and the current liabilities comprise the following bonds, issued by June 30, 2018:

Bond	Face value	Coupon	Maturity
Eurobond	€ 100 k	3.125 % listed	7-2019
Yankee bond	USD 50 k	5.000 % unlisted	10-2023
EMTN 2013	€ 1,000	3.625 % listed	10-2021
EMTN 2014	€ 1,000	2.125 % listed	7-2022
Hybrid Bond	€ 100 k	4.625 % listed	4-2074
Hybrid Bond (perpetual)	€ 100 k	4.000 % listed	-
EMTN 3/2015 1	€ 1,000	0.875 % listed	3-2020
EMTN 3/2015 2	€ 1,000	1.500 % listed	3-2025
EMTN 12/2015 2	€ 100 k	1.625 % listed	12-2020
EMTN 12/2015 3	€ 100 k	2.250 % listed	12-2023
EMTN 6/2016 1	€ 100 k	0.875 % listed	6-2022
EMTN 6/2016 2	€ 100 k	1.500 % listed	6-2026
EMTN 9/2016	€ 100 k	EURIM03+38bps	9-2018
EMTN 12/2016	€ 100 k	1.250 % listed	12-2024
EMTN 01/2017 1	€ 100 k	0.750 % listed	1-2022
EMTN 01/2017 2	€ 100 k	1.750 % listed	1-2027
EMTN 09/2017	€ 100 k	1.125 % listed	9-2025
EMTN 11/2017	€ 100 k	EURIM03+35bps	11-2019
EMTN 01/2018 1	€ 100 k	0.750 % listed	01-2024
EMTN 01/2018 2	€ 100 k	1.500 % listed	01-2028
EMTN 03/2018 1	€ 100 k	EURIM03+45bps	12-2022
EMTN 03/2018 2	€ 100 k	1.500 % listed	03-2026
EMTN 03/2018 3	€ 100 k	2.125 % listed	03-2030
EMTN 03/2018 4	€ 100 k	2.750 % listed	03-2038

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

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

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

The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Since November 2017, the company acts as an issuer under the € 500 million commercial paper program established by the company. Debt issuances under these programs have unconditional and irrevocable guarantees from Vonovia SE. The current liabilities amount € 450 million have been paid back from February to May 2018. There are no Commerial papers outstanding on June 30, 2018, but the program is still active.

The Finance Department of the Vonovia-Group and Finance B.V. want to take the Issuer Call Option of the € 700 million Hybrid Bond on April 8, 2019 the “First Call Date”.

in € thousand	Book value Dec. 31, 2017 Audited	Book value Jun. 30, 2018 Unaudited	Market value Dec. 31, 2017	Market value Jun. 30, 2018
Long-Term				
Eurobond 2	598,946	599,306	630,216	620,550
Yankee bond 2	204,790	211,040	219,497	218,839
EMTN 2013	498,029	498,251	561,405	554,085
EMTN 2014	496,551	496,926	535,090	531,520
Hybrid Bond	697,277	-	734,475	-
EMTN 3/2015 1	497,261	497,854	508,955	508,500
EMTN 3/2015 2	492,103	492,608	514,300	505,700
EMTN 12/2015 2	1,245,726	1,246,371	1,302,563	1,296,725
EMTN 12/2015 3	989,257	990,026	1,081,130	1,064,950
EMTN 6/2016 1	496,780	497,134	507,635	506,400
EMTN 6/2016 2	494,734	495,032	508,330	495,525
EMTN 12/2016	988,611	989,365	1,012,330	1,011,500
EMTN 1/2017 1	497,973	498,210	506,165	505,750
EMTN 1/2017 2	494,982	495,216	515,850	499,450
EMTN 9/2017	495,253	495,544	498,270	487,455
EMTN 11/2017	501,609	501,189	502,450	501,450
EMTN 01/2018 1	-	495,233	-	490,380
EMTN 01/2018 2	-	495,112	-	481,615
EMTN 03/2018 1	-	596,777	-	598,260
EMTN 03/2018 2	-	493,775	-	497,325
EMTN 03/2018 3	-	492,640	-	499,155
EMTN 03/2018 4	-	490,348	-	503,890
Total	**9,689,882**	**12,067,957**	**10,138,661**	**12,379,024**
Hybrid bond (perpetual)	993,814	994,331	1,097,820	1,059,350
Total	**10,683,696**	**13,062,288**	**11,236,481**	**13,438,374**
Current				
EMTN 9/2016	499,713	499,917	500,462	500,225
Hybrid Bond	-	698,282	-	716,989
CP 1 Commerzbank AG	70,030	-	-	-
CP 2, LB Hessen-Thüringen	60,026	-	-	-
CP 3, LB Baden-Württemberg	46,028	-	-	-
CP 4, BNP Paribas	60,041	-	-	-
CP 5, Bayerische LB	60,039	-	-	-
CP 6, Societe Generale S.A.	34,014	-	-	-
CP 7, Societe Generale S.A.	40,011	-	-	-
CP 8, Bayerische LB	40,026	-	-	-
Total Long-term and current	**11,593,624**	**14,260,487**	**11,736,943**	**14,655,588**

The U.S.-dollar market value for the Yankee bond was USD 255,122,500 (2017: USD 263,242,500) for Yankee bond.

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 € 14,260 million.

in € thousand -Unaudited-	**Balance as of Jun. 30, 2018**	**Repayment obligation within 1 year**	**Remaining maturity 1–5 years**	**Remaining maturity > 5 years**
Euro- / EMTN bonds	12,356,834	499,917	5,432,018	6,424,899
Hybrid bond (perpetual)	994,331	-	-	994,331
Yankee bond	211,040	-	-	211,040
Hybrid bonds (without perpetual)	698,282	698,282	-	-
	14,260,487	1,198,199	5,432,018	7,630,270

in € thousand -Audited-	**Balance as of Dec. 31, 2017**	**Repayment obligation within 1 year**	**Remaining maturity 1–5 years**	**Remaining maturity > 5 years**
Euro- / EMTN bonds	9,287,528	499,713	4,832,875	3,954,940
Hybrid bond (perpetual)	993,814	-	-	993,814
Yankee bond	204,790	-	-	204,790
Hybrid bonds (without perpetual)	697,277	-	-	697,277
Commercial papers	410,215	410,215	-	-
	11,593,624	909,928	4,832,875	5,850,821

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

12 Accrued Liabilities / Other Liabilities

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

The current liabilities as of June 30, 2018, result mainly from accrued interest liabilities on the issued bonds.

in € thousand

Bond	**Coupon**	**Interest payment**	**Dec. 31, 2017 Audited**	**Jun. 30, 2018 Unaudited**
Eurobond 2	3.125 %	annual July 25	8,168	17,466
Yankee bond 2	5.000 %	semi-annual October/April 2	2,577	2,651
EMTN 2013	3.625 %	annual October 8	4,171	13,159
EMTN 2014	2.125 %	annual July 9	5,094	10,363
Hybrid bond	4.625 %	annual April 8	23,771	7,451
EMTN 3/2015 1	0.875 %	annual March 30	3,320	1,115
EMTN 3/2015 2	1.500 %	annual March 31	5,671	1,890
EMTN 12/2015 2	1.625 %	annual December 15	946	11,019
EMTN 12/2015 3	2.250 %	annual December 15	1,048	12,205
EMTN 6/2016 1	0.875 %	annual June 10	2,457	252
EMTN 6/2016 2	1.500 %	annual June 10	4,212	431
EMTN 9/2016	EURIM3+	quarterly March/Jun/Sep/Dec 13	14	15
EMTN 12/2016	1.250 %	annual December 6	891	7,089
EMTN 01/2017	0.750 %	annual January 25	3,504	1,613
EMTN 01/2017	1.750 %	annual January 25	8,175	3,764
EMTN 09/2017	1.125 %	annual September 8	1,772	4,562
EMTN 11/2017	EURIM3+	quarterly Feb/Mai/July/Nov 20	12	14
EMTN 01/2018 1	0.750 %	annual January 15	-	1,716
EMTN 01/2018 2	1.500 %	annual January 14	-	3,411
EMTN 03/2018 1	EURIM3+	quarterly March/Jun/Sep/Dec 22	-	19
EMTN 03/2018 2	1.500 %	annual March 22	-	2,055
EMTN 03/2018 3	2.125 %	annual March 22	-	2,940
EMTN 03/2018 4	1.750 %	annual March 22	-	3,767
Hybrid bond (perpetual)	4.000 %	annual December 17	1,644	21,479
Total			77,447	130,446
Compensation with swaps without ccs			200	1,874
Accruals			421	934
Total accrued liabilities			**78,068**	**133,254**
Other tax liabilities			72	236
Trade payables			244	38
Total other liabilities			**316**	**274**

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

Syndicated Bridge Facility No.1

In January 2018 Vonovia SE acquired the BUWOG-Group. For this acquisition Vonovia SE concluded an agreement on a syndicated bridge facility amounting € 2,650 million via FINANCE B.V with JPMorgan Chase Bank N.A. The credit line had been decreased in March 2018 with an amount of € 960 million and was cancelled in May 2018. The credit line had never been drawn. The prepaid assets have been paid by the shareholder in accordance with the agreement between the shareholder and the Finance B.V.

Syndicated Bridge Facility No.2

In May 2018 Vonovia SE concluded a new agreement on a syndicated bridge facility amounting € 960 million via FINANCE B.V. with JPMorgan Chase Bank N.A. to comply the legal requirements of the BUWOG-Acquisition. The credit line had been reduced in June 2018 with an amount of € 444 million and was cancelled on July 3, 2018. There are no prepaid assets for the bridge as of June 30, 2018.

13 Interest and Similar Income and Expenses

in € thousand	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Interest income from affiliated companies and shareholder	139,437	153,041
Interest income from third parties	18,917	6,134
Total interest and similar income	**158,354**	**159,175**
Interest expenses from affiliated companies	0	0
Interest expenses from Euro/EMTN bonds	- 70,622	- 86,033
Interest expenses from Hybrid bond (perpetual)	- 19,836	- 19,836
Interest expenses from Yankee bonds	- 16,417	- 5,147
Interest expenses from Hybrid bonds (without perpetual)	- 16,054	- 16,054
Interest expenses from Term loan	- 1,007	- 6,091
Termination expenses from Forward swaps	- 15,945	- 5,896
Interest expenses from liquidation Forward swaps	- 5,197	- 5,197
Interest expenses from ineffectiveness of Forward swaps	- 6,614	-
Other interest expenses to third parties	- 8,782	- 8,225
Other interest expenses	- 2,016	- 929
Total interest and similar expenses	**- 162,490**	**- 153,408**
Total financial result	**- 4,136**	**5,767**

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

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

14 Other Operating Income

in € thousand	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Income from reversal of provisions from liabilities	6	-
Total release of other liabilities	-	0
Total	**6**	**0**

15 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Wages and salaries	162	134
Social security charges	19	18
Total	**181**	**152**

16 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 3 k (Jan.-Jun. 2017: € 3 k) are related to the depreciation of tangible assets, which are comprised of office equipment.

17 Audit fees

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

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

Jan.-Jun. 2017 -Unaudited- in € thousand	**PricewaterhouseCoopers Accountants N.V.**	**Other PwC Network**	**Total PwC Network**
Audit of the financial statements	28	-	28
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	30	-	30
Total	**58**	**-**	**58**

The fees listed above relate to the procedures applied to the company and its consolidated group entities by accounting firms and external auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (“Wet toezicht accountantsorganisaties - Wta”) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2018 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 € 30 k (Jan.-Jun. 2017: € 30 k), but these are included in “Interest and similar expenses.” The non-audit services performed by PricewatershouseCoopers Accountants N.V. are related to the comfort letter on the EMTN program. These non-audit services are allowed under the current regulations.

18 Other Operating Expenses

in € thousand	**Jan.-Jun. 2017 Unaudited**	**Jan.-Jun. 2018 Unaudited**
Auditor’s remuneration and consultancy fees	66	86
Rent and lease	39	40
IT and administration costs	2	13
Other costs	12	27
Total	**119**	**166**

19 Income / loss Taxation

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

in € thousand	Jan.-Jun. 2017 Unaudited	Jan.-Jun. 2018 Unaudited
Loss / profit before taxation	- 4,433	5,446
Deferred tax assets	2,159	72
Corporate income taxation	- 1,222	- 1,459
Loss / profit for the period	**- 3,496**	**4,059**

Effective tax rate 25.47 % (Jan.-Jun. 2017: 21.14 %)
The nominal tax rate is 25.0 % (Jan.-Jun. 2017: 25.0 %)

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

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

20 Related Parties

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

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

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

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

21 Average Numbers of Employees

As of June 30, 2018, the company has four employees (December 31, 2017: four), of which are three male and one female (December 31, 2017: three male and one female). All employees work in the Netherlands. The Management Board of three people comprises only men; all of them work in the Netherlands. Services are obtained by the shared service functions of the Vonovia Group.

22 Financial Instruments

At the beginning of 2018 the financial instruments consisted of an interest rate swap relating to a floater bond with a nominal volume of € 500 million and two cross-currency swaps corresponding to an USD-bond with a total nominal volume of € 185.0 million.

In connection with a € 600 million bond with a variable coupon issued in March 2018 with a term of 4.75 years, the company entered into a corresponding interest hedge agreement with J.P. Morgan Securities plc (fixed rate 0.793 percent plus spread 0.45 percent).

For three hedging instruments that were continued within a so-called passive hedge accounting. Future changes in value, previously reported outside profit or loss under Cash flow hedge reserve, will be amortized through profit or loss in line with the expected cash flows from the underlying hedged items. In the year under review € 4.8 million (€ 5.2 million Amortization deducting € 0.4 million Ineffectiveness) were reclassified to profit or loss, reducing the respective Cash flow hedge reserve to € 52.4 million.

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

in € thousand -Unaudited-	Jan. 1, 2018	Development		Jun. 30, 2018
		gross amount	deferred tax	
Passive Hedge Accounting	**57,230**	-4,813	-	**52,417**
Interest rate Swap Floater	**212**	-198	49	**63**
Interest rate Swap Floater	**-**	5,300	-1,325	**3,975**
Cross Currency Swap	**-12,638**	-2,605	651	**-14,592**
corresponding USD-bonds	**17,655**	6,023	-1,504	**22,174**
Adjustment 2013	**625**	-	-	**625**
Cash flow hedge reserve according to balance sheet	**63,084**	3,707	-2,129	**64,662**

Development of Derivatives:

in € thousand -Unaudited-					Jan. 1, 2018	Development				Jun. 30, 2018
						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	Sep 2016	2 years	3M EURIBOR	500,000	**-283**	198	1	-	-	**-84**
Interest rate Swap Floater	Mar 2018	4,75 years	3M EURIBOR	600,000	**-**	-5,300	-	-	-	**-5,300**
Cross Currency Swap	Oct 2013	10 years	USD exchange rate	184,592	**5,041**	2,605	394	-682	-	**7,358**
Market value (clean)				**1,284,592**	**4,758**	2,316	395	-682	-4,813	**1,974**
Accrued interest				-	283	-	-	-	-	-1,283
Market value (dirty)				-	**5,041**	-	-	-	-	**691**

23 Directors

Management Board:

- Thorsten Arsan, Amsterdam (Chairman)
- Iwan Oude Roelink, Amsterdam
- Rick van Dijk, Rotterdam

The Management has received remuneration for the first half year of 2018 amounting to € 90 k (Jan.-Jun. 2017: € 77 k).

In June 2018 the new CFO of Vonovia SE, Ms. Helene von Röder, joined the Supervisory Board - increasing it to five members. As a result the Supervisory Board of the FINANCE B.V. men/women ratio is above 30% for both genders.

The members of the Supervisory Board didn't receive remuneration in the first half year 2018 (Jan.-Jun. 2017: € 0 k).

24 Responsibility Statement

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

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

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

25 Subsequent Events

After the balance sheet date June 30, 2018 the company issued a new five years bond of € 500 million on July 3 of 2018 as the issue date.

The company has cancelled the Bridge facility agreement with J.P. Morgan Chase Bank N.A. on July 3, 2018 of the total facility of € 444 million.

Amsterdam, August 22, 2018

Management Board

Thorsten Arsan (Chairman)

Iwan Oude Roelink

Rick van Dijk

Review report

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

Introduction

We have reviewed the accompanying interim financial report for the six months' period ended 30 June 2018 of Vonovia Finance B.V., Amsterdam, which comprises the condensed balance sheet as at 30 June 2018, the condensed income statement for the period then ended, the condensed cash flow statement and the related notes on the aforementioned statements. The management board is responsible for the preparation and presentation of this interim financial report in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports. Our responsibility is to express a conclusion on this interim financial report 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 company. A review of interim financial information consists of making inquiries, primarily of people 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 report for the six months' period ended 30 June 2018 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394, Interim Reports.

Amsterdam, 22 August 2018
PricewaterhouseCoopers Accountants N.V.

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

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