

# REPORT ON THE FIRST QUARTER OF 2017/18

1 MAY 2017 TO 31 JULY 2017

## Successful business development

- Year-on-year increase (three months) of 63.6% in Recurring FFO to EUR 44.2 million
- Improvement in EPRA NAV per share to EUR 24.15
- Earnings contribution of EUR 18.7 million from Property Development significantly stronger than the first quarter of the previous year
- Forecast for Recurring FFO remains unchanged at a minimum of EUR 125 million in 2017/18 financial year

## Profitable property portfolio and strong development pipeline

- Increase in monthly net cold rent to EUR 5.20 per sqm
- Development pipeline of 10,096 units with a total investment volume of EUR 2.9 billion

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## BUWOG GROUP KEY FIGURES

EARNINGS DATA		Q1 2017/18	Q1 2016/17	Change
Net cold rent	in EUR million	51.7	52.7	-1.9%
Results of Asset Management	in EUR million	38.5	38.5	-0.0%
Results of Property Sales	in EUR million	15.8	9.6	64.1%
Results of Property Development	in EUR million	18.7	-0.9	>100.0%
EBITDA <sup>1)</sup>	in EUR million	64.1	39.2	63.3%
Fair value adjustments of investment properties	in EUR million	0.0	146.5	-100.0%
Financial results <sup>2)</sup>	in EUR million	-25.8	-83.0	68.9%
EBT	in EUR million	37.1	102.2	-63.7%
Net profit	in EUR million	29.2	83.9	-65.1%
Earnings per share <sup>3)</sup>	in EUR	0.27	0.84	-68.0%
FFO	in EUR million	30.4	17.4	74.4%
Recurring FFO	in EUR million	44.2	27.0	63.6%
Recurring FFO per share <sup>3)</sup>	in EUR	0.41	0.27	51.5%
Total FFO	in EUR million	46.3	27.1	71.2%
AFFO	in EUR million	34.5	20.6	67.2%

ASSET AND FINANCIAL DATA		31 July 2017	30 April 2017	Change
Balance sheet total	in EUR million	5,258.9	5,019.7	4.8%
Equity ratio	in %	44.2%	39.8%	4.4 PP
Cash and cash equivalents	in EUR million	443.0	211.4	>100.0%
Net financial liabilities	in EUR million	1,768.0	2,040.2	-13.3%
Loan-to-value (LTV)	in %	38.5%	44.1%	-5.5 PP
EPRA Net Asset Value	in EUR million	2,710.9	2,384.8	13.7%
Ø Interest rate on financial liabilities	in %	1.79%	1.78%	0.0 PP
Ø Term of financial liabilities	years	11.7	11.8	-0.1

SHARE DATA		31 July 2017	30 April 2017	Change
Share price	in EUR	24.84	24.79	0.2%
Shares issued as of the balance sheet date (excl. treasury shares)	Number of shares	112,245,164	99,773,479	12.5%
Market capitalisation	in EUR million	2,787.6	2,473.4	12.7%
Free float <sup>4)</sup>	in %	96%	95%	0.8 PP
EPRA Net Asset Value per share <sup>3)</sup>	in EUR	24.15	23.90	1.0%

The use of automated calculation systems may give rise to rounding differences.

1) Results of operations adjusted to account for valuation effects and deferred periods (IFRS 5). For more details please go to chapter *Asset, financial and earnings position*.

2) Financial results are influenced by non-cash results from the valuation of financial liabilities at fair value through profit or loss (EUR -6.6 million) and by derivative financial instruments (EUR -6.9 million).

3) Base for earnings data: 107,771,625 shares (previous year 99,773,479 shares) both weighted average. Base for asset data: 112,245,164 shares (previous year: 99,773,479 shares) both as of balance sheet date

4) For more detail please go to chapter *Investor Relations*.

# KEY PROPERTY PORTFOLIO DATA

ASSET MANAGEMENT (STANDING INVESTMENTS)		31 July 2017	30 April 2017	Change
Number of units	Quantity	49,189	49,597	-0.8%
Germany	Quantity	27,165	27,151	0.1%
Austria	Quantity	22,024	22,446	-1.9%
Total floor area <sup>1)</sup>	in sqm	3,387,038	3,418,784	-0.9%
Germany	in sqm	1,692,342	1,690,258	0.1%
Austria	in sqm	1,694,696	1,728,526	-2.0%
Annualised net in-place rent <sup>2)</sup>	in EUR million	204	205	-0.7%
Germany	in EUR million	118	116	1.2%
Austria	in EUR million	86	89	-3.2%
Monthly net in-place rent <sup>2)</sup>	in EUR per sqm	5.20	5.18	0.4%
Germany	in EUR per sqm	5.92	5.85	1.3%
Austria	in EUR per sqm	4.45	4.50	-1.0%
Development of net in-place rent – like-for-like <sup>3)</sup>	in %	1.7%	4.5%	-2.8 PP
Germany – like-for-like	in %	3.3%	3.2%	0.1 PP
Austria – like-for-like	in %	-0.7%	6.3%	-7.0 PP
Vacancy rate <sup>4)</sup>	in %	3.6%	3.4%	0.2 PP
Germany	in %	2.2%	1.9%	0.3 PP
Austria	in %	5.1%	4.9%	0.2 PP
Fair value <sup>5)</sup>	in EUR million	3,920	3,942	-0.6%
Germany	in EUR million	2,009	1,997	0.6%
Austria	in EUR million	1,911	1,945	-1.7%
Fair value <sup>5)</sup>	in EUR per sqm	1,157	1,153	0.4%
Germany	in EUR per sqm	1,187	1,182	0.4%
Austria	in EUR per sqm	1,128	1,125	0.2%
Gross rental yield <sup>6)</sup>	in %	5.2%	5.2%	0.0 PP
Germany	in %	5.9%	5.8%	0.1 PP
Austria	in %	4.5%	4.6%	-0.1 PP

		Q1 2017/18	Q1 2016/17	Change
Maintenance expense <sup>7)</sup>	in EUR per sqm	2.0	2.0	-1.0%
Capitalization of modernisation work (CAPEX) <sup>7)</sup>	in EUR per sqm	2.9	1.8	57.5%

PROPERTY SALES		Q1 2017/18	Q1 2016/17	Change
Units sold	Quantity	432	155	>100%
thereof Unit Sales	Quantity	196	154	27.3%
thereof Block Sales	Quantity	236	1	>100%
Margin on fair value – Unit Sales	in %	63%	57%	6.3 PP
Margin on fair value – Block Sales	in %	13%	6%	7.4 PP

PROPERTY DEVELOPMENT		31 July 2017	31 July 2016	Change
Units under construction	Quantity	1,680	1,369	22.7%
Total investment volume	in EUR million	2,926	2,541	15.1%
Completed units	Quantity	133	25	>100%
thereof defined for sale to third parties	Quantity	133	25	>100%
thereof defined to transfer to investment portfolio	Quantity	0	0	-

The use of automated calculation systems may give rise to rounding differences.

1) Residential floor area approx. 97%

2) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

3) Comparison: 31 July 2017 vs. 31 July 2016 as well as 30 April 2017 vs. 30 April 2016 on a like-for-like basis (without changes of the portfolio and including effects of vacant units)

4) Based on sqm; Vacancy adjusted by vacancy of unit sales amounts 2.5%

5) Based on fair value of standing investments according to CBRE valuation as of 30 April 2017 minus sales plus CAPEX and additions

6) Annualised net in-place rent (based on monthly net in-place rent excluding utilities as of the balance sheet date) in relation to fair value

7) Retrospective adjustment of figures of Full Year 2015/16 due to the implementation of changed capitalisation policy by Q1 2016/17 according to IAS 8 (see chapter 2.4 consolidated interim financial statements)

# DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS OF BUWOG AG

The first three months of the 2017/18 financial year were an extremely successful period for the BUWOG Group. Recurring FFO rose by a sound 64% year-on-year to EUR 44.2 million. This increase was supported by exceptionally strong results of EUR 18.7 million from the Property Development business area in the first three months. Our forecast for the full 2017/18 financial year remains intact with Recurring FFO of at least EUR 125 million.

The EPRA Net Asset Value, which principally demonstrates our sustainable asset positions, has improved by EUR 24.15 per share since 30 April 2017.

The BUWOG Group expanded its equity base by EUR 305.6 million at the beginning of June through a successful cash capital increase with subscription rights. Our equity ratio rose by 4.4 percentage points to 44.2% as a result of this transaction. Two of our key indicators remained low at as of 31 July 2017: the average interest rate at 1.79% and the loan-to-value ratio at 38.5%.

The Asset Management business area contributed EUR 38.5 million to earnings for the reporting period. The monthly net in-place rent improved slightly during the first three months of 2017/18 to EUR 5.20 per sqm (Q1 2016/17: EUR 5.18 per sqm) with a like-for-like rental growth of 1.7%. The gross rental yield equalled 5.2% and the vacancy rate

3.6% (2.5%, excl. vacancies required for unit sales). Furthermore the BUWOG Group increased the investments in its portfolio properties by substantial 28% per sqm year-on-year to improve quality.

Earnings in the Property Sales business area rose by a significant 64% year-on-year to EUR 15.8 million. These results were supported by the Unit Sales of 196 apartments at a high margin of 63% on fair value.

The Property Development business area - which is classified in two sub-segments: "develop-to-sell" and "develop-to-hold" - was further intensified and generated strong net operating income of EUR 18.7 million in the first quarter of 2017/18. Earnings were influenced by the transfer of the exclusive "Pfarrwiesengasse 23" project, the early completion of the "Southgate" project and the sale of two sites in Austria with an earnings contribution of EUR 4.1 million. A total of 156 units were transferred and recognised to income during the reporting period. As of 31 July 2017, the development pipeline included 10,096 units with a total investment volume of approximately EUR 2.9 billion.

Our strategic goals for the future remain intact: we are forecasting Recurring FFO of at least EUR 125 million for the 2017/18 financial year. In the Asset Management business area, the BUWOG Group is working to improve the quality of its



Andreas Segal, Deputy CEO, CFO  
 Daniel Riedl, CEO  
 Herwig Teufelsdorfer, COO  
 (f.l.t.r.)

portfolio through a modernisation programme with a volume of approx. EUR 55 million and a regional focus on Berlin, Lübeck and Kiel. Plans for the Property Sales business area include Unit Sales of roughly 600 apartments annually. Activities in the Property Development business area will continue to focus on the steady realisation of the pipeline projects in Berlin, Hamburg and Vienna.

We see this sound development not only as confirmation of our strategy, but also as an obligation to continue the BUWOG success

story with our full commitment. We invite you to accompany the BUWOG Group on this course and ensure you that we will also provide transparent and timely information on the latest developments in the future. In conclusion, we would like to thank the many men and women on the BUWOG team for their enthusiasm and dedication - which made these many achievements possible.

Best regards,

Daniel Riedl  
 CEO

Andreas Segal  
 Deputy CEO, CFO

Herwig Teufelsdorfer  
 COO

# **OVERVIEW** **OF BUWOG GROUP**

The BUWOG Group is the leading German-Austrian full-service provider in the residential property sector and can now look back on 66 years of experience. An integrated business model differentiates BUWOG from its peer group through a broad and deep value chain and the optimal integration of its three business areas:

- The value-oriented, sustainable management of a standing investment portfolio with 49,189 units in Germany and Austria (Asset Management)
- The development of residential properties in the three largest German-speaking cities – Berlin, Hamburg and Vienna – for immediate sale or transfer to the BUWOG portfolio
- High-margin units sales in Austria (Unit Sales)

Full integration along the entire real estate value chain with clearly defined, standardised and industrialised processes makes it possible for the BUWOG Group to optimally utilise market cycles and generate sustainably high profitability.

The BUWOG business model combines continuous Asset Management with the high profitability from Property Development, in contrast to companies that concentrate solely on real estate investments. Property Development benefits from the financial strength of Asset Management and minimises the typical exit risk of a pure project developer because the properties completed and designated for sale can generally be integrated in BUWOG's portfolio at any time.

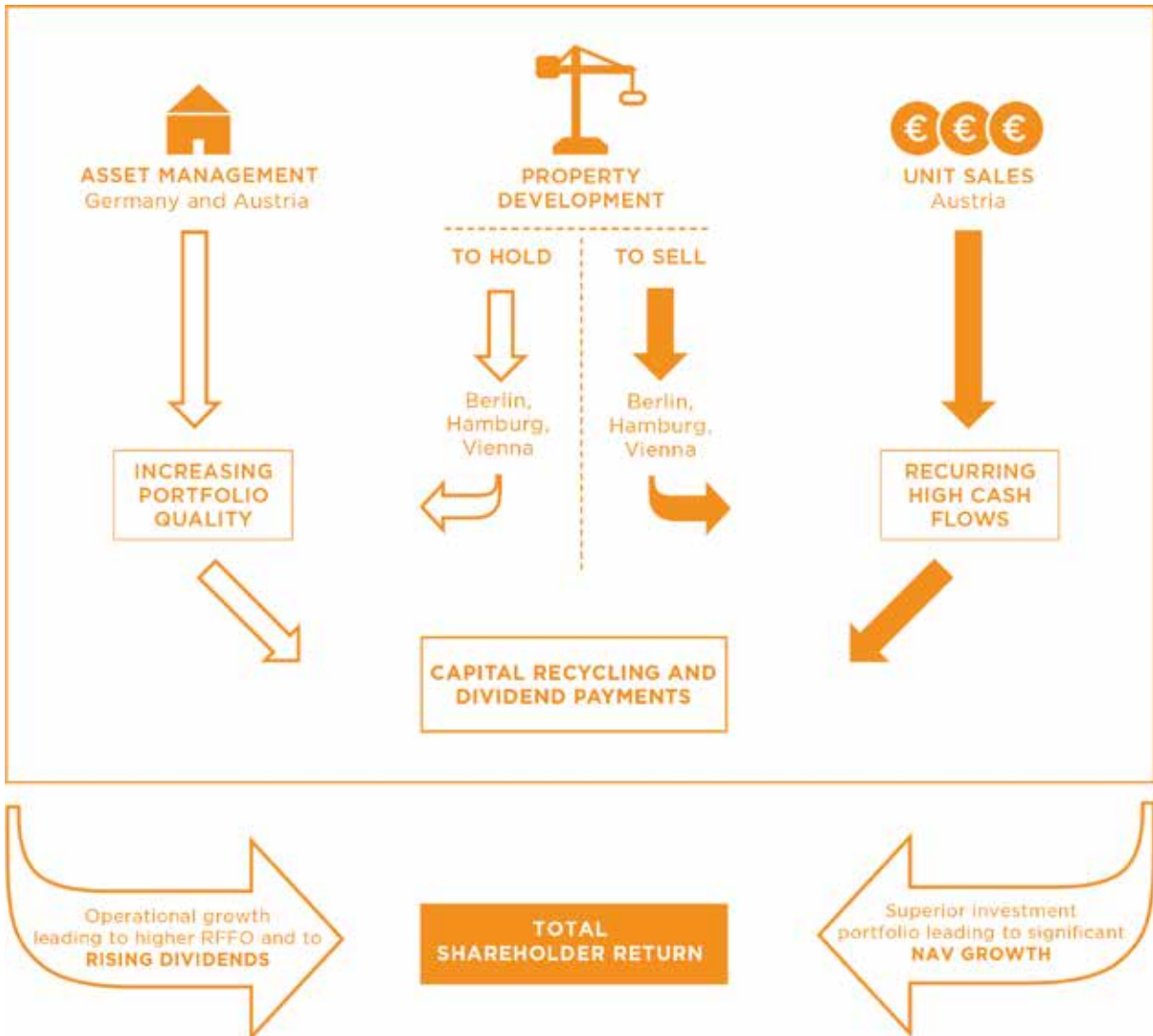
Property Development covers the develop-to-sell and develop-to-hold businesses with a regional focus on the three largest German-speaking cities of Berlin, Hamburg and Vienna. BUWOG's business model is rounded out by high-margin unit sales in Austria that generate strong cash flows.

The funds generated by Asset Management and Unit Sales are “recycled”, among others, for investments in the company's own portfolio, for new and existing development projects and for the acquisition of real estate portfolios in Germany. This efficiently utilises the company's internal financing strength, steady increases the portfolio quality and creates value for shareholders, who also profit from a high dividend yield.

BUWOG's overriding strategic goal is to continuously increase the value of the company while, at the same time, protecting the capacity for high profit distributions based on strong cash flows. An attractive financing structure with a low average interest rate and an acceptable debt level are also essential components of the company's strategy. In addition to a high dividend pay-out ratio of 60% to 65% of Recurring FFO, the following important performance indicators have been defined.

- Recurring FFO per share (sustainable recurring funds from operations)
- EPRA Net Asset Value per share (Net Asset Value adjusted according to EPRA recommendations)
- Loan-to-value (the debt level of the property portfolio)

The generation of high Recurring FFO, which allows for an attractive dividend policy and also supports a steady growth course, is based on the three business areas: Asset Management, Property Development and Property Sales.



Further details on BUWOG's strategy are provided in the 2016/17 annual report beginning on page 33.

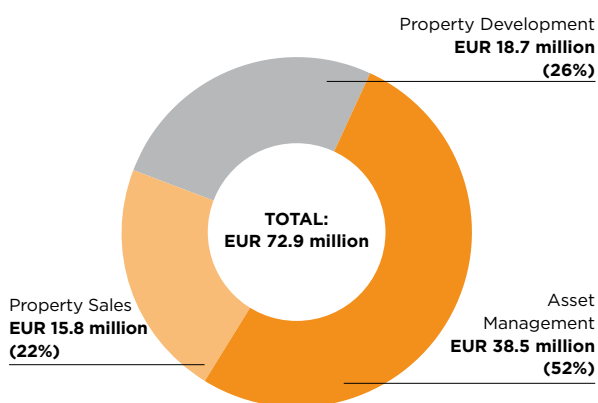
# HIGHLIGHTS

## FIRST QUARTER 2017/18

### SUCCESSFUL BUSINESS DEVELOPMENT

- Intensification of Property Development reflected in substantial earnings growth to EUR 18.7 million
- Year-on-year increase of 63.6% in Recurring FFO to EUR 44.2 million
- Net profit totals EUR 29.2 million
- Increase of 1.0% in EPRA NAV per share to EUR 24.15
- LTV at low 38.5%
- Successful cash capital increase raises equity ratio by 4.4 percentage points to 44.2%

#### OPERATING RESULTS<sup>1)</sup> BY BUSINESS AREA



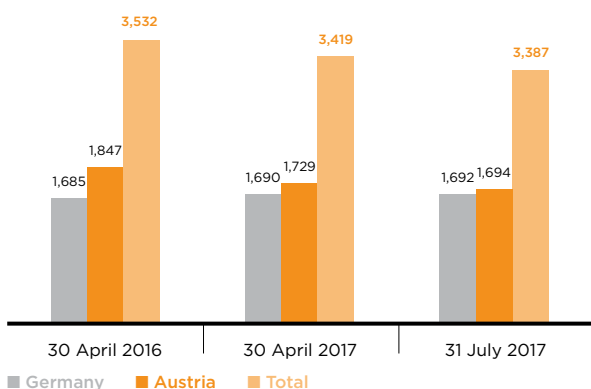
<sup>1)</sup> Results of operations before expenses not directly attributable to the business areas (EUR 10.7 million) and other operating income (EUR 0.7 million)

### HIGHLIGHTS ASSET MANAGEMENT

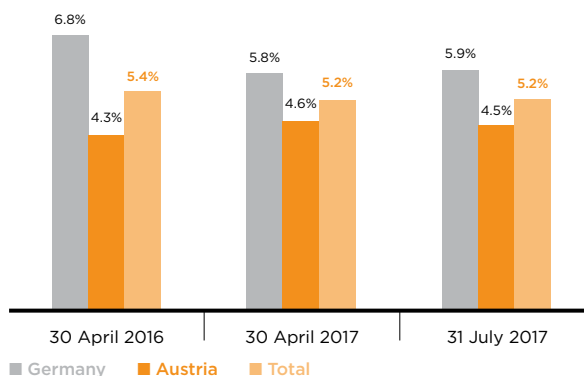
- Property portfolio of 49,189 units with approx. 3.4 million sqm of total floor area as of 31 July 2017
- Increase in monthly net in-place rent to EUR 5.20 per sqm
- Growth of 1.7% in net in-place rent on a like-for-like basis
- Vacancy rate remains low at 3.6% -> 2.5%, excl. vacancies required for unit sales
- Fair value of standing investments totals approx. EUR 3.9 billion

#### TOTAL FLOOR AREA

in 1,000 sqm



#### GROSS RENTAL YIELD

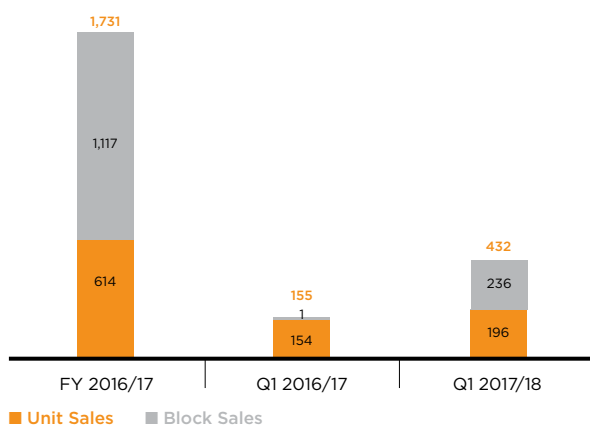




## HIGHLIGHTS PROPERTY SALES

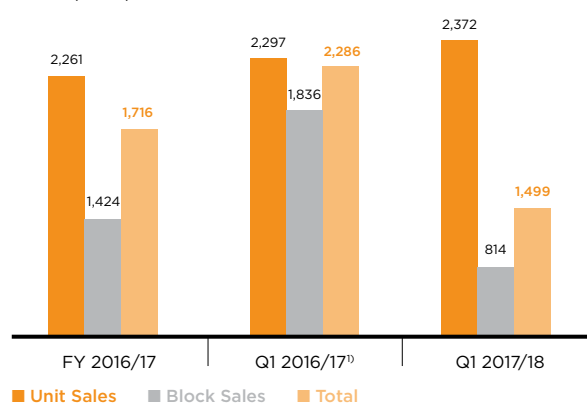
- Successful Unit Sales of 196 apartments at a margin of roughly 63% on fair value
- High future potential for strategic Unit Sales cluster covers 11,428 apartments with a fair value of approx. EUR 1.4 billion
- Unit Sales and Block Sales cluster of 13,935 units with a fair value of approx. EUR 1.5 billion

### UNITS SOLD



### AVERAGE PRICES REALISED

in EUR per sqm



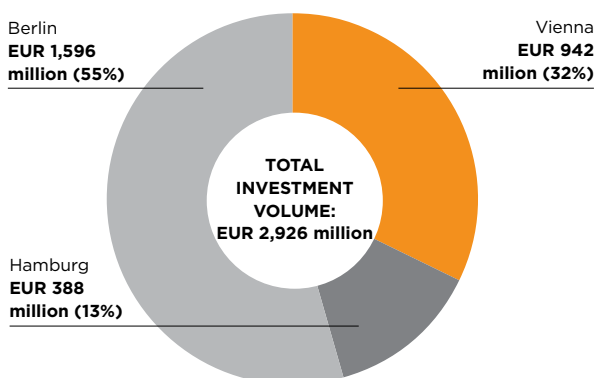
1) In the first quarter of 2016/17 a commercial unit in Vienna was sold at a high average price.

## HIGHLIGHTS PROPERTY DEVELOPMENT

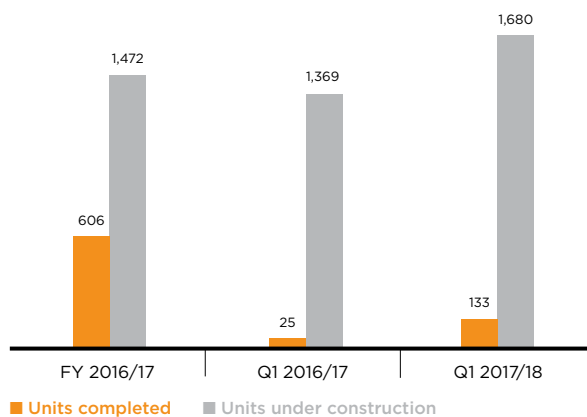
- Development pipeline of 10,096 units and a total investment volume of EUR 2.9 billion with the signing of a contract for the purchase of a further land site during the reporting period
- 1,680 units currently under construction, approx. 23% more than the first quarter of the previous year
- Completion of 133 units in Q1 2017/18

### DEVELOPMENT PIPELINE

in EUR million by location as of 31 July 2017



### COMPLETED UNITS AND UNITS UNDER CONSTRUCTION

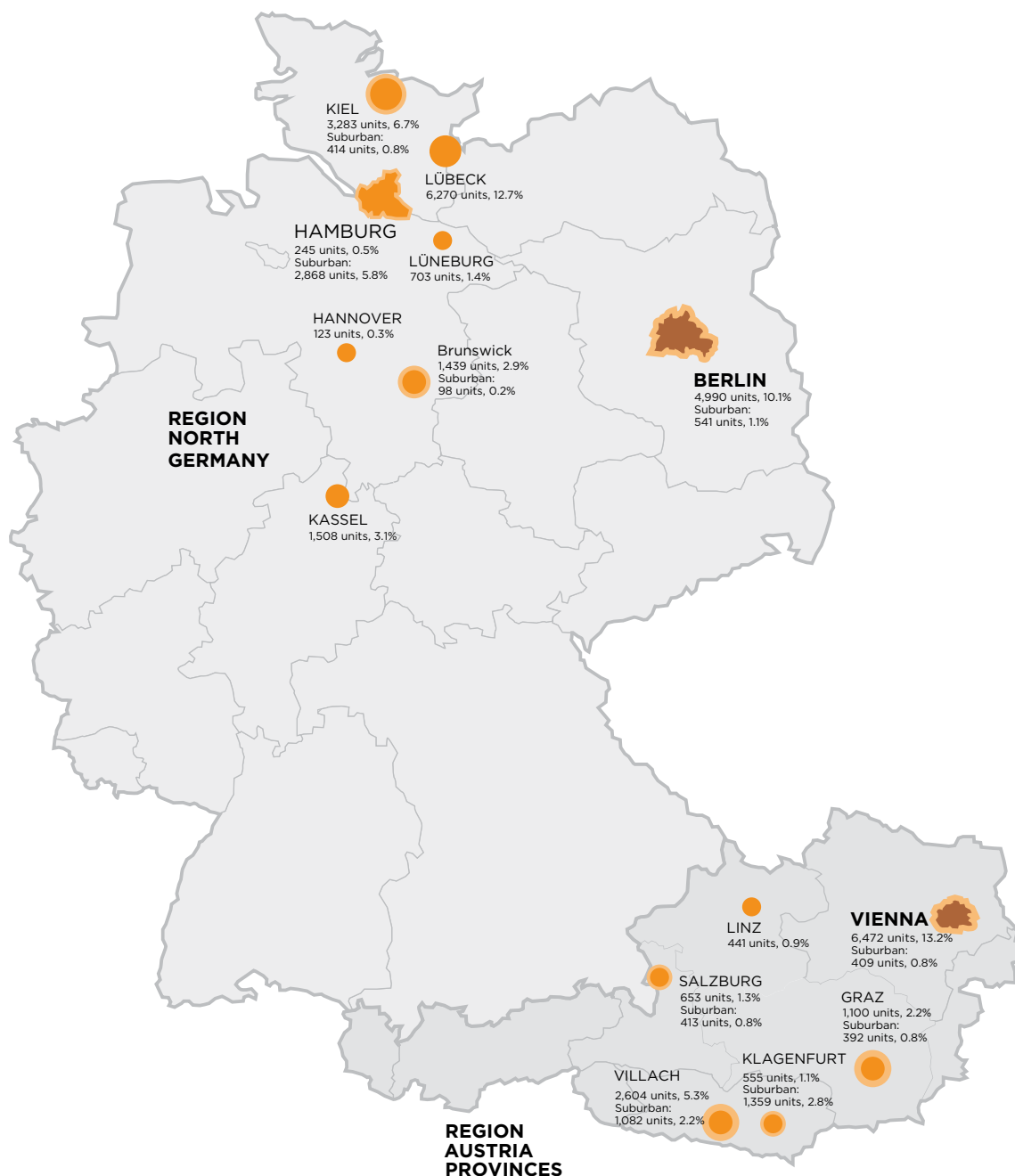


# ASSET MANAGEMENT

BUWOG's Asset Management business area covers the rental and sustainable management of standing investments in Germany and Austria. The related activities also include the optimisation and increase in the value of these properties through maintenance and investments as well as the coordination of all owner-related internal and external services.

## BUWOG INVESTMENT PORTFOLIO BY REGION AS OF 31 JULY 2017

Number of units per location and percentage of the total portfolio



■ Federal capitals ● State capitals and major cities<sup>1)</sup> ○ Suburban regions<sup>2)</sup>

1) More than 50,000 inhabitants and a significant share of the portfolio

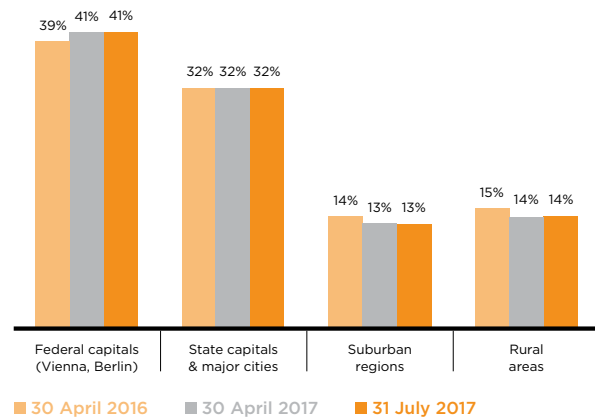
2) The immediate catchment area up to about 15 km around federal capitals, state capitals and major cities

Asset Management, the largest business area in the BUWOG Group, generated operating income (before expenses and other operating income not directly attributable to this business area) of EUR 38.5 million in the first quarter of 2017/18 (Q1 2016/17: EUR 38.5 million.).

The BUWOG Group's standing investment portfolio comprised 49,189 units as of 31 July 2017 - 27,165 units in Germany and 22,024 units in Austria. The portfolio is classified in four geographical clusters within these two countries: federal capitals, state/provincial capitals & major cities, suburban regions and rural areas. The capital cities of Vienna and Berlin form the regional focus with a combined fair value of approx. EUR 1.6 billion or 41% of the total fair value as of 31 July 2017. The standing investments in the state and provincial capitals and in the major cities and surrounding regions represented approx. EUR 1.8 billion or 45% of the total fair value. In other words, approx. EUR 3.4 billion or 86% of the fair value of BUWOG's standing investment portfolio is located in urban regions which are very attractive in terms of their economic development, infrastructure and demographics.

### FAIR VALUE

by geographic cluster (total: approx. EUR 3.9 billion)



### KEY FIGURES ON THE PROPERTY PORTFOLIO BY REGIONAL CLUSTER

as of 31 July 2017	Number of units	Total floor area in sqm	Annualised net in-place rent <sup>1)</sup> in EUR million	Monthly net in-place rent <sup>1)</sup> in EUR per sqm	Fair value <sup>2)</sup> in EUR million	Fair value <sup>2)</sup> in EUR per sqm	Gross rental yield <sup>3)</sup>	Vacancy rate <sup>4)</sup>
Federal capitals	11,462	898,792	60	5.71	1,608	1,789	3.7%	2.8%
Vienna	6,472	567,090	35	5.29	1,032	1,820	3.4%	3.6%
Berlin	4,990	331,703	25	6.42	576	1,737	4.4%	1.5%
State capitals and major cities <sup>5)</sup>	18,924	1,213,456	75	5.30	1,250	1,030	6.0%	2.5%
Suburban regions <sup>6)</sup>	7,576	526,420	31	5.05	521	989	5.9%	3.5%
Rural areas	11,227	748,369	38	4.50	541	723	7.0%	6.6%
<b>Total BUWOG Group</b>	<b>49,189</b>	<b>3,387,038</b>	<b>204</b>	<b>5.20</b>	<b>3,920</b>	<b>1,157</b>	<b>5.2%</b>	<b>3.6%</b>
thereof Germany	27,165	1,692,342	118	5.92	2,009	1,187	5.9%	2.2%
thereof Austria	22,024	1,694,696	86	4.45	1,911	1,128	4.5%	5.1%

1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

2) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2017 minus sales plus CAPEX and additions

3) Annualised total net in-place rent (based on monthly net in-place rent excluding utilities as of the reporting date) in relation to fair value

4) Based on sqm

5) More than 50,000 inhabitants and a significant share of the portfolio

6) The immediate catchment area up to about 15 km around federal capitals, state capitals and major cities

### KEY DATA ON THE STANDING INVESTMENT PORTFOLIO AS OF 31 JULY 2017

The BUWOG Group's standing investment portfolio comprised 49,189 units as of 31 July 2017, which have a total floor area of approx. 3.4 million sqm and a fair value of approx. EUR 3.9 billion or EUR 1,157 per sqm. The monthly in-place rent in the standing investment portfolio amounted to EUR 5.20 per sqm as of 31 July 2017 based on a vacancy rate (basis: total floor area) of 3.6%, and the gross rental yield equalled 5.2%.

The property portfolio in Germany included 27,165 standing investment units as of 31 July 2017, which have a total floor area of approx. 1.7 million sqm and a fair value of EUR 2.0 billion or EUR 1,187 per sqm. The monthly in-place rent equalled EUR 5.92 as of 31 July 2017 based on a vacancy rate (basis: total floor area) of 2.2%. The gross rental yield in the German properties equalled 5.9% at the end of the reporting period.

The standing investment portfolio in Austria comprised 22,024 units with a total floor area of approx. 1.7 million sqm and a fair value of approx. EUR 1.9 billion, or EUR 1,128 per sqm, as of 31 July 2017. The monthly net in-place rent equalled EUR 4.45 per sqm as of 31 July 2017 based on a vacancy rate (basis: total area) of 5.1%, whereby 2.3% of the vacancies were attributable to apartments in the Unit Sales cluster. The gross rental yield in the Austrian properties equalled 4.5% at the end of July 2017.

## OVERVIEW OF THE STANDING INVESTMENT PORTFOLIO BY SEGMENT

		BUWOG Group as of 30 April 2017	BUWOG Group as of 31 July 2017	Austria as of 31 July 2017	Germany as of 31 July 2017
Number of units	Quantity	49,597	49,189	22,024	27,165
Total floor area	in sqm	3,418,784	3,387,038	1,694,696	1,692,342
Annualised net in-place rent <sup>1)</sup>	in EUR million	205	204	86	118
Monthly net in-place rent <sup>1)</sup>	in EUR per sqm	5.18	5.20	4.45	5.92
Fair value <sup>2)</sup>	in EUR million	3,942	3,920	1,911	2,009
Fair value <sup>2)</sup>	in EUR per sqm	1,153	1,157	1,128	1,187
Gross rental yield <sup>3)</sup>	in %	5.2%	5.2%	4.5%	5.9%
Vacancy rate	per sqm	3.4%	3.6%	5.1%	2.2%

1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

2) Based on fair value of standing investments according to CBRE valuation as of 30 April 2017 minus sales plus CAPEX and additions

3) Annualised total net in-place rent (based on monthly net in-place rent excluding utilities as of the reporting date) in relation to fair value

The standing investment portfolio in Germany increased during the first quarter of 2017/18 following the signing of a purchase contract for a property in Hannover with 23 units. In addition, 14 units in Berlin were acquired after the end of the reporting period on 31 July 2017.

## ACQUISITIONS FOR THE STANDING INVESTMENT PORTFOLIO

		Number of units	Total floor area in sqm	Annualised net in-place rent <sup>1)</sup> in EUR thousand	Monthly net in-place rent <sup>1)</sup> in EUR per sqm	Fair value <sup>2)</sup> in EUR per sqm	Gross rental yield <sup>3)</sup>	Vacancy rate <sup>4)</sup>
Hannover	State capitals and major cities	23	2,151	179	6.94	1,664	5.0%	0.0%
<b>Total I</b>	<b>(Closing as per 31 July 2017)</b>	<b>23</b>	<b>2,151</b>	<b>179</b>	<b>6.94</b>	<b>1,664</b>	<b>5.0%</b>	<b>0.0%</b>
Berlin	Federal capitals	14	1,100	53	8.49	2,727	1.8%	52.5%
<b>Total II</b>	<b>(including acquisitions after 31 July 2017)</b>	<b>37</b>	<b>3,251</b>	<b>232</b>	<b>6.25</b>	<b>2,024</b>	<b>3.5%</b>	<b>17.7%</b>

1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

2) Based on purchase price of acquired standing investments

3) Annualised total net in-place rent (based on monthly net in-place rent excluding utilities as of the reporting date) in relation to purchase price

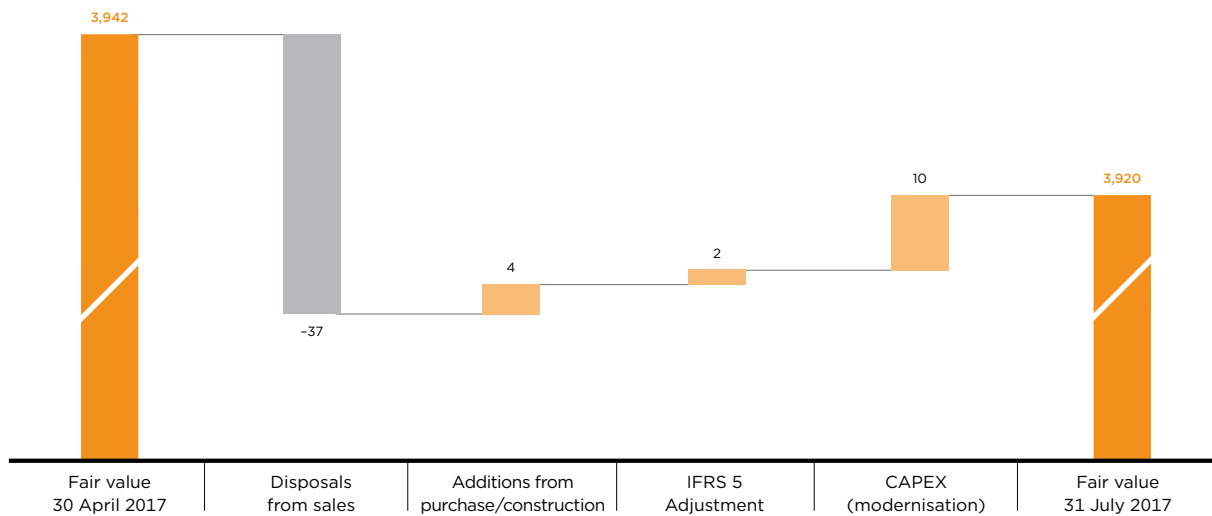
4) Based on sqm

## DEVELOPMENT OF THE FAIR VALUE OF THE STANDING INVESTMENT PORTFOLIO

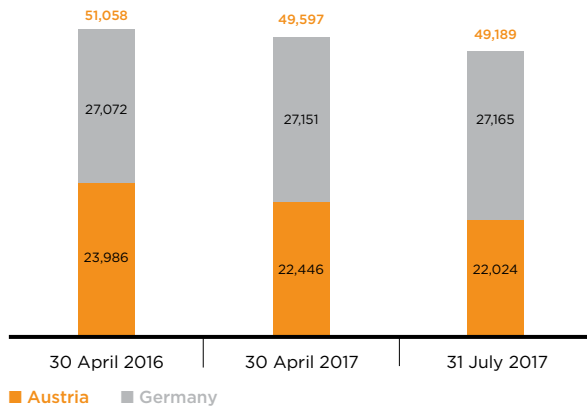
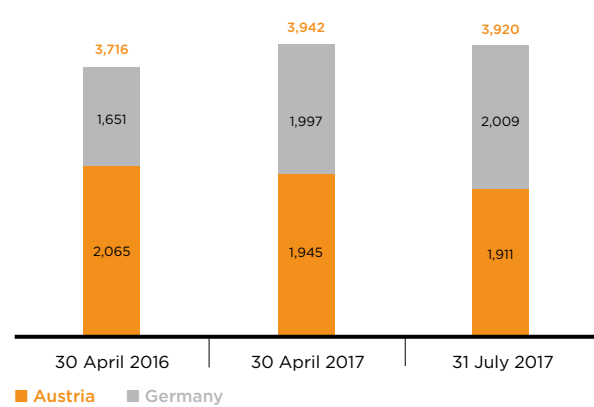
The 2016/17 financial year was characterised by significant fair value adjustments to the standing investment portfolio in Germany based on a special external appraisal by CBRE. In contrast to the previous year, a special appraisal of the investment properties was not carried out as of 31 July 2017. The development of fair value was based on the fair value of EUR 3,942.1 million as of 30 April 2017, which was adjusted to reflect properties sold and purchased and modernisation expenditures capitalised during the first three months of 2017/18. As of 31 July 2017, the fair value of BUWOG's standing investment portfolio totalled EUR 3,920.1 million. The following graph shows the development of fair value compared with 30 April 2017.

**DEVELOPMENT OF FAIR VALUE STANDING INVESTMENT PORTFOLIO**

in EUR million



The values in the above graph are not scaled.  
The use of automated calculation systems may give rise to rounding differences.

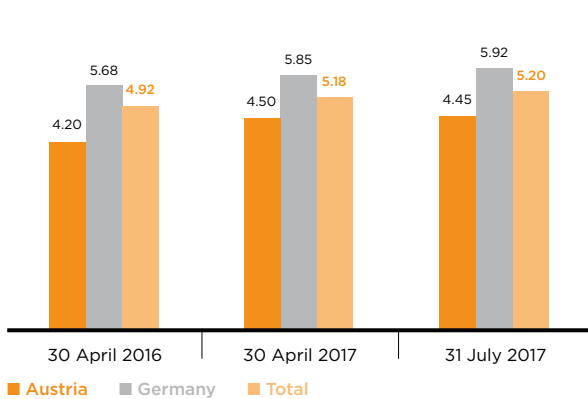
**NUMBER OF UNITS**

**FAIR VALUE STANDING INVESTMENT PORTFOLIO**  
in EUR million

**SLIGHT DECLINE IN ANNUALISED NET IN-PLACE RENT**

Annualised net in-place rent declined from EUR 205.1 million as of 30 April 2017 to EUR 203.6 million as of 31 July 2017. The decrease of EUR 2.8 million in Austria resulted primarily from property sales and from a legally required change in the rental model applied to a large standing investment property in Vienna following the repayment of all external financing. In contrast, the annualised net in-place rent in Germany rose by EUR 1.4 million over the level on 30 April 2017 to EUR 117.7 million. The positive development in the German portfolio was also reflected in an improvement in the monthly net in-place rent from EUR 5.85 to EUR 5.92 per sqm. The monthly in-place rent in the Austrian properties declined from EUR 4.50 to EUR 4.45 per sqm due to the above-mentioned effects.

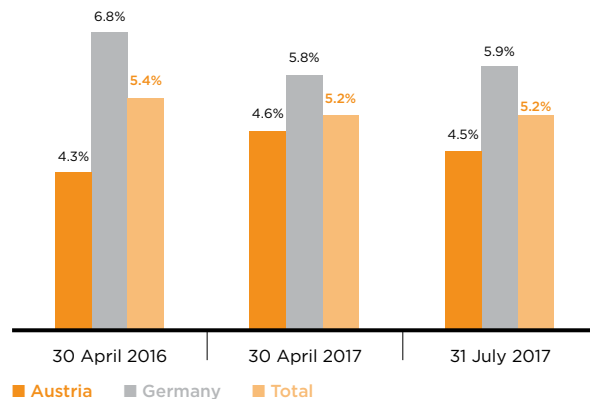
BUWOG's gross rental yield equalled 5.2% as of 31 July 2017 (30 April 2017: 5.2%), whereby the varying development of the yields in Germany (5.9%; 30 April 2017: 5.8%) and Austria (4.5%; 30 April 2017: 4.6%) are directly related to the above-mentioned effects from the fair value adjustments in Germany and the rental increases in Austria.

## NET IN-PLACE RENT PER MONTH

in EUR per sqm



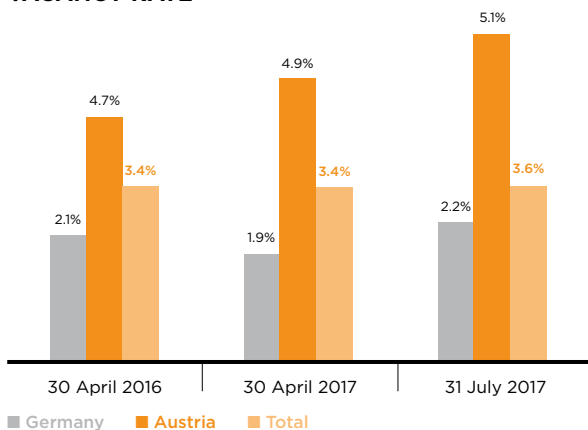
## GROSS RENTAL YIELD



## DEVELOPMENT OF VACANCIES

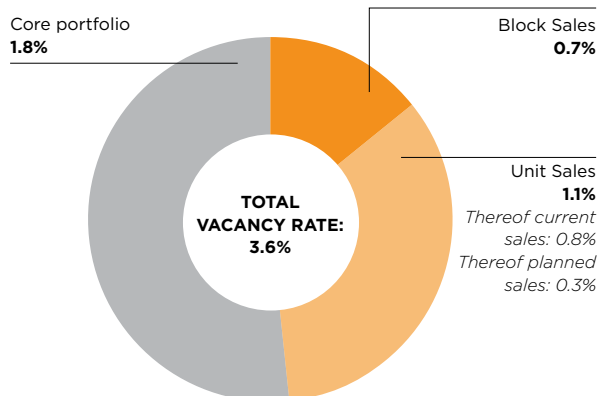
The vacancy rate in the BUWOG properties, based on total floor area, increased over the level on 30 April 2017 to 3.6% as of 31 July 2017. After an adjustment for the necessary vacancies of 1.1% required for the strategic Unit Sales cluster (30 April 2017: 1.2%), the adjusted vacancy rate (i.e. excluding the vacancies in apartments designated for Unit Sales) equalled only 2.5% (30 April 2017: 2.2%). The vacancy rate in the German portfolio rose to 2.2% for seasonal reasons (30 April 2017: 1.9%). This low vacancy rate has been supported by the active rental of modernised vacant apartments in the core regions of Lübeck, Kiel and Kassel and in Berlin. The BUWOG Group continues to benefit from the ongoing strong demand for rental apartments in Berlin. The vacancy rate in the Austrian property portfolio rose to 5.1% as of 31 July 2017 (30 April 2017: 4.9%). In Vienna, the vacancy rate remained unchanged in comparison with 30 April 2017 at 3.6%. The apartments held vacant in preparation for strategic Unit Sales have a vacancy rate of 3.4%, which means the core portfolio has an adjusted vacancy rate of only 0.2% (30 April 2017: 0.2%). The vacancy rate in Carinthia remained nearly stable in comparison with 30 April 2017 at roughly 6.0%, whereby 1.6% are attributable to the strategic Unit Sales cluster.

## VACANCY RATE



## VACANCY RATE BY STRATEGIC CLUSTER

Basis total floor area, as of 31 July 2017



## LIKE-FOR-LIKE-RENTAL GROWTH

A like-for-like analysis of BUWOG's standing investment portfolio – i.e. excluding the effects of changes in the portfolio (i.e. portfolio transactions) and including the effects of changes in vacancies – shows an increase of 1.7% in rental income during the first three months of 2017/18 (30 April 2017: 4.5%). The calculation of the increase in rents is based on 99.2% of all standing investment units held by the BUWOG Group.

The like-for-like growth in rental income from the German properties equalled 3.3% (30 April 2016: 3.2%) and resulted primarily from the conclusion of new leases at higher rents and increases in the rents generated by standing investments in Lübeck, Kassel, Berlin and Lüneburg. Like-for-like rents in the Austrian portfolio declined by 0.7% year-on-year in the first quarter of 2017/18 (30 April 2017: increase of 6.3%). This reduction resulted from a legally required change in the rental model applied to a large standing investment property in Vienna following the repayment of all external financing. BUWOG also intends to take full advantage of the opportunities to increase rents in specific portfolio properties in Germany and Austria in the future, depending on the feasibility in the respective regional rental market and legal restrictions arising from the rent models.

## LIKE-FOR-LIKE RENTAL GROWTH BY RENTAL AGREEMENT

as of 31 July 2017	Number of units	Occupied floor area in sqm 31 July 2016	Net in-place rent per month in EUR million <sup>3)</sup> 31 July 2016	Occupied floor area in sqm 31 July 2017	Net in-place rent per month in EUR million <sup>3)</sup> 31 July 2017	Like-for-like rental growth
Unregulated rental agreements Germany	17,519	995,231	5.7	998,216	5.9	3.3%
Regulated rental agreements Germany	9,211	592,632	3.2	595,552	3.3	3.3%
<b>Total Germany</b>	<b>26,730</b>	<b>1,587,863</b>	<b>8.9</b>	<b>1,593,767</b>	<b>9.2</b>	<b>3.3%</b>
Unregulated rental agreements Austria (incl. reasonable rents pursuant to WGG and MRG) <sup>1)</sup>	1,549	119,795	0.6	119,920	0.7	2.1%
Regulated rental agreements Austria (incl. other provisions under WGG) <sup>2)</sup>	20,011	1,444,404	6.0	1,424,049	5.8	-1.0%
<b>Total Austria</b>	<b>21,560</b>	<b>1,564,199</b>	<b>6.6</b>	<b>1,543,970</b>	<b>6.5</b>	<b>-0.7%</b>
Other (incl. commercial)	518	96,820	0.7	97,625	0.7	0.6%
<b>Total BUWOG Group</b>	<b>48,808</b>	<b>3,248,882</b>	<b>16.2</b>	<b>3,235,362</b>	<b>16.4</b>	<b>1.7%</b>

1) Reasonable rents under WGG includes properties for which subsidies received have already been repaid and for which indexing can be individually agreed

2) Coast-covering rent and Follow-up Rent (prev. Burgenland guidelines -30%)

3) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

## STRUCTURE OF RENTAL INCOME

The rents for the subsidised units in the BUWOG Group's investment portfolio in Germany are subject, in particular, to the Schleswig-Holstein Housing Allowance Act (Schleswig-Holstein Wohnraumförderungsgesetz), while most of the units in Austria are subject to the legal provisions of the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz). The BUWOG Group's investment portfolio therefore distinguishes between regulated (54%) and non-regulated (39%) rental agreements and the revenue generated by other agreements incl. commercial space (7%). The determination of the prices for new rentals in Germany is also subject to a cap on rent increases at certain locations. Additional information on the various legal regulations in Germany and Austria is provided under *Asset Management – Rental Models* in the 2016/17 annual report on pages 55 ff.

## STRUCTURE OF RENTAL AGREEMENTS

as of 31 July 2017	Occupied floor area in sqm	Annualised net in-place rent in EUR million	Proportion of annualised net in-place rent	Monthly net in-place rent per sqm in EUR <sup>3)</sup>
Unregulated rental agreements Germany	1,007,918	71.2	35%	5.89
Regulated rental agreements Germany	595,613	40.0	20%	5.60
Unregulated rental agreements Austria (incl. reasonable rents pursuant to WGG and MRG) <sup>1)</sup>	133,091	8.7	4%	5.46
Regulated rental agreements Austria (incl. other provisions under WGG) <sup>2)</sup>	1,424,548	70.0	34%	4.10
Other (incl. commercial)	102,572	13.6	7%	11.03
<b>Total BUWOG Group</b>	<b>3,263,742</b>	<b>203.6</b>	<b>100%</b>	<b>5.20</b>

1) Reasonable rents under WGG includes properties for which subsidies received have already been repaid and for which indexing can be individually agreed

2) Coast-covering rent and Follow-up Rent (prev. Burgenland guidelines -30%)

3) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

## **MAINTENANCE AND MODERNISATION**

The BUWOG Group invested a total of EUR 16.8 million (Q1 2016/17: EUR 13.5 million) in its portfolio properties in Germany and Austria during the first three months of 2017/18. These funds were directed to ongoing maintenance, to prepare apartments for new rentals, for contributions to maintenance reserves in properties designated for privatisation and for major maintenance and modernisation measures plus the special CAPEX programme. That corresponds to an average of EUR 4.9 per sqm (Q1 2016/17: EUR 3.8 per sqm). Non-capitalisable maintenance expenses amounted to EUR 7.1 million (Q1 2016/17: EUR 7.1 million) or EUR 2.0 per sqm (Q1 2016/17: EUR 2.0 per sqm), while the capitalisable modernisation measures (CAPEX) totalled EUR 9.8 million (Q1 2016/17: EUR 6.4 million) or EUR 2.9 per sqm (Q1 2016/17: EUR 1.8 per sqm). The resulting capitalisation rate equalled 57.9% (Q1 2016/17: 47.4%) of the total expenditures. A special CAPEX programme with a volume of EUR 55 million was launched in Germany during 2016/17 and covered a total of EUR 13.7 million by the end of the first quarter of 2017/18 (2016/17 financial year: EUR 8.3 million). Details on this special CAPEX programme in Germany are provided under *Asset Management – Special CAPEX programme* in Germany in the 2016/17 annual report on page 65.

### **MAINTENANCE EXPENSE AND MODERNISATION**

	Q1 2017/18	Q1 2016/17	Change
<b>Total maintenance expense and modernisation in EUR million</b>	<b>16.8</b>	<b>13.5</b>	<b>24.4%</b>
Maintenance expense in EUR million	7.1	7.1	-0.4%
Capitalisation of modernisation work (CAPEX) in EUR million	9.8	6.4	51.9%
<b>Capitalisation rate in %</b>	<b>57.9%</b>	<b>47.4%</b>	<b>10.5 PP</b>
Average total floor space in 1,000 sqm <sup>1)</sup>	3,401	3,551	-4.2%
<b>Total maintenance expense and modernisation in EUR per sqm</b>	<b>4.9</b>	<b>3.8</b>	<b>27.6%</b>
Maintenance expense in EUR per sqm	2.0	2.0	-0.3%
Capitalisation of modernisation work (CAPEX) in EUR per sqm	2.9	1.8	58.6%

The use of automated calculation systems may give rise to rounding differences.

1) Average weighted total floor space, including increases from acquisitions and reductions from sales



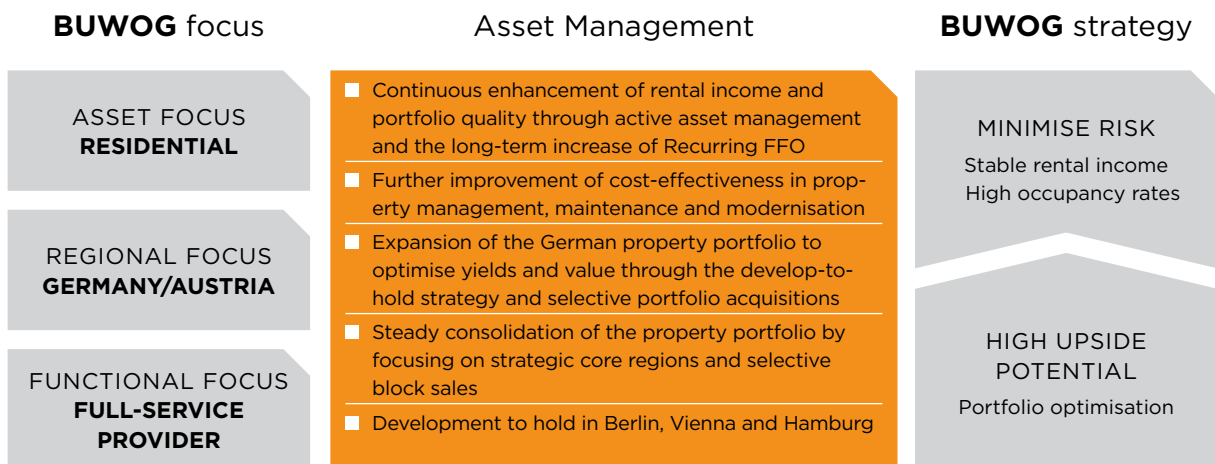
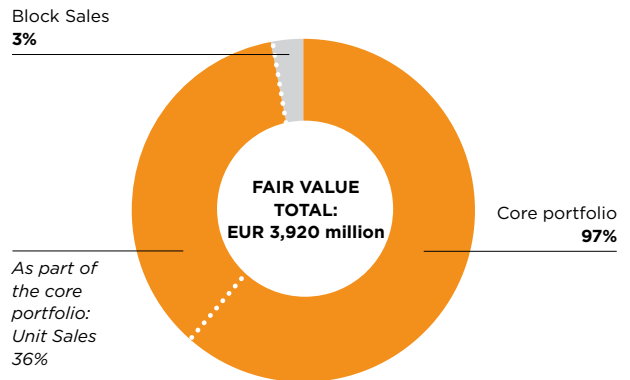
**CLEAR PORTFOLIO STRATEGY AND SEGMENTATION**

The BUWOG Group’s standing investment portfolio is structured in geographic and strategic clusters. The strategic clusters include the core portfolio, together with the apartments designated for Unit Sales, with 97% of the fair value of the total portfolio and the Block Sales portfolio at 3%. The Unit Sales cluster consists of standing investment units which are considered suitable for sale over the medium- and long-term. They have a higher fair value per square metre due to the potential selling price. The properties assigned to the Block Sales portfolio are viewed as comparatively unattractive because of management indicators such as vacancy, monthly net in-place rent or fair value per square metre and have limited potential for improvement in the future. These properties are located primarily in the rural regions of Austria.

Asset Management will continue to pursue a clear strategy for the standing investment portfolios in Germany and Austria. This strategy will remain focused on properties in interesting core regions of the federal and state or provincial capitals which can demonstrate high occupancy rates, low asset risk, favourable building substance and attractive contributions to value growth. The growth strategy will also include an increase in new construction for BUWOG’s portfolio in Berlin and Hamburg. The goal is the value-oriented, sustainable management of the standing investments as a means of generating stable cash flows from property rentals and higher earnings contributions to Recurring FFO. In addition, the continuous improvement of the properties in the standing investment portfolio will support an increase in Net Asset Value through an improvement in the fair value of the properties.

**STRATEGIC PORTFOLIO CLUSTER SPLIT BY FAIR VALUE**

as of 31 July 2017



# PROPERTY SALES

The Property Sales business model is based on Unit Sales and Block Sales (the sale of individual properties and portfolios). Its primary goal is to continuously and profitably strengthen BUWOG's standing investment portfolio through the high-margin sale of individual units and block sales to optimise and streamline the portfolio. Through the high-margin sale of apartments from the Austrian portfolio, the Property Sales business area makes a steady, sizeable contribution to Recurring FFO and generates significant cash flows. These liquid assets are invested in further growth through the acquisition of properties for the Asset Management business area and additional land for new construction projects by the Property Development business area.

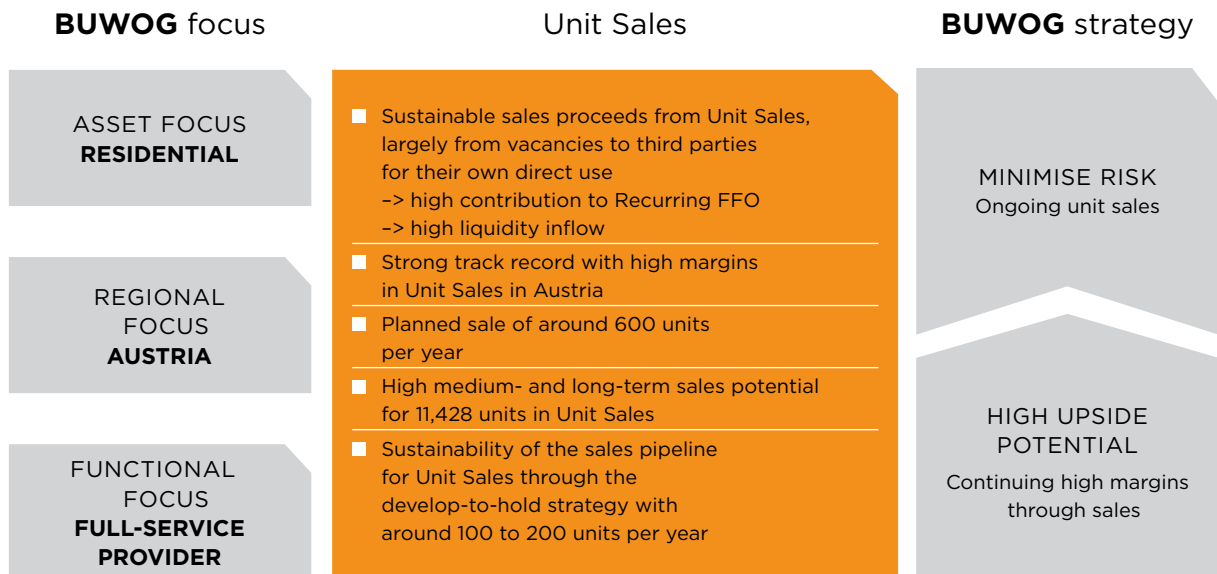
The Property Sales business area generated results of operations (before expenses not directly attributable to this business area and other operating income of BUWOG Group) totalling EUR 15.8 million in the first quarter of 2017/18 (Q1 2016/17: EUR 9.6 million) and Recurring FFO of EUR 13.8 million (Q1 2016/17: EUR 9.6 million).

	Unit Sales	Block Sales
Examples from the portfolio	<p>Villach, Völkendorfer Strasse 87 Vienna, Hetzendorfer Strasse 93 Vienna, Forsthausgasse 15</p>	<p>St. Veit an der Glan, Friesacher Strasse 17 Spittal an der Drau, Gottscheer Strasse Völs, Aflinger Strasse 15</p>
Key facts	<ul style="list-style-type: none"> <li>■ Sale in selected regions, primarily to owner-occupiers as a result of turnover</li> <li>■ High profitability               <ul style="list-style-type: none"> <li>- Margins on fair value &gt;50%</li> <li>- Long-term contribution to Recurring FFO</li> <li>- High liquidity inflow</li> </ul> </li> <li>■ Optimal mix of internal and external sales channels</li> </ul>	<ul style="list-style-type: none"> <li>■ Sale of portfolios or properties in strategically less relevant areas, mainly rural regions</li> <li>■ Portfolio consolidation and optimisation through profitable and cycle-optimised sales</li> <li>■ Optimal mix of internal and external sales channels</li> </ul>
Contribution to Recurring FFO	<p>Long-term contribution to profit from ongoing unit sales</p>	<p>Opportunistic block sales with adequate margins</p>

## UNIT SALES

A total of 196 units were sold during the first quarter of 2017/18 (Q1 2016/17: 154 units) at a margin of roughly 63% (Q1 2016/17: 57%) on fair value. The margin on fair value represents the NOI from Unit Sales after the deduction of all external transaction costs and directly attributable personnel and operating expenses in relation to the book value of the sold units (i.e. the carrying amount as reported on the income statement minus the fair value adjustments of sold properties). The 194 units sold from the Austrian portfolio were located primarily in Vienna (82 units), Carinthia (51 units) and Styria (25 units). Two units were sold from the German portfolio. The average sale price rose substantially to EUR 2,372 per sqm in the first quarter of 2017/18, compared with EUR 2,297 per sqm in the first quarter of the previous year. Unit Sales contributed EUR 13.8 million to Recurring FFO for the reporting period (Q1 2016/17: EUR 9.6 million).

The Unit Sales portfolio cluster contained 11,428 units as of 31 July 2017 (H1 2016/17: 12,512 units), which are all located in Austria and identified as suitable for individual sale over the medium- and long-term. Of these units, 6,272 are located in Vienna, 1,997 in Carinthia and 3,159 in the other Austrian provinces. The fair value of the Unit Sales portfolio cluster amounted to approx. EUR 1.4 billion as of 31 July 2017 (31 July 2017: EUR 1.5 billion) with a gross rental yield of 3.6% (31 July 2016: 3.6%).

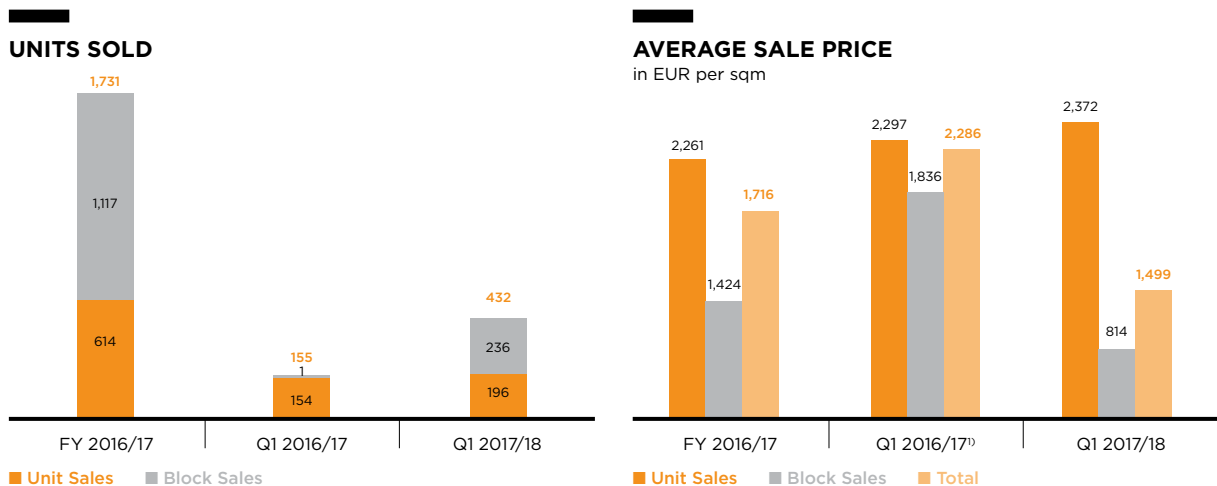


The Property Sales business area is focused on the long-term, profitable optimisation of the standing investment portfolio through high-margin Unit Sales in Austria. This safeguards sustainable and significant earnings contributions to Recurring FFO and the generation of free cash flow for the internal financing of further growth.

**BLOCK SALES**

BUWOG’s property portfolio is focused on urban locations of the capital cities of Vienna and Berlin as well as regional capitals and major cities in Austria and Northern Germany. As part of the “capital recycling” strategy, selected block sales are carried out to optimise and consolidate the portfolio. The resulting liquid funds are then invested in selected core regions of Germany in order to generate higher returns. In the first quarter of 2017/18, 236 units in Vienna were sold at a margin of roughly 13% on fair value (Q1 2016/17: 6%) and Block Sales contributed TEUR 2.1 million to Recurring FFO (Q1 2016/17: EUR 0.0 million). Additional details can be found under Sale of portfolio properties on page 38.

The strategic Block Sales cluster included 2,507 units as of 31 July 2017 (31 July 2016: 3,236 units), whereby 1,530 units are located in Carinthia, 888 in the other Austrian provinces and 89 in Vienna.



<sup>1)</sup> In the first quarter of 2016/17 a commercial unit in Vienna was sold at a high average price.

# PROPERTY DEVELOPMENT

BUWOG bundles the realisation of attractive development projects for its own portfolio and the construction of residential properties for sale after completion in the Property Development business area. Development activities are currently focused on the capitals of Vienna and Berlin and, since the end of April 2016, also on Hamburg. This reflects the strong demographic and economic parameters of these cities, combined with BUWOG's many years of experience in the development of residential properties and extensive market knowledge. The BUWOG Group is now active in the property development and asset management sectors of the three largest German-speaking cities.

In July 2017, bulwiengesa AG published a list of the eight most active project developers in Vienna. The BUWOG Group ranked first according to the number of projects and the number of apartments. A rating of new construction projects for condominiums/investment apartments also listed the BUWOG Group first, as in the previous years. A May 2017 study by bulwiengesa AG ("Der Markt für Projektentwicklungen in den deutschen A-Städten 2017") included BUWOG among the largest project developers in Berlin based on total floor area.

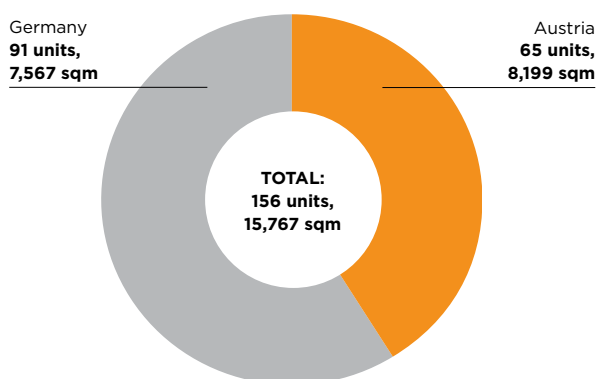
## OVERVIEW OF THE FIRST THREE MONTHS OF 2017/18

The Property Development business area made a very strong contribution of EUR 18.7 million to earnings in the first quarter of 2017/18 (Q1 2016/17: EUR -0.9 million). This sound growth was supported, in particular, by the transfer of the exclusive project "Pfarrwiesengasse 23" and the earlier completion of the "Southgate" project with the transfer of all sold units to the residents. In addition, two land sites in Austria were sold as planned. The Property Development business area is expected to contribute at least EUR 23 million to Recurring FFO for the full 2017/18 financial year.

In the first three months of 2017/18, 156 units were transferred to the buyers (Q1 2016/17: 58 units). 91 of these units are located in Berlin (7,567 sqm) and 65 units in Vienna (8,199 sqm). The 65 units transferred in Vienna include 36 which were completed prior to 30 April 2017. The related proceeds are recognised to the income statement when the apartments are transferred to the buyers.

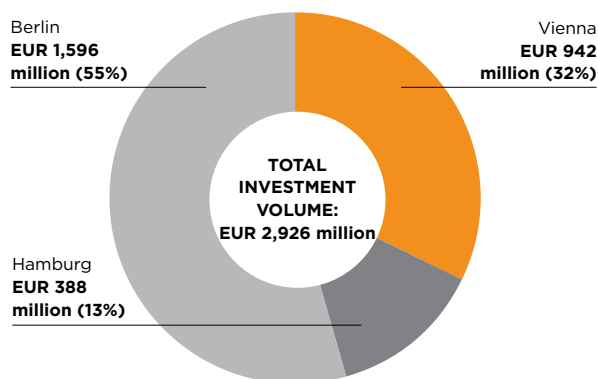
### UNITS TRANSFERRED TO BUYERS Q1 2017/18

Number of units and sqm



### DEVELOPMENT PIPELINE

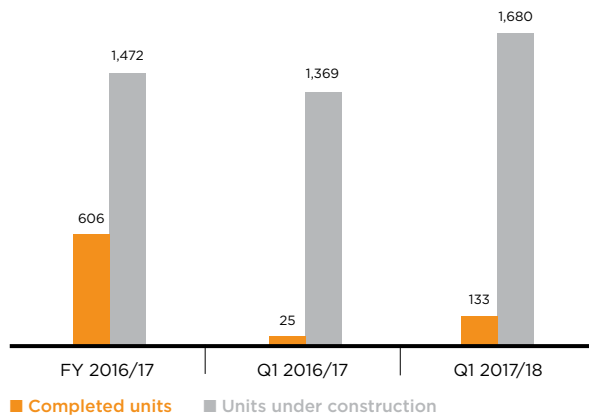
in EUR million, by location as of 31 July 2017



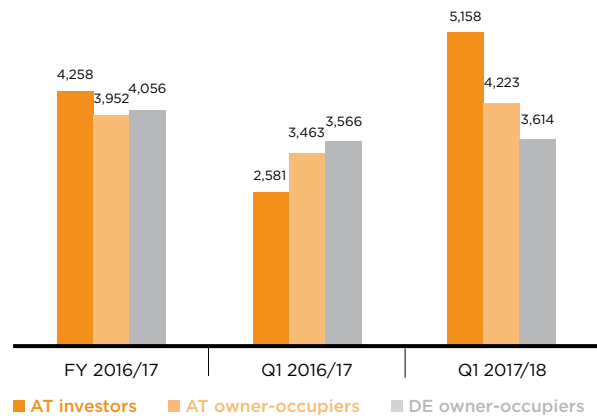
The Property Development business area, which clearly distinguishes the BUWOG Group from its competitors, was further expanded during the reporting period. Changes in the development pipeline resulted, in part, from the 133 units completed during the first three months of 2017/18 (91 units in Berlin and 42 units in Vienna). The development pipeline was expanded through the purchase of land in Berlin for the construction of 36 units at an estimated total investment volume of EUR 15 million and through progress on the development of 44 units. At the end of the reporting period, BUWOG's pipeline contained 1,199 units more than in the first quarter of the previous financial year.

The development pipeline covered roughly 10,096 planned units with an estimated total investment volume of approx. EUR 2.9 billion as of 31 July 2017. Beginning with the 2016/17 financial year, the total investment volume has been presented excluding the imputed interest on equity to improve transparency. BUWOG's internal project calculations include imputed interest of 8% on non-liquidity-related equity to ensure the profitability and rapid realisation of its projects.

**COMPLETED UNITS AND UNDER CONSTRUCTION**



**AVERAGE SALE PRICE**  
in EUR per sqm



In comparison with 30 April 2017, the BUWOG Group increased the number of units under construction by roughly 14%. Twenty projects with 1,680 units were under construction as of 31 July 2017: 12 projects with 790 units in Berlin and eight projects with 890 units in Vienna.

The average selling price realised in the first quarter of 2017/18 is based on 156 units (91 in Berlin, 65 in Vienna) transferred to the buyers. In Austria, an additional differentiation is made between investors and owner-occupiers. The selling price of an apartment purchased by an investor does not include value added tax. Of the 65 units transferred to buyers in Austria, 59 units were purchased by owner-occupiers and six by investors.

## **LAND PURCHASES IN THE FIRST THREE MONTHS OF 2017/18**

The BUWOG Group acquired one land site in Berlin-Kreuzberg during the first quarter of 2017/18. Plans call for the construction of roughly 36 condominium apartments at this location with a total investment volume of EUR 15 million. In addition, the renovation of a property created a further 14 units for the portfolio.

Information on these land purchases is provided in the following table.

Locations	Signing	Closing	Number of planned units	Expected total floor area in sqm	Total investment volume in EUR million <sup>1)</sup>	Fair value 30 April 2017 in EUR million <sup>2)</sup>	Strategy
"Jahnstrasse", Jahnstrasse 15, 10967 Berlin-Kreuzberg, Germany	07/2017	08/2017	36	2,829	15.1	-	to-sell
<b>Total I (as of 31 July 2017)</b>			<b>36</b>	<b>2,829</b>	<b>15.1</b>	<b>0.0</b>	

1) Total investment volume excluding calculated interests

2) The pipeline projects are valued by CBRE twice each year as of 31 October and 30 April. The IFRS carrying amounts as of 30 April are not specified because of confidentiality agreements concluded, above all concerning the purchase prices.

3) The transfer of benefits and obligations is expected to take place in 2017

The transfer of rights and obligations for a site purchased in 2016/17 took place after the end of the reporting period on 31 July 2017.

Locations	Signing	Closing	Number of planned units	Expected total floor area in sqm	Total investment volume in EUR million <sup>1)</sup>	Fair value 30 April 2017 in EUR million <sup>2)</sup>	Strategy
"MGC-Plaza", Döblerhofstrasse, 1030 Vienna, Austria <sup>3)</sup>	07/2016	-	378	28,205	90.5	-	to-hold and to-sell
"Spree 12", Spreestrasse 12, Berlin-Niederschöneweide, Germany	01/2017	09/2017	67	4,482	15.8	-	to-hold
<b>Total I (as of 31 of July 2017)</b>			<b>445</b>	<b>32,687</b>	<b>106.3</b>	<b>0.0</b>	

1) Total investment volume excluding calculated interests

2) The pipeline projects are valued by CBRE twice each year as of 31 October and 30 April. The IFRS carrying amounts as of 30 April are not specified because of confidentiality agreements concluded, above all concerning the purchase prices.


3) The transfer of benefits and obligations is expected to take place in 2017

**PRODUCT DEVELOPMENT MATRIX**

The project development pipeline contained 10,096 units as of 31 July 2017: 3,693 units (37%) are under construction for BUWOG's portfolio and 6,403 units (63%) for sale.

Details on the regional distribution of the pipeline and on the individual type of development are shown in the following product development matrix.

**PRODUCT DEVELOPMENT MATRIX** as of 31 July 2017

Property Development	Develop-to-Hold	Develop-to-Sell	
		Privately financed condominiums	Global exit
<b>Vienna</b> 4,068 units	Subsidised and privately financed rentals  <b>Investment portfolio</b> ■ Units: 1,591 ■ Total floor area: 117,076 sqm	Privately financed condominiums  <b>Regional customers</b> ■ Units: 2.463 ■ Total floor area: 174,531 sqm	Global exit  <b>Institutional investors and foundations</b> ■ Units: 14 ■ Total floor area: 27,894 sqm
	 <p>"Rivus Quartus", 100 units</p>	 <p>"freiraum 21", 140 units</p>	 <p>Breitenfurter Strasse 223-237 BPL2, two units</p>
	<b>Investment portfolio</b> ■ Units: 1,831 ■ Total floor area: 146,309 sqm	<b>Regional customers</b> ■ Units: 3,011 ■ Total floor area: 246,291 sqm	<b>Institutional investors and foundations</b> ■ Units: 75 ■ Total floor area: 10,963 sqm
	 <p>"52 Grad Nord" – Subproject Ankerviertel, 86 units</p>	 <p>"The One", 240 units</p>	 <p>"Geyer-Medienhöfe", 75 units</p>
<b>Hamburg</b> 1,111 units	<b>Investment portfolio</b> ■ Units: 271 ■ Total floor area: 16,258 sqm	<b>Regional customers</b> ■ Units: 807 ■ Total floor area: 64,552 sqm	<b>Institutional investors and foundations</b> ■ Units: 33 ■ Total floor area: 8,820 sqm
<b>Total</b> 10,096 units			

# DEVELOP-TO-HOLD

## **THE DEVELOP-TO-HOLD STRATEGY**

The intense competition on the German and Austrian property markets continues and is making yield-oriented portfolio acquisitions increasingly difficult. At the same time, the current supply is unable to meet the steady and strong demand for housing, especially in metropolitan areas.

Based on over 60 years of experience in residential property development and a local market presence, the BUWOG Group has set a goal to expand the current pipeline of roughly 3,700 units for the develop-to-hold portfolio to 5,500 units. This growth will be supported by the purchase of further land sites, with the completion of the related projects expected within the next five years.

## **DEVELOP-TO-HOLD AT BUWOG**

The BUWOG Group has been building rental apartments for management in its own portfolio since its founding in 1951. Most of the units constructed in Vienna in recent years have been part of the Vienna Housing Initiative.

The plans for Germany are primarily related to privately financed units. The advantage of this approach is the reduction in legal requirements compared with project development under a subsidy regime.

The large property development pipeline in Berlin and Hamburg combined with the comparatively moderate acquisition prices for the properties in Grünau ("52 Grad Nord"), Niederschöneweide and Neukölln make it possible for the BUWOG Group to develop condominiums for sale as well as rental apartments for its own portfolio. This procedure is especially attractive because it converts short-term development income into long-term returns from rental.

The Vienna Housing Initiative is a special form of privately financed residential construction, which offers advantageous conditions through low-cost loans provided by the City of Vienna. The city links the loan approval to equity and rent caps as well as quality criteria. Construction under the Vienna Housing Initiative revitalises BUWOG's portfolio in Austria and supplies new, high quality rental apartments for the Asset Management business area.

## **OVERVIEW OF THE FIRST THREE MONTHS OF 2017/18**

Construction started on 27 standing investment units in Berlin during the first quarter of 2017/18. These units have a total investment volume of approx. EUR 7 million.

The develop-to-hold pipeline included 3,693 units (1,831 in Berlin, 271 in Hamburg and 1,591 in Vienna) as of 31 July 2017, or 23% more than on 31 July 2016. This pipeline has a total investment volume of EUR 848 million.



**OUTLOOK**

The BUWOG Group plans to complete 186 units (100 units in Vienna and 86 in Berlin) during 2017/18. With the completion of 86 units in the “Ankerviertel” project, BUWOG finalised its first develop-to-hold apartments in Berlin.

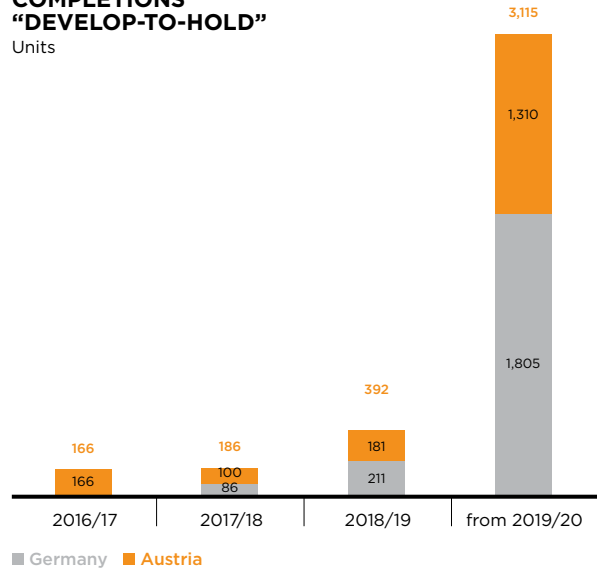
The graph on planned completions for the develop-to-hold pipeline in Germany and Austria illustrates the growth of the Property Development business area and the intensification of develop-to-hold activities in Germany.

A total of 113 units are currently under construction in Berlin, and construction is set to begin on a further 445 units during 2017/18. In addition, planning has started for 1,544 units (1,273 in Berlin, 271 in Hamburg). The develop-to-hold pipeline in Germany totals 2,102 units and represents a total investment volume of EUR 585 million.

The pipeline in Vienna includes 1,591 units with a total investment volume of EUR 262 million, with 281 units currently under construction. Construction on 328 is expected to begin in 2017/18. Another 982 units are currently in the planning process, with construction scheduled to start during or after 2018/19.

The develop-to-hold pipeline had a total investment volume of EUR 848 million as of 31 July 2017. This volume includes approx. EUR 585 million in Germany (with 89% in Berlin) and approx. EUR 262 million in Austria. A total of EUR 79 million is currently under construction, with construction on a further EUR 165 million scheduled to begin in 2017/18. Other projects are currently in the planning stage and, from the current point of view, are expected to begin during or after 2018/19.

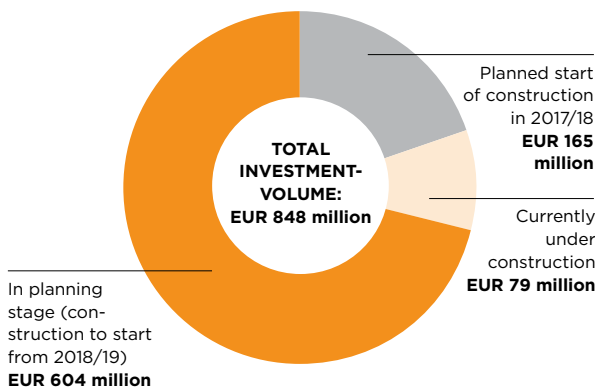
**COMPLETIONS “DEVELOP-TO-HOLD”**  
Units



During project development delays may occur due to unforeseeable factors (e.g. extended approval processes as a result of bureaucracy). Completion times may therefore be postponed.

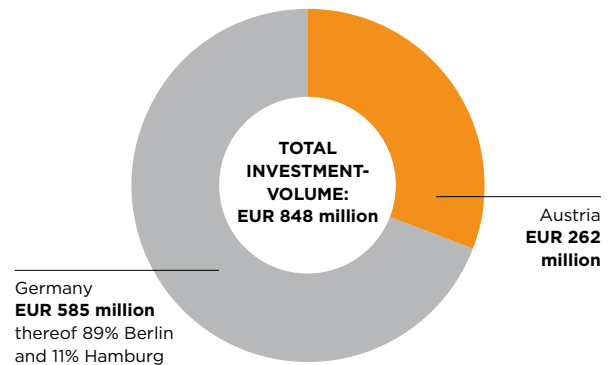
**DEVELOPMENT PROJECTS “DEVELOP-TO-HOLD”**

by implementation stage, as of 31 July 2017



**DEVELOPMENT PROJECTS “DEVELOP-TO-HOLD”**

by segments as of 31 July 2017



# DEVELOP-TO-SELL

## THE DEVELOP-TO-SELL STRATEGY

As of 31 July 2017, this pipeline contained 6,403 units with a combined volume of approx. EUR 2.1 billion.

Plans call for the completion of 500 to 600 apartments annually in Vienna, Berlin and Hamburg over the coming years.

The development of residential units for sale is focused solely on privately financed condominiums. The related sites are purchased on the basis of clearly defined criteria that include both qualitative and quantitative targets. The qualitative targets involve the focused purchase of large plots for the development of multi-storey properties in interesting locations (e.g. with favourable local transportation connections and/or close proximity to waterways in Germany), while the quantitative targets involve a margin between 18% and 20% on the total investment cost (excl. interest on equity). The BUWOG Group's goal for the Property Development business area is to complete most of the existing development pipeline within the coming five to six years and to replenish this pipeline at the same level. Over the medium term, the BUWOG Group plans to sell the units at average sale prices of EUR 4,000 to EUR 5,500 per sqm.

## DEVELOP-TO-SELL AT BUWOG

BUWOG is currently realising several projects in the up-and-coming districts in the eastern districts and in the established western regions of Berlin. A 2017 ranking of Berlin residential project developers by bulwiengesa AG lists the BUWOG Group as one of the largest residential developer in that city. BUWOG's sales pipeline in Berlin currently includes 3,086 residential units with an investment volume of EUR 1.1 billion.

In addition to Berlin, Hamburg will represent an important development location in Germany for the BUWOG Group in the future. Previous activities in the Asset Management business area and the BUWOG team's network give the company outstanding knowledge of the market and contacts in the Hanseatic city. The first residential project in Hamburg includes a quarter with – according to the latest planning – over 1,100 residential units, including 840 which are designated for sale. The total investment cost for the condominiums are estimated at approx. EUR 0.3 billion.

Despite the challenging conditions for the real estate branch on the Vienna housing market, the BUWOG Group has secured an extensive range of properties for future development projects. A total of 2,477 units with an investment volume of EUR 0.7 billion are currently under development for sale in Vienna.

## OVERVIEW OF THE FIRST THREE MONTHS OF 2017/18

In the first quarter of 2017/18, 133 units (91 in Berlin, 42 in Vienna) with 11,196 sqm of total floor area were completed for sale to third parties. That represents a year-on-year increase of 108 units. Transfers to the buyers, with recognition to the income statement, covered 156 units (91 in Germany and 65 in Austria).

BUWOG's develop-to-sell pipeline contained 6,403 units as of 31 July 2017. That corresponds to an increase of 9% over the first quarter of the previous year and, based on the calculated investment volume, an increase of roughly 8% to approx. EUR 2.1 billion. Of these 6,403 units, 3,926 are planned for Germany and 2,477 for Austria.

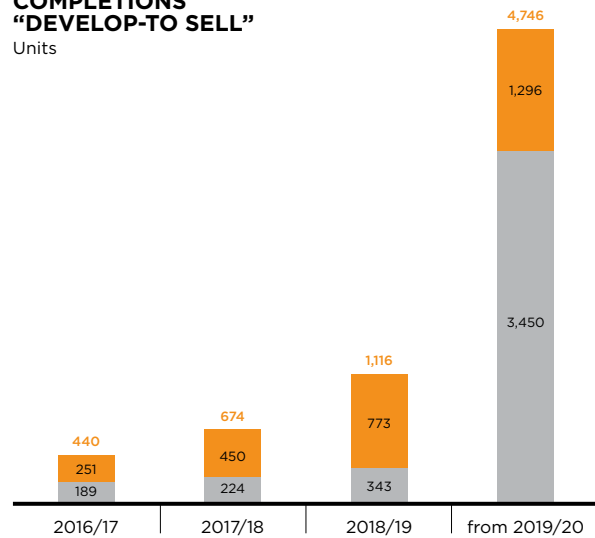
**OUTLOOK**

The following graph illustrates the completion schedule for the develop-to-sell pipeline in Germany and Austria. The realisation of development projects can be influenced by unforeseen factors which include, for example, extended approval processes. The exact completion dates can therefore differ from these estimates.

BUWOG plans to complete 674 units for the develop-to-sell pipeline in 2017/18: 224 units in Berlin with a total investment volume of approx. EUR 83 million and 450 units in Vienna with a total investment volume of approx. EUR 100 million.

**COMPLETIONS  
“DEVELOP-TO SELL”**

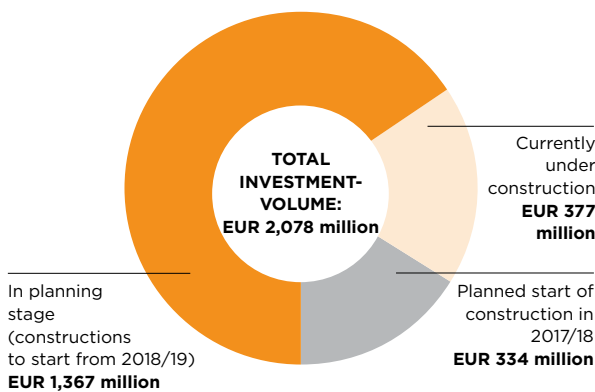
Units



■ Germany ■ Austria  
 During project development delays may occur due to unforeseeable factors (e.g. extended approval processes as a result of bureaucracy). Completion times may therefore be postponed.

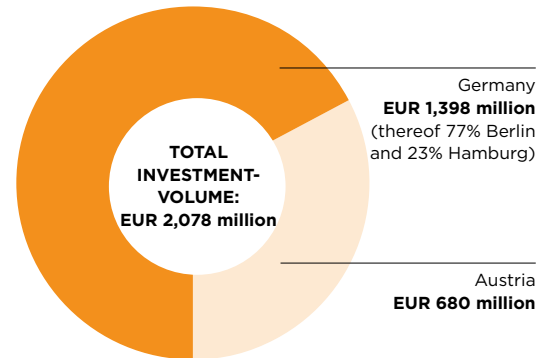
**DEVELOPMENT PROJECTS  
“DEVELOP-TO-SELL”**

by implementation stage as of 31 July 2017



**DEVELOPMENT PROJECTS  
“DEVELOP-TO-SELL”**

by segments as of 31 July 2017



The develop-to-sell pipeline included 6,403 units as of 31 July 2017, or 9% more than on 31 July 2016. The 3,926 pipeline units in Germany include 677 units currently under construction, 324 units with a planned construction start in 2017/18 and 3,015 units (2,175 in Berlin, 840 in Hamburg) in the planning phase. These projects correspond to a total investment volume of EUR 1,398 million. In Austria, the pipeline includes 2,477 units with a total investment volume of EUR 680 million, whereby 609 units are currently under construction. Construction is scheduled to start on 703 units in 2017/18, and a further 1,165 units are currently in the planning process with construction expected to begin during or after 2018/19.

## BUWOG focus

ASSET FOCUS  
**RESIDENTIAL**

REGIONAL FOCUS  
**BERLIN/HAMBURG/  
VIENNA**

FUNCTIONAL FOCUS  
**FULL-SERVICE  
PROVIDER**

## Property Development

- Strategy for differentiation from the peer group and creation of added value through project development
- Focus on securing considerable profitability and minimisation of risk
- Development pipeline in Berlin, Hamburg and Vienna with an investment volume around EUR 2.9 billion
- Balanced project pipeline in various stages of development
- Strong internal sales structures in Vienna and Berlin for condominium sales
- Profitable division for generating Recurring FFO and for strengthening the company's own portfolio

## BUWOG strategy

**MINIMISE RISK**  
Approx. 65 years of  
development experience

**HIGH UPSIDE  
POTENTIAL**  
High margins from  
property development

# INVESTOR RELATIONS

Uncertainty over the future course of US economic policies and global conflicts as well as the outcome of elections in Europe had a negative effect on the international stock markets during the reporting period. In spite of these effects, the economic development in key industrial countries, a strong US labour market, good corporate indicators and, last but not least, the election results in the Netherlands and France had a positive influence on the capital market. The ATX, the leading index of the Vienna Stock Exchange, rose by roughly 7% during the reporting period and closed at 3,218 points at the end of January 2017. The MDAX fell by a slight 1% from 24,555 to 24,822 points during this same period. The Austrian real estate index IATX, which includes BUWOG AG as well as five other Austrian real estate companies, increased by nearly 4% to 288 points. At the European level, the EPRA Developed Europe index declined by almost 1% from 2,127 to 2,099 points.

The IATX, which serves as the base value for all options and futures contracts traded on the Vienna Stock Exchange and all real estate shares listed in the Vienna Prime Market, includes the BUWOG share at a current weighting of almost 23%. The BUWOG share is also part of the branch-specific FTSE EPRA/NAREIT Developed Europe Index, a recognised worldwide benchmark and the most widely used index for listed real estate companies. Other listings that include BUWOG are the VÖNIX Sustainability Index, which features listed companies that are considered leaders in terms of their social and environmental performance, and the GPR 250 Index.

On 31 August 2017 BUWOG AG received the Grand Award in the category “Best of Financial Data” at the international ARC AWARDS, the world’s largest annual report competition.

## DEVELOPMENT OF THE BUWOG SHARE

With a closing price of EUR 24.84 on 31 July 2017, the BUWOG share outperformed the relevant branch indexes during the reporting period. This sound development was supported by the generally positive development of the real estate sector.

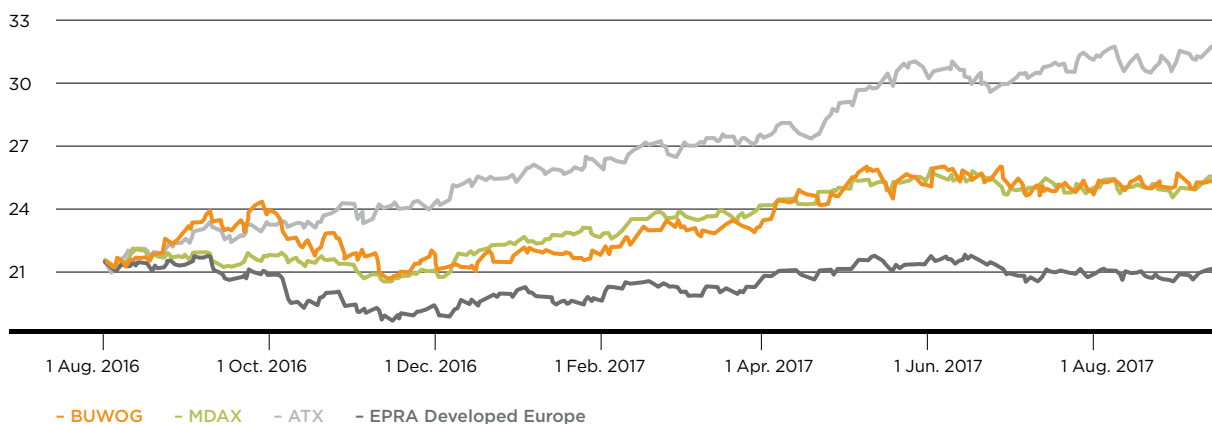
As of 31 July 2017 the BUWOG share traded above the EPRA NAV per share of EUR 24.15. The price of the BUWOG share has trended steadily upward since 31 July 2017.

### REFERENCE DATA FOR THE BUWOG SHARE

ISIN	AT00BUWOG001
WKN	A1XDYU
Bloomberg Ticker	BWO GR, BWO AV, BWO PW
Official market	Frankfurt Stock Exchange (Prime Standard), Vienna Stock Exchange (Prime Market), Warsaw Stock Exchange (Main Market)

## COMPARATIVE PERFORMANCE OF THE BUWOG SHARE

(compared with opening prices on 29 January 2016), in EUR

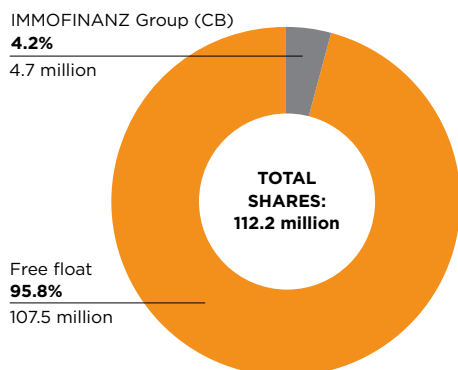


## SHAREHOLDER STRUCTURE

BUWOG AG had a free float component of roughly 96% as of 31 July 2017. The remaining shares held by IMMOFINANZ AG, approx. 4.7 million, represented an investment of roughly 4.2% at the end of the first quarter of 2017/18 and are intended to service the convertible bonds issued by IMMOFINANZ AG. Most of the approx. 107.5 million free float shares are held by a broadly diversified spectrum of Austrian and international institutional investors as well as funds and European private investors. In addition to IMMOFINANZ AG, three individual shareholders currently hold a reportable investment in BUWOG AG: BlackRock Inc. with 5.4%, FMR LLC with 5.3% and JP Morgan Chase & Co with 4.4% of the shares.

IMMOFINANZ AG has two convertible bonds outstanding which carry rights to the BUWOG shares previously existing and currently held by IMMOFINANZ AG. In the event of conversion, IMMOFINANZ is required to also transfer BUWOG shares to the bondholders because these bonds were issued prior to the spin-off of BUWOG AG from IMMOFINANZ AG in 2014. The conversion of the CB 2017 (maturity in November 2017) would lead to the transfer of roughly 0.2 million BUWOG shares previously existing and currently held by IMMOFINANZ AG to the bondholders based on the current exchange ratio. However, the conversion of this bond (XS0332046043) appears highly unlikely at the present time due to the current price of the IMMOFINANZ and BUWOG shares. Full conversion of the CB 2018 (XS0592528870, maturity in March 2018) would, based on the current exchange ratio, lead to the transfer of a total of approx. 4.6 million BUWOG shares previously existing and currently held by IMMOFINANZ AG to the bondholders. That would increase the free float of the BUWOG share from the present level of roughly 95% to 100%. These bonds do not represent a dilution risk for BUWOG shareholders.

### SHAREHOLDER STRUCTURE AS OF 31 JULY 2017



Key data and further information on the convertible bonds can be found on the IMMOFINANZ AG website under [www.immofinanz.com](http://www.immofinanz.com) (the Investor Relations section). All voting rights announcements are published on a timely basis under [www.buwog.com](http://www.buwog.com).

## **BUWOG CONVERTIBLE BOND 2016 (ISIN AT0000A1NQH2)**

On 6 September 2016, BUWOG AG announced the issue of a non-subordinated unsecured five-year convertible bond with a total nominal value of EUR 300 million and a denomination of EUR 100,000. The subscription rights of BUWOG shareholders were excluded within the framework of the authorisation and in compliance with reporting requirements. The bond was initially convertible into 9,554,140 zero par value bearer shares, which represented approximately 8.51% of BUWOG's current outstanding share capital. Strong interest by investors during the bookbuilding process resulted in an initial conversion premium of 35% over the reference price of EUR 23.25, or approximately 55% above the last known EPRA NAV per share on the issue date. The initial conversion price therefore equalled EUR 31.40. There will be no interest payments due to the zero coupon. The convertible bond was issued at 100% of the nominal value and represents the first zero coupon convertible bond to be issued by a listed real estate company in the German-speaking countries. The proceeds from the bond will be used primarily to drive growth in the property development business in Germany, above all in connection with BUWOG's develop-to-hold strategy. The proceeds will also be used for a CAPEX programme and the refinancing measures announced on 27 October 2016.

The conversion price was adjusted as follows after the end of the reporting period to reflect the capital increase on 2 June 2017. The adjustment took effect on 16 May 2017 and was based on § 11 (b) of the convertible bond terms:

ISIN convertible bond	AT0000A1NQH2
Convertible bond due in 2021, excluding interest	2021
Adjusted conversion price as of 16 May 2017 (EUR)	31.22

## **CAPITAL INCREASE IN JUNE 2017**

On 2 June 2017, a cash capital increase with subscription rights resulted in the successful placement of 12,471,685 new shares within the framework of a bookbuilding process at a subscription price of EUR 24.50 per share. The proceeds from the capital increase amounted to EUR 305.6 million, and the total number of shares rose to 112,245,164. The transaction was concluded at a premium of 7.2% over the last reported EPRA NAV on the date of the capital increase. The proceeds will be used primarily to purchase additional land for the rapidly growing develop-to-hold and develop-to-sell businesses at the established locations of Berlin, Hamburg and Vienna.

## **CURRENT DIVIDEND POLICY**

The protection of shareholders' interests is a key priority for the Executive Board, and this includes ensuring an appropriate return on their investment. The Executive Board plans to make a recommendation to the Annual General Meeting of BUWOG AG for the payment of a dividend equalling roughly 60% to 65% of annual Recurring FFO over the long-term. Until this level is reached, the dividend is expected to reflect the previous annual amount of EUR 0.69 per share. Any further increase would then reflect the growth in Recurring FFO. A dividend of EUR 0.69 per share represents a return of approximately 2.8% on the company's EPRA NAV as of 31 July 2017 and a return of 2.9% based on the closing price of EUR 24.84 on that date as well as 2.8% of the volume-weighted average price for the financial year.

There is a potential for further growth through a possible increase in the portfolio value and expected increase in income, especially from the Property Development business area.

## FINANCIAL CALENDAR

28 September 2017	Publication of the Q1 Report 2017/18
29 September 2017	Société Générale – Pan European Real Estate Conference, London
7 October 2017	Record date for the Annual General Meeting
10 October 2017	Erste Group Investor Conference, Stegersbach
17 October 2017	Annual General Meeting of BUWOG AG, Stadthalle Wien
19 October 2017	Ex-dividend day
20 October 2017	Record date for dividend
23 October 2017	Dividend payment date
20 November 2017	Austrian & CEE Investors Conference, New York
21 November 2017	Austrian Day, Chicago
4–7 December 2017	Berenberg European Conference, Surrey (UK)
11–12 December 2017	HSBC Global Real Estate Conference, Kapstadt
21 December 2017	Publication of the H1 Report 2017/18
29 March 2018	Publication of the 9M Report 2017/18

## COVERAGE

Analyses by well-known financial institutions and research experts are important sources of information and form the basis for decision-making, particularly for institutional investors. BUWOG AG maintains a regular dialogue with these experts. The following institutions analyse the development of BUWOG AG and publish information on the BUWOG share:

## ANALYSTS' RECOMMENDATIONS

Institution	Date	Target share price	Recommendation
Baader Bank	8 August 2017	EUR 26.00	Hold
Bank of America Merrill Lynch	19 September 2016	EUR 26.00	Buy
Barclays	27 September 2016	EUR 27.20	Overweight
Berenberg	26 September 2017	EUR 29.70	Buy
Commerzbank	20 September 2017	EUR 31.00	Buy
Deutsche Bank	26 June 2017	EUR 29.50	Buy
Erste Bank	9 March 2017	EUR 26.50	Accumulate
HSBC	5 July 2017	EUR 34.00	Buy
Kepler Cheuvreux	31 May 2017	EUR 26.50	Hold
M.M. Warburg Bank	5 May 2017	EUR 28.30	Buy
Raiffeisen Centrobank	13 February 2017	EUR 26.70	Hold
Société Générale	20 September 2017	EUR 30.00	Buy
Victoria Partners	7 July 2017	EUR 24.50–26.50	n.a.

The average target share price in the published research reports is EUR 28.22, which is 9% above the share price on 15 September 2017 (EUR 25.91). As a member of EPRA, the leading European association of listed property companies, BUWOG is committed to their standards of transparency in accounting and underscores its credibility by pursuing a demand for professionalism and excellence.

## CONTACT

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# **CONSOLIDATED** **INTERIM MANAGEMENT** **REPORT**

## **THE MARKET ENVIRONMENT**

### **MODERATE GROWTH FOR THE GLOBAL ECONOMY**

The World Bank is forecasting accelerated growth for the global economy during 2017, but political uncertainties will remain and could have a negative effect on the extent of this development. The 2.4% increase in 2016 should be followed by 2.7% in 2017 and 2.9% in 2018, according to the World Bank. The USA is expected to see modest improvement with a GDP increase of 2.1% in 2017 and 2.2% in 2018 (2016: +1.6%). The emerging and development countries are facing a much more optimistic future (2017: +4.2%) due to the steady rise in raw material prices. The economic policy risks expected from the change of government in the USA have been shifted to the background by problems connected with the realisation of campaign promises. Forecast risks are currently related, above all, to the normalisation of monetary policies. In the United Kingdom, the first signs of weakening economic momentum have appeared and are viewed as a negative effect of the “Brexit” decision.

The European Central Bank (ECB) has issued a slight upward revision to its growth forecasts for the Eurozone in 2017 and 2018 (+1.8%) but, at the same time, is forecasting an increase in inflation to 1.3% in 2017 and 1.6% in 2018. In the first meeting after the summer break on 7 September 2017, ECB President Mario Draghi announced a continuation of the previous monetary course. Bond purchases will remain unchanged up to year-end at a monthly volume of EUR 60 billion, and the group of acceptable securities will be further expanded if necessary. The strong rise of 7.9%\* in the Euro-Pound exchange rate (\*year-on-year comparison at the end of August) and 6.0% in the Euro-US Dollar exchange rate can be seen as a consequence of the sound economic development.

### **STEADY GROWTH IN EUROPE**

In its 2017 spring forecast, the European Commission estimates GDP growth for the 28 EU member states at 1.9% each in 2017 and 2018 (2016: 1.9%), with private consumption again representing the primary driver. The purchasing power of the private households in all EU member states will, however, be reduced somewhat by an increase in inflation to an EU average of 1.8% in 2017 and 1.7% in 2018 (2016: 0.3%). The labour market should continue to improve, supported by the favourable economic climate, rising domestic demand, structural reforms and public sector measures. The implementation of labour market reforms and fiscal policies by a number of member states will play an important role in job creation, and the unemployment rate in the 28 EU member states is expected to decline steadily to 8.0% in 2017 and 7.7% in 2018 (2016: 8.5%). The increase in employment and nominal wages as well as low external financing costs – supported by the improved outlook for growth in the advanced economies outside the EU – will also have a positive effect on the economy.

Continued positive momentum with strong economic indicators is expected for the Eurozone in 2017, not least due to the victory of Emmanuel Macron in the French parliamentary elections. The 2017 spring forecast by the European Commission points to sustained stable growth of 1.7% and 1.8%, respectively, in 2017 and 2018 (2016: 1.8%). The inflation rate in the Eurozone, according to the European Commission, should rise to 1.6% in 2017 and 1.3% in 2018 (2016: 0.2%). Unemployment is expected to decline further to 9.4% in 2017 and 8.9% in 2018 (2016: 10.0%). The effects of the Brexit on these macroeconomic indicators cannot be estimated at the present time, but the weakening momentum in the United Kingdom suggests negative effects.

## **GERMANY**

The German economy continued its stable growth course during the reporting period. This trend was supported, in particular, by strong private household consumption, favourable financing conditions, a stable employment market, construction investments and other public spending measures – whereby investments are playing an increasingly important role. Capital expenditure is expected to increase by 2% in 2017 and, in doing so, again reach the pre-crisis level. The upturn in the construction industry has been consistently strong, with growth rates of more than 4% projected for 2017 and 2018 due to the ongoing capacity shortage and high demand. Construction investments in Germany are currently at the highest level since the reunification in 1990.

In its spring 2017 forecast, the European Commission is projecting growth (real GDP) of 1.6% in 2017 and 1.9% in 2018 (2016: 1.9%). The inflation rate should quadruple to 1.7% in 2017 before declining to 1.4% in 2018, according to the forecast. Unemployment had fallen to 3.7% as of 31 July 2017, with a continued decline to 4.0% and 3.9%, respectively, expected by the Commission in 2017 and 2018.

The upward trend on the residential market in Germany continued during the first half of 2017. The demand for apartments – both for rental and purchase – remains high and explains the ongoing yield compression. The high pace of construction is gradually leading to an increased supply, but the demand for housing will substantially outpace this supply over the long-term. CBRE expects the transaction volume on the German residential property market will exceed EUR 13 billion in 2017. A further steady increase is expected not only in the purchase prices for condominiums, but also in rents.

## **AUSTRIA**

Public and private consumption, in particular, served as the main drivers for the Austrian economy in 2016. The economic recovery in this country continues, supported by domestic as well as foreign demand. The Austrian investment cycle is linked primarily to capital expenditure, and corporate investments should remain strong over the coming months because of the sound development in the industrial and construction sectors. Replacement investments are increasingly giving way to expansion investments. The investment rate is expected to rise slightly from 22.9% in 2016 to 23.2% in 2017, and construction investments should also accelerate. In July, the sentiment in the construction sector reached the highest level ever measured. The per capita number of construction permits in Austria is the highest in the European Union. In contrast, the limited increase of only 1.0% in residential construction investments during the second quarter (real, in comparison with the previous quarter) leads to expectations of a strong rise in construction activity over the coming months.

Based on the acceleration in global growth and the improved framework conditions, the European Commission is projecting a robust increase of 1.7% each in 2017 and 2018 for the Austrian economy (2016: +1.5%) in its spring forecast. Annual inflation, based on the consumer price index, should rise to 1.8% in 2017 before declining slightly to 1.6% in 2018. The unemployment rate calculated in accordance with international standards declined further from 5.5% at the end of April 2016 to 5.4% at the end of July 2017, and the European Commission is expecting stabilisation at 5.9% in 2017 and 2018.

Prices on the residential property market continued to rise during the first quarter of 2017/18, with the most significant increases recorded for new condominiums in Vienna. The strongest momentum is currently found in the medium-priced segment. The ongoing high demand is contrasted by substantial year-on-year growth in new construction. The highest increases were registered in the apartment rental segment, where privately financed units represent more than two-thirds of the properties. According to a market study by CBRE, roughly 8,500 new apartments can be expected in 2017 and an additional 12,700 in 2018.

**DEVELOPMENT OF KEY INTEREST RATES**

The ECB’s key interest rate remained constant at 0.00% throughout the reporting period. In addition, the main refinancing rate and the interest rates for the peak financing facility were constant at 0.00%, 0.25% and -0.40%. The interest rate corridor defined by the US Federal Reserve Board also remained unchanged at 0.5% to 0.75%.

Developments on the international stock, currency and financial markets during the first three months of 2017/18 were influenced, above all, by the “Brexit” negotiations. However, the effects of the capital market measures planned by the new US president on these markets are still uncertain. The key reference interest rates (1-, 3-, 6- and 12-month EURIBOR) continued to decline during the first quarter of 2017/18. For example, the 6-month EURIBOR fell from -0.249% to -0.271% in the short-term range as of 31 July 2017.

**DEVELOPMENT OF THE EUR-SWAP CURVE**

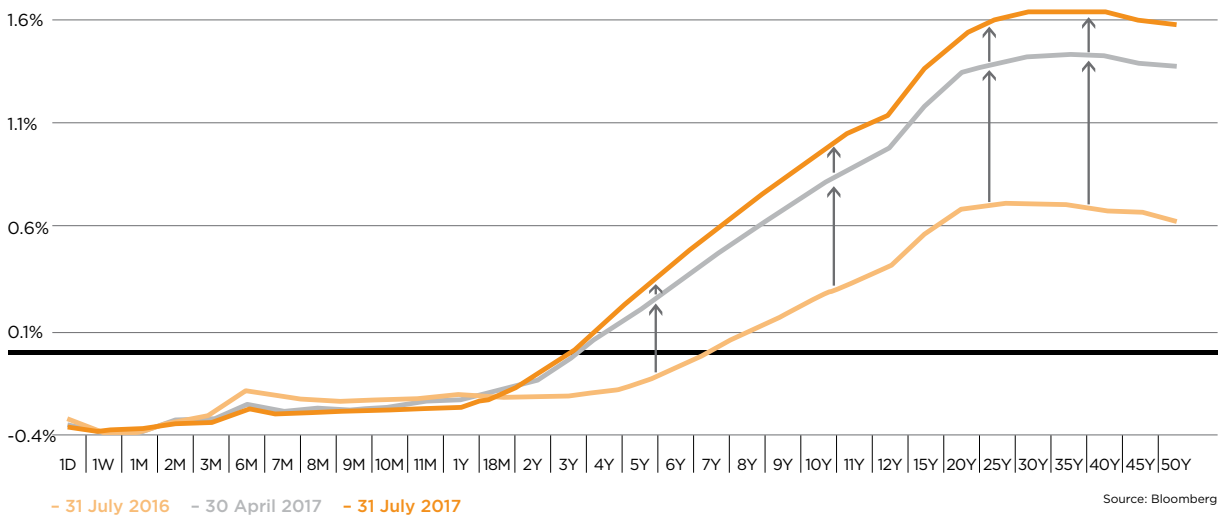
The development of the EUR-swap curve has an effect on the BUWOG Group through its influence on cash interest payments and non-cash financial results. A low EUR-swap curve leads, among others, to lower hedging costs for long-term financing and variable interest loans, but has a negative effect on non-cash financial results through the valuation of financial instruments and derivatives at fair value through profit or loss as long as the applicable interest rate is higher than the swap rates on the balance sheet date.

A clear shift in the EUR-swap curve was visible during the first three months of the 2017/18 financial year. The long-term segment has been characterised by a general increase since 30 April 2017.

In view of BUWOG’s defensive risk profile with a balanced, long-term financing structure and an average term of 12 years for financial liabilities, the increase in the EUR-swap curve has a positive effect on non-cash financial results. Further details are provided under the *Analysis of the asset, financial and earnings position* on page 42.

**DEVELOPMENT OF THE EUR-SWAP CURVE**

Comparison 31 July 2016 to 30 April 2017 and 31 July 2017



# PORTFOLIO REPORT

The core activities of the BUWOG Group cover the following: the rental and management of a diversified, risk-optimised and sustainably oriented portfolio of standing investments (Asset Management); the development highly marketable projects as “develop-to-hold” and “develop-to-sell” with a focus on Berlin, Hamburg and Vienna (Property Development); and the sale of individual portfolio units at high margins to fair value (Unit Sales). The primary strategic goal of the BUWOG Group is to realise a steady increase in the value of the company and, at the same time, generate strong cash flow to support the distribution of high dividends.

The following information is based on the portfolio values as of 31 July 2017. The comparative figures in parentheses refer to the values as of 30 April 2017, unless otherwise indicated. Information on the carrying amounts is provided under note 2 *Accounting Policies* in the consolidated financial statements as of 30 April 2017.

The BUWOG Group’s standing investments, new construction projects and undeveloped land are valued by the independent external appraisers at CBRE Germany / Austria as of 30 April and 31 October. In contrast to the previous year, a special appraisal of the investment properties was not carried out as of 31 July 2017. The next independent external appraisal is scheduled for 31 October 2017.

## THE BUWOG GROUP’S PROPERTY PORTFOLIO

The classification of BUWOG’s properties in this portfolio report is based on the balance sheet structure: standing investments that generate rental income, pipeline projects (sites for new construction projects and land reserves), other tangible assets (properties used directly by the BUWOG Group), properties under construction for the standing investment portfolio, non-current assets held for sale (standing investments) and real estate inventories (development projects).

The carrying amount of the BUWOG Group’s portfolio totalled EUR 4,605.9 million as of 31 July 2017 (EUR 4,646.4 million). Standing investments and non-current assets held for sale represent the major component at EUR 3,920.1 million (EUR 3,942.1 million) or 85.1% (84.8%). The active new construction development projects (real estate inventories) have a carrying amount of EUR 326.9 million (EUR 355.5 million) or 7.1% (7.6%) of the total portfolio carrying amount. The pipeline projects have a combined carrying amount of EUR 276.7 million (EUR 277.5 million) or 6.0% (6.0%). The carrying amount of the new buildings, which are reported as investment property under construction and are designated for BUWOG’s portfolio, amounted to EUR 66.8 million (EUR 56.3 million) or 1.5% (1.2%). The other tangible assets, which include properties used directly by the BUWOG Group, total EUR 15.4 million (EUR 14.9 million) or 0.3% (0.3%).

BUWOG’s property portfolio is classified under non-current and current assets on the balance sheet. The following charts reconcile the balance sheet values as of 31 July 2017 with the presentation in this portfolio report:

### PROPERTY PORTFOLIO

as of 31 July 2017 in EUR million

		<b>Investment properties</b>	<b>4,189.8</b>	<b>Standing investments</b>	<b>3,913.1</b>
				Pipeline projects	276.7
<b>Non-current assets</b>	<b>4,272.0</b>	Other tangible assets	15.4	Properties used by the BUWOG Group <sup>1)</sup>	15.4
		Investment properties under construction	66.8	Construction for the BUWOG portfolio	66.8
		<b>Non-current assets held for sale</b>	<b>7.0</b>	<b>Standing investments</b>	<b>7.0</b>
<b>Current assets</b>	<b>333.9</b>			Pipeline projects	209.8
		Real estate inventories	326.9	Development projects	117.1
<b>Total portfolio BUWOG Group</b>	<b>4,605.9</b>		<b>4,605.9</b>		<b>4,605.9</b>

Data includes rounding differences

1) Incl. furniture, fixtures and office equipment

**PROPERTY PORTFOLIO BY FAIR VALUE**

as of 31 July 2017	Units	Standing investments in EUR million	Pipeline projects in EUR million	Properties used by the BUWOG Group in EUR million <sup>1)</sup>	Construction for BUWOG portfolio in EUR million	Development projects in EUR million	Property portfolio in EUR million	Share
Germany	27,165	2,008.7	247.2	0.7	26.7	148.5	2,431.8	52.8%
Austria	22,024	1,911.4	29.5	14.7	40.1	178.4	2,174.1	47.2%
<b>BUWOG Group</b>	<b>49,189</b>	<b>3,920.1</b>	<b>276.7</b>	<b>15.4</b>	<b>66.8</b>	<b>326.9</b>	<b>4,605.9</b>	<b>100.0%</b>

Data includes rounding differences

1) Incl. furniture, fixtures and office equipment

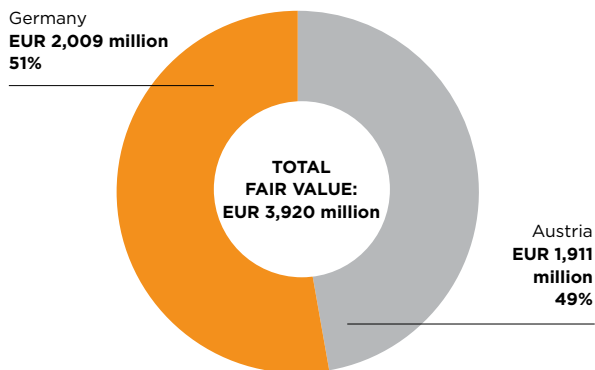
**INVESTMENT PROPERTIES - STANDING INVESTMENTS (ASSET MANAGEMENT BUSINESS AREA)**

The BUWOG Group holds standing investments for the purpose of generating regular rental income. The property portfolio in Germany and Austria included 49,189 standing investment units (49,597 units), which had a fair value of EUR 3,920.1 million as of 31 July 2017 (EUR 3,942.1 million) and represented 85% (85%) of the total property portfolio (incl. development projects). The standing investment portfolio is carried at fair value in accordance with IAS 40.

Vienna and Berlin as well as the provincial and state capitals, major cities and related suburban regions represented the locations for 86% of the fair value of the BUWOG Group’s standing investment portfolio and 77% of the standing investment units as of 31 July 2017. The following graph shows the regional distribution of this portfolio:

**REGIONAL STRUCTURE OF THE PROPERTY PORTFOLIO BY FAIR VALUE**

as of 31 July 2017



The annualised contractual net in-place rent from the standing investments, including parking areas, totalled EUR 203.6 million as of 31 July 2017 (EUR 205.1 million). This represents an average net in-place rent of EUR 5.20 per sqm (EUR 5.18 per sqm) and a gross rental yield (annualised net in-place rent in relation to fair value as of the balance sheet date) of 5.2% (5.2%). The vacancy rate is determined on the basis of total floor area and equalled 3.6% as of 31 July 2017 (3.4%).

On a like-for-like basis (i.e. after the deduction of the effects of portfolio transactions and the inclusion of changes in vacancies), the rental income generated by BUWOG’s portfolio properties rose by 1.7% as of 31 July 2017. The like-for-like increase in rents from the German portfolio equalled 3.3%. The Austrian portfolio recorded a like-for-like decrease of 0.7%, which resulted primarily from a legally required change in the rental model for a large property in Vienna following the repayment of the related external financing (see pages 12f for details).

## PORTFOLIO OVERVIEW STANDING INVESTMENTS BY REGIONAL CLUSTER

as of 31 July 2017	Number of units	Total floor area in sqm	Annualised net in-place rent <sup>1)</sup> in EUR million	Monthly net in-place rent <sup>1)</sup> in EUR per sqm	Fair value <sup>2)</sup> in EUR million	Fair value <sup>2)</sup> in EUR per sqm	Gross rental yield <sup>3)</sup>	Vacancy rate <sup>4)</sup>
Federal capitals	11,462	898,792	60	5.71	1,608	1,789	3.7%	2.8%
Vienna	6,472	567,090	35	5.29	1,032	1,820	3.4%	3.6%
Berlin	4,990	331,703	25	6.42	576	1,737	4.4%	1.5%
State capitals and major cities <sup>5)</sup>	18,924	1,213,456	75	5.30	1,250	1,030	6.0%	2.5%
Suburban regions <sup>6)</sup>	7,576	526,420	31	5.05	521	989	5.9%	3.5%
Rural areas	11,227	748,369	38	4.50	541	723	7.0%	6.6%
Total BUWOG Group	49,189	3,387,038	204	5.20	3,920	1,157	5.2%	3.6%
thereof Germany	27,165	1,692,342	118	5.92	2,009	1,187	5.9%	2.2%
thereof Austria	22,024	1,694,696	86	4.45	1,911	1,128	4.5%	5.1%

1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

2) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2017 minus sales plus CAPEX and additions

3) Annualised total net in-place rent (based on monthly net in-place rent excluding utilities as of the reporting date) in relation to fair value

4) Based on sqm

5) More than 50,000 inhabitants and a significant share of the portfolio

6) The immediate catchment area up to about 15 km around federal capitals, state capitals and major cities

The BUWOG Group invested a total of EUR 16.8 million (Q1 2016/17: EUR 13.5 million) in the portfolio properties in Germany and Austria during the first three months of 2017/18. These funds were directed to ongoing maintenance, to prepare apartments for new rentals, for contributions to maintenance reserves in properties designated for privatisation and for major maintenance and modernisation measures plus the special CAPEX programme. That corresponds to an average of EUR 4.9 per sqm (Q1 2016/17: EUR 3.8 per sqm). Non-capitalisable maintenance expenses amounted to EUR 7.1 million (Q1 2016/17: EUR 7.1 million) or EUR 2.0 per sqm (Q1 2016/17: EUR 2.0 per sqm), while the capitalisable modernisation measures (CAPEX) totalled EUR 9.8 million (Q1 2016/17: EUR 6.4 million) or EUR 2.9 per sqm (Q1 2016/17: EUR 1.8 per sqm). Therefore, the capitalisation rate equalled 57.9% (Q1 2016/17: 47.4%) of the total expenditures. A special CAPEX programme with a volume of EUR 55 million was launched in Germany during 2016/17 and covered a total of EUR 13.7 million by the end of the first quarter of 2017/18 (2016/17 financial year: EUR 8.3 million). Details on this special CAPEX programme are provided under *Asset Management – Special CAPEX programme in Germany* in the 2016/17 annual report on page 65.

## SALE OF PORTFOLIO PROPERTIES (PROPERTY SALES BUSINESS AREA)

A total of 432 standing investment units in Germany and Austria were sold through individual apartment sales and block sales during the first three months of 2017/18 (Q1 2016/17: 155 units). These transactions generated revenues of EUR 52.0 million (Q1 2016/17: EUR 27.7 million) and net operating income (NOI) of EUR 15.8 million (Q1 2016/17: EUR 9.6 million).

Unit Sales are the main driver for the generation of sustainable revenues and contributions to Recurring FFO in BUWOG's Property Sales business area. In the first three months of 2017/18, 196 standing investments units were sold in Germany and Austria (Q1 2016/17: 154 units). These sales resulted in revenues of EUR 35.9 million (Q1 2016/17: EUR 27.1 million) and had a margin of roughly 63% (Q1 2016/17: 57%) on fair value. The contribution to Recurring FFO equalled EUR 13.8 million (Q1 2016/17: EUR 9.6 million).

Block sales covered 236 standing investment units (Q1 2016/17: one unit), whereby 36 units are attributable to the last tranche from the sale of the Tyrolean portfolio and 200 units to the sale of a portfolio of properties in Carinthia and Styria. The proceeds from Block Sales totalled EUR 16.1 million (Q1 2016/17: EUR 0.6 million). The realisation of earnings on Block Sales was based on the reclassification of the properties as held for sale in 2016/17 and the recognition of the sale price in accordance with IFRS 5. Consequently, the margin on fair value for the reporting period equalled 13% (Q1 2016/17: 6%). The contribution to Total FFO amounted to approx. EUR 2.1 million (Q1 2016/17: EUR 0.0 million).

**INVESTMENT PROPERTY - PIPELINE PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)**

In addition to standing investments, the balance sheet position investment property includes pipeline projects which are carried at fair value in accordance with IAS 40. Pipeline projects are defined as undeveloped land reserves and new projects in planning whose construction is scheduled to start more than six months after the balance sheet date. BUWOG reviews these projects regularly for development and realisation options. The pipeline projects recognised on BUWOG's balance sheet had a carrying amount of EUR 276.7 million as of 31 July 2017 (EUR 277.5 million).

**PIPELINE PROJECTS FAIR VALUE**

as of 31 July 2017	Property Development new building projects starting > 6 months in EUR million	Property Development land reserves in EUR million	Property Development non-current assets held for sale in EUR million	Asset Management land reserves in EUR million	Total pipeline projects in EUR million	Share in total pipeline
Germany	238.8	0.0	0.0	8.4	247.2	89.3%
Austria	25.4	2.2	0.0	1.9	29.5	10.7%
Total	264.2	2.2	0.0	10.3	276.7	100.0%

**OTHER TANGIBLE ASSETS**

The other tangible assets had a combined carrying amount of EUR 15.4 million (EUR 14.9 million). These assets consist primarily of office properties used by the BUWOG Group in Vienna (Hietzinger Kai 131) and Villach (Tiroler Strasse 17) as well as the tangible assets currently under construction for BUWOG's future customer and administrative centre in Vienna at EUR 9.2 million (EUR 8.6 million).

**INVESTMENT PROPERTY UNDER CONSTRUCTION - CONSTRUCTION FOR THE PORTFOLIO (ASSET MANAGEMENT BUSINESS AREA/PROPERTY DEVELOPMENT)**

Investment property under construction includes subsidised and market rent apartments in Austria and Germany that are currently under construction or whose construction will begin within the next six months as part of development for BUWOG's core portfolio. These development projects had a carrying amount of EUR 66.8 million as of 31 July 2017 (EUR 56.3 million). Two new projects in Vienna were under construction at the end of the reporting period: "RIVUS III" with 181 units (including 181 subsidised rental units) and "RIVUS Quartus" with 131 units (including 100 subsidised rental units). The projects currently under construction in Berlin include the "Ankerviertel" as part of the "52 Grad Nord" project with 86 privately financed rental apartments and the "Seefeld II, 8.3" project with 27 units.

**NON-CURRENT ASSETS HELD FOR SALE (ASSET MANAGEMENT)**

The properties classified as non-current assets held for sale and accounted for in accordance with IFRS 5 were covered by specific plans as of 31 July 2017 which make their sale likely in the near future. These properties are included under the standing investment cluster in the portfolio report at a carrying amount of EUR 7.0 million (EUR 15.7 million) and include 192 units in Styria, Salzburg, Lower Austria and Carinthia.

**REAL ESTATE INVENTORIES - DEVELOPMENT PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)**

Subsidised and privately financed development projects that are current under construction or completed are reported on the balance sheet as real estate inventories (current assets) and accounted for at amortised cost or the lower net realisable value in accordance with IAS 2. The fair value of these real estate inventories totalled EUR 326.9 million as of 31 July 2017 (EUR 355.5 million).

# FINANCING

The BUWOG Group successfully arranged EUR 15.4 million<sup>1)</sup> of financing for standing investments, as scheduled, in the first three months of the 2017/18 financial year. The average interest rate on these loans equalled 0.91%. In addition, financing for “develop-to-hold” projects with a total volume of EUR 17 million<sup>2)</sup> was concluded at an average nominal interest rate of 1.23% during the reporting period.

BUWOG continued to arrange for financing at favourable long-term conditions and, in this way, further improve the Recurring FFO available for dividends and investments.

The following table summarises the key financing parameters as of 31 July 2017:

## FINANCING INDICATORS

	Outstanding liability in EUR million	Share of outstanding liability	Ø Interest rate	Ø Term in years
<b>Bank liabilities</b>	<b>1,511</b>	<b>67%</b>	<b>2.20%</b> <sup>1)</sup>	<b>11.1</b>
thereof Austria	710	32%	2.32% <sup>1)</sup>	16.3
thereof Germany	801	36%	2.08% <sup>1)</sup>	6.5
<b>Local authorities</b>	<b>433</b>	<b>19%</b>	<b>1.63%</b>	<b>18.9</b>
thereof Austria	426	19%	1.64%	19.1
thereof Germany	7	0%	0.56%	2.1
<b>Convertible bond</b>	<b>300</b>	<b>13%</b>	<b>0.00%</b>	<b>4.1</b>
<b>Total</b>	<b>2,244</b>	<b>100%</b>	<b>1.79%</b>	<b>11.7</b>

Data may include rounding differences.  
1) incl. expenses for derivative financial instruments

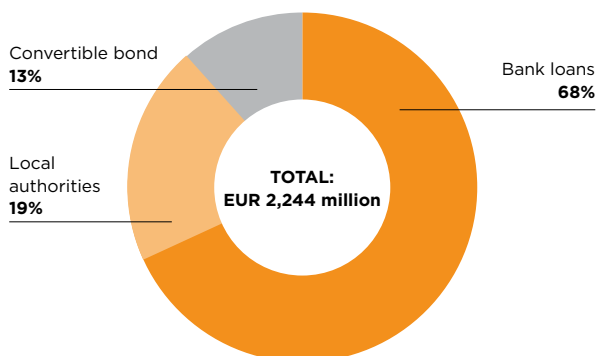
## FINANCING STRUCTURE

BUWOG’s financial liabilities include liabilities to credit institutions, liabilities to local authorities and development banks and liabilities from the issued convertible bond. The outstanding financial liabilities, which are exclusively denominated in Euros, amounted to approx. EUR 2,244 million as of 31 July 2017. The net financial liabilities of EUR 1,768 million in relation to the total portfolio carrying amount of EUR 4,590 million result in a loan-to-value ratio of 38.5%. The year-on-year change is attributable to the capital increase. Additional information on the calculation of LTV is provided in the section *Loan to Value* on pages 48f.

As of 31 July 2017, 25% (basis: outstanding liability) of the financial liabilities were low-interest subsidised loans or bank liabilities with annuity subsidies that are measured at fair value through profit or loss. Additional details are provided in the *Analysis of the asset, financial and earnings position* (page 42) and under note 2.4.4 to the consolidated financial statements as of 30 April 2017.

## STRUCTURE OF THE AMOUNT OUTSTANDING UNDER FINANCIAL LIABILITIES

as of 31 July 2017



1) As of 31 July 2017, EUR 14.7 million had not been transferred.

2) As of 31 July 2017, EUR 17 million had not been transferred due to the progress on construction.

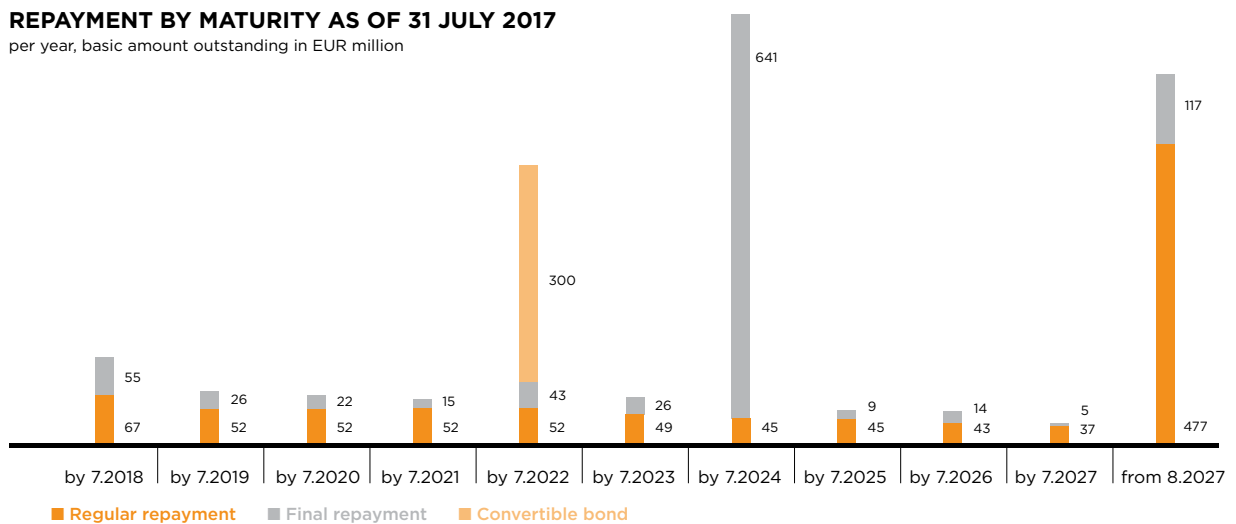


**REPAYMENT STRUCTURE**

The BUWOG Group works to develop and maintain a long-term, balanced financing structure to protect its defensive risk profile in keeping with the long-term nature of its core business. Most of the financing contracts support this objective. The average term is 12 years and the average fixed interest period 9.5 years. The following graph shows the repayment structure by maturity, including the refinancing and restructuring of the loan portfolio:

**REPAYMENT BY MATURITY AS OF 31 JULY 2017**

per year, basic amount outstanding in EUR million



Data can include rounding differences..

**INTEREST RATE STRUCTURE**

In line with the long-term nature of the financing structure, roughly 90% of the Group’s financing contracts were hedged against the risk of interest rate changes through fixed interest rate agreements and/or interest rate swaps as of 31 July 2017. The weighted average nominal interest rate equalled 1.79% as of that date.

# ANALYSIS OF THE ASSET, FINANCIAL AND EARNINGS POSITION

The following analysis of the asset, financial and earnings position is based on the first three months of the 2017/18 financial year, respectively the balance sheet date on 31 July 2017. The disclosures and information on the first quarter of the previous financial year and the balance sheet date on 30 April 2017 are presented in brackets. The term Net Operating Income (NOI) per business area is used in the following as a synonym for the earnings generated by each business area.

## EARNINGS POSITION

### CONDENSED INCOME STATEMENT

in EUR million	Q1 2017/18	Q1 2016/17	Change
NOI Asset Management	38.5	38.5	-0.0%
NOI Property Sales <sup>1)</sup>	15.8	9.6	64.1%
NOI Property Development	18.7	-0.9	>100.0%
Other operating income	0.7	0.7	-0.9%
Expenses not directly attributable	-10.7	-9.3	-15.8%
<b>Results of operations</b>	<b>62.9</b>	<b>38.6</b>	<b>62.8%</b>
Other valuation results	0.0	146.5	-100.0%
<b>Operating profit (EBIT)</b>	<b>62.9</b>	<b>185.2</b>	<b>-66.0%</b>
Financial results	-25.8	-83.0	68.9%
<b>Earnings before tax (EBT)</b>	<b>37.1</b>	<b>102.2</b>	<b>-63.7%</b>
<b>Net profit</b>	<b>29.2</b>	<b>83.9</b>	<b>-65.1%</b>
<b>Net profit per share<sup>2)</sup> in EUR</b>	<b>0.27</b>	<b>0.84</b>	<b>-68.0%</b>

The use of automated calculation systems may give rise to rounding differences.

1) Including adaption of IFRS 5 EUR 1.7 million (EUR 0.0 million)

2) Base 107,771,625 shares (weighted average) previous year: 99,773,479 shares

**Asset Management.** The Asset Management business area generated NOI of EUR 38.5 million in the first three months of 2017/18 (EUR 38.5 million), which represents an NOI margin of 74.4% (72.9%). This improvement was supported by lower operating expenses for the portfolio properties. The income recorded by the Asset Management business area consists of net cold rent of EUR 47.9 million (EUR 49.6 million) from residential properties and other rental income of EUR 3.8 million (EUR 3.1 million). These two items form the indicator “net in-place rent” and show the revenue contribution by Asset Management to the BUWOG Group’s total revenue. The decline in rental income is attributable to a reduction in the Austrian standing investments. In Germany, an increase in the net in-place rent led to an increase in rental income.

The income from Asset Management also includes operating costs passed on to tenants, third-party management revenues and revenues from the management of BUWOG’s own properties in Austria totalling EUR 28.2 million (EUR 29.3 million) as well as other revenues of EUR 0.0 million (EUR 0.0 million). These revenues are contrasted by EUR 13.6 million (EUR 14.2 million) of expenses directly related to investment properties and EUR 27.8 million (EUR 29.4 million) of operating expenses and expenses from third-party management.

## OVERVIEW OF ASSET MANAGEMENT

in EUR million	Q1 2017/18	Q1 2016/17	Change
Residential rental income	47.9	49.6	-3.5%
Other rental income	3.8	3.1	23.3%
<b>Rental revenues</b>	<b>51.7</b>	<b>52.7</b>	<b>-1.9%</b>
Operating costs charged to tenants and third party property management revenues	28.2	29.3	-3.8%
Other revenues	0.0	0.0	-59.1%
<b>Revenues</b>	<b>79.9</b>	<b>82.0</b>	<b>-2.6%</b>
<b>NOI Asset Management</b>	<b>38.5</b>	<b>38.5</b>	<b>-0.0%</b>
<b>NOI margin Asset Management</b>	<b>74.4%</b>	<b>72.9%</b>	<b>1.4 PP</b>

The use of automated calculation systems may give rise to rounding differences.

**Property Sales.** The Property Sales business area generated NOI of EUR 15.8 million in the first three months of 2017/18 (EUR 9.6 million). Excluding the IFRS 5 fair value adjustments, NOI in this business area equalled EUR 15.9 million (EUR 9.6 million). These results reflected the sale of 196 apartments through Unit Sales at a margin of 63% on fair value. Block Sales covered the sale of 236 units, including 36 units from the sale of the Tyrolean portfolio and 200 units from the sale of the Carinthian/Styrian portfolio, at a margin of roughly 13% on fair value. The IFRS 5 adjustments reported in the following table include the fair value adjustments to non-current assets held for sale in accordance with IFRS 5: EUR -1.7 million for the current year and EUR 1.8 million from previous years. This valuation effect was eliminated in the calculation of NOI, EBITDA und Total FFO.

The major parameters for classification as Unit Sales (part of Recurring FFO) and Block Sales (the sale of individual properties and portfolios) are shown below:

## OVERVIEW OF PROPERTY SALES

	Q1 2017/18	Q1 2016/17	Change
<b>Sales of units in numbers</b>	<b>432</b>	<b>155</b>	<b>&gt;100.0%</b>
thereof Unit Sales	196	154	27.3%
thereof Block Sales	236	1	>100.0%
<b>Revenues Property Sales in EUR million</b>	<b>52.0</b>	<b>27.7</b>	<b>87.8%</b>
thereof Unit Sales in EUR million	35.9	27.1	32.5%
thereof Block Sales in EUR million	16.1	0.6	>100.0%
<b>NOI Property Sales in EUR million</b>	<b>15.8</b>	<b>9.6</b>	<b>64.1%</b>
Adaption IFRS 5 current year	-1.7	0.0	n.a.
	1.8	0.0	n.a.
<b>NOI Property Sales in EUR million adjusted</b>	<b>15.9</b>	<b>9.6</b>	<b>65.5%</b>
thereof Unit Sales in EUR million	13.8	9.6	44.1%
thereof Block Sales in EUR million	2.1	0.0	>100.0%
<b>margin on fair value</b>	<b>42.4%</b>	<b>55.6%</b>	<b>-13.2 PP</b>
thereof Unit Sales	63.3%	57.0%	6.3 PP
thereof Block Sales	13.4%	6.2%	7.2 PP

The use of automated calculation systems may give rise to rounding differences.

**Property Development.** The Property Development business area covers two sub-segments: develop-to-sell and develop-to-hold (i.e. the development of projects for BUWOG's own portfolio). As of 31 July 2017 the development pipeline contained 10,096 units with a combined investment volume of approx. EUR 2.9 billion. This business area generated strong NOI of EUR 18.7 million in the first three months of 2017/18 (EUR -0.9 million). Transfers from the exclusive "Pfarrwiesengasse" project and the early completion of the "Southgate" project made an important contribution to earnings. A total of 156 units (58 units) were transferred and recognised to the income statement during the reporting period. Two land sites in Austria were also sold as planned during the first quarter of 2017/18 – Walter-Jurmann-Gasse with proceeds of EUR 0.7 million and Windmühlgasse with proceeds of EUR 3.4 million. This substantial improvement in the NOI margin from Property Development from -4.7% to 22.3% confirms BUWOG's successful strategic focus on this business area.

## OVERVIEW OF PROPERTY DEVELOPMENT

	Q1 2017/18	Q1 2016/17	Change
<b>Sold units</b>	<b>156</b>	<b>58</b>	<b>&gt;100.0%</b>
thereof Germany	91	25	>100.0%
thereof Austria	65	33	97.0%
<b>Revenues Property Development in EUR million</b>	<b>83.8</b>	<b>18.4</b>	<b>&gt;100.0%</b>
thereof Germany in EUR million	27.4	8.1	>100.0%
thereof Austria in EUR million	56.4	10.3	>100.0%
<b>NOI Property Development in EUR million</b>	<b>18.7</b>	<b>-0.9</b>	<b>&gt;100.0%</b>
Adjustment to fair value of investment properties under construction	0.0	0.0	n.a.
<b>NOI Property Development adjusted in EUR million</b>	<b>18.7</b>	<b>-0.9</b>	<b>&gt;100.0%</b>
thereof Germany in EUR million	5.1	-1.1	>100.0%
thereof Austria in EUR million	13.6	0.2	>100.0%
<b>NOI margin Property Development adjusted</b>	<b>22.3%</b>	<b>-4.7%</b>	<b>27.0 PP</b>
thereof Germany	18.6%	-13.0%	31.6 PP
thereof Austria	24.1%	1.8%	22.3 PP

The use of automated calculation systems may give rise to rounding differences.

**Expenses not directly attributable.** Expenses that are not directly attributable to the three business areas amounted to EUR 10.7 million in the first three months of 2017/18 (EUR 9.3 million). They consist primarily of personnel expenses totalling EUR 4.3 million (EUR 3.6 million), legal, auditing and consulting fees of EUR 2.2 million (EUR 1.3 million) and IT and communications costs of EUR 1.6 million (EUR 1.5 million). Advertising and marketing costs amounted to EUR 0.5 million (EUR 0.7 million). The increase in personnel expenses resulted primarily from an employee event, while the higher consulting fees reflected non-recurring effects from the Group-wide introduction of SAP ERP.

The results of operations totalled EUR 62.9 million (EUR 38.6 million). The enormous year-on-year increase is attributable to the positive development of the Property Development and Property Sales business areas. Adjusted EBITDA equalled EUR 64.1 million (EUR 39.2 million) following an adjustment for non-cash effects and effects related to other accounting periods as well as and investment property held for sale.

**EBITDA**

in EUR million	Q1 2017/18	Q1 2016/17	Change
<b>Results of operations</b>	<b>62.9</b>	<b>38.6</b>	<b>62.8%</b>
Impairment losses/revaluations	1.0	0.6	74.7%
Adjustment to fair value of investment properties under construction	0.0	0.0	>-100.0%
Adaption IFRS 5 previous year	1.8	0.0	n.a.
Adaption IFRS 5 current year	-1.7	0.0	n.a.
<b>EBITDA<sup>1)</sup></b>	<b>64.1</b>	<b>39.2</b>	<b>63.3%</b>
<b>EBITDA Asset Management</b>	<b>30.7</b>	<b>31.6</b>	<b>-2.6%</b>
<b>EBITDA Property Sales<sup>2)</sup></b>	<b>15.6</b>	<b>9.4</b>	<b>65.9%</b>
thereof Unit Sales	13.6	9.4	44.0%
thereof Block Sales	2.1	-0.0	>100.0%
<b>EBITDA Property Development</b>	<b>17.7</b>	<b>-1.8</b>	<b>&gt;100.0%</b>

The use of automated calculation systems may give rise to rounding differences.

1) Results of operations adjusted to account for valuation effects from period-based shifts (IFRS 5)

**Other valuation results.** In contrast to the previous year, a special appraisal of the investment properties was not carried out as of 31 July 2017. The next valuation by an independent external appraiser is scheduled for 31 October 2017. Further details are provided in section 5.5 *Revaluation of properties* in the notes to the consolidated interim financial statements.

**Financial results.** Financial results of EUR -25.8 million (EUR -83.0 million) include cash interest expenses of EUR -8.7 million (EUR -9.3 million) as well as non-cash results from the fair value measurement through profit or loss of derivatives at EUR -6.9 million (EUR -23.6 million) and financial liabilities at EUR -6.6 million (EUR -47.8 million). The first three months of 2017/18 brought a substantial change in the development of the EUR-swap curve with an increase over 30 April 2017 in the long-term segment. An increase in the EUR-swap curve has a positive effect on non-cash financial results. These non-cash valuation effects have no impact on Recurring FFO. Additional information on the development of interest rates is provided under *The Market Environment*.

**Recurring FFO.** The key performance indicator used by the BUWOG Group is Funds From Operations (FFO), whereby a differentiation is made between Recurring FFO (which excludes the results of Block Sales), Total FFO (which includes the results of Block Sales) and AFFO (which is adjusted for capitalised value-enhancing measures, CAPEX). Recurring FFO reflects the business model of the BUWOG Group, which is based on sustainable, long-term experience in the Asset Management, Property Development and Property Sales (excluding the results of Block Sales). Group net profit for the first three months represents the starting point for the calculation in the following table.

Recurring FFO, which also serves as the benchmark for the dividend payment, amounted to EUR 44.2 million in the first three months of 2017/18. The year-on-year increase of 63.6% reflected the positive development in all business areas.

## FFO

in EUR million	Q1 2017/18	Q1 2016/17	Change
Net profit	29.2	83.9	-65.1%
Results of Property Sales	-15.8	-9.6	-64.1%
Other financial results	15.7	72.6	-78.3%
Fair value adjustments of investment properties <sup>1)</sup>	0.0	-146.5	100.0%
Impairment losses/revaluations	1.0	0.6	74.7%
Deferred taxes	-2.1	15.2	-114.1%
Other	2.3	1.3	81.4%
<b>FFO</b>	<b>30.4</b>	<b>17.4</b>	<b>74.4%</b>
Unit Sales result	13.8	9.6	44.1%
<b>Recurring FFO</b>	<b>44.2</b>	<b>27.0</b>	<b>63.6%</b>
Block Sales result <sup>2)</sup>	2.1	0.0	>100.0%
<b>Total FFO</b>	<b>46.3</b>	<b>27.1</b>	<b>71.2%</b>
Recurring FFO per share in EUR basic <sup>3)</sup>	0.41	0.27	51.5%
Total FFO per share in EUR basic <sup>3)</sup>	0.43	0.27	58.5%
<b>Recurring FFO</b>	<b>44.2</b>	<b>27.0</b>	<b>63.6%</b>
CAPEX	-9.8	-6.4	-51.9%
<b>AFFO</b>	<b>34.5</b>	<b>20.6</b>	<b>67.2%</b>

The use of automated calculation systems may give rise to rounding differences.

1) In contrast to the previous year, a special appraisal of the investment properties was not carried out as of 31 July 2017 (EUR 146.5 million)

2) Excl. valuation effects of EUR 1.7 million (EUR 0.0 million) on available-for-sale properties and incl. valuation effects of EUR 1.8 million from the previous year

3) Basis for earnings data: 107,771,625 shares (99,773,479) weighted average

Other financial results of EUR -14.2 million (EUR -71.8 million), were adjusted for the following items to develop the total amount of EUR -15.7 million (EUR -72.6 million): results of EUR -1.0 million (EUR -0.8 million) from the valuation of financial liabilities at amortised cost, cash ancillary loan expenses of EUR 0.1 million and an increase of EUR -0.7 million (EUR 0.0 million) in interest expense, calculated according to the effective interest rate method, for the convertible bond which was issued during the reporting period.

Impairment losses/revaluations include EUR 0.8 million (EUR 0.6 million) of depreciation, amortisation and impairment losses to intangible and other tangible assets as well as expenses of EUR 0.2 million (EUR 0.0 million) from the valuation of real estate inventories.

The position "other" includes personnel expenses of EUR 0.2 million (EUR 0.4 million) and operating expenses of EUR 1.7 million (EUR 1.0 million) related to one-time special projects and reorganisation measures as well as costs of EUR 0.6 million (EUR 0.0 million) for an employee event. Also included here is income of EUR 0.1 million (EUR 0.1 million) from insurance compensation.

## ASSET POSITION

### CONDENSED BALANCE SHEET

in EUR million	31 July 2017	30 April 2017	Change
Investment property	4,189.8	4,203.9	-0.3%
Investment property under construction	66.8	56.3	18.6%
Other tangible assets	15.4	14.9	3.2%
Intangible assets	14.1	14.6	-3.4%
Trade and other receivables	177.0	127.7	38.6%
Other financial assets	14.9	15.5	-3.5%
Deferred tax assets	0.1	0.2	-36.6%
Non-current assets held for sale	7.0	15.7	-55.3%
Income tax receivables	3.8	3.9	-3.6%
Real estate inventories	326.9	355.5	-8.1%
Cash and cash equivalents	443.0	211.4	>100.0%
<b>Assets</b>	<b>5,258.9</b>	<b>5,019.7</b>	<b>4.8%</b>
Equity	2,323.3	1,995.8	16.4%
Liabilities from convertible bonds	288.7	288.0	0.2%
Financial liabilities	1,922.3	1,963.5	-2.1%
Trade payables and other liabilities	415.4	464.0	-10.5%
Income tax liabilities	31.6	28.8	9.5%
Provisions	15.0	14.6	2.6%
Deferred tax liabilities	262.6	264.9	-0.8%
Financial liabilities held for sale	0.0	0.1	-100.0%
<b>Equity and liabilities</b>	<b>5,258.9</b>	<b>5,019.7</b>	<b>4.8%</b>

Information on the investment properties, properties under construction, real estate inventories and non-current assets held for sale is provided in the portfolio report and in the respective disclosures in the notes to the consolidated interim financial statements as of 31 July 2017. The doubling of liquid funds mainly resulted from the cash capital increase of EUR 305.6 million. Additional details regarding the capital increase can be found under *Shareholder structure* on page 31.

**EPRA NAV.** This indicator is calculated in accordance with the recommendations of the European Public Real Estate Association (EPRA). The EPRA NAV concept is used to show the fair value of net assets on a long-term basis and to give investors an impression of the company's sustainable asset position. In the first three months of 2017/18, the EPRA NAV rose from EUR 23.90 per share to EUR 24.15 per share.

### EPRA NAV

in EUR million	31 July 2017	30 April 2017	Change
Equity before non-controlling interests	2,302.1	1,974.6	16.6%
Goodwill	-5.6	-5.6	0.0%
Inventories (carrying amount) <sup>1)</sup>	-326.9	-355.5	8.1%
Inventories (fair value)	384.3	427.7	-10.1%
Properties owned by BUWOG (carrying amount)	-14.0	-13.6	-3.3%
Properties owned by BUWOG (fair value)	19.1	19.1	0.0%
Positive market value of derivative financial instruments	-0.1	0.0	n.a.
Negative market value of derivative financial instruments	73.1	66.1	10.5%
Deferred tax assets on investment properties	-0.2	-0.2	11.9%
Deferred tax liabilities on investment properties (adjusted) <sup>2)</sup>	310.4	305.6	1.6%
Deferred taxes on property inventories	-15.4	-20.0	23.0%
Deferred taxes on derivative financial instruments	-15.9	-13.4	-18.8%
<b>EPRA NAV basic (balance sheet date)</b>	<b>2,710.9</b>	<b>2,384.8</b>	<b>13.7%</b>
Total floor area	3,380,083	3,418,784	-1.1%
<b>EPRA NAV in EUR per sqm</b>	<b>802.0</b>	<b>697.6</b>	<b>15.0%</b>
<b>EPRA NAV basic (balance sheet date)</b>	<b>2,710.9</b>	<b>2,384.8</b>	<b>13.7%</b>
Shares issued as of the balance sheet date (excl. treasury shares)	112,245,164	99,773,479	12.5%
<b>EPRA NAV per share in EUR basic (balance sheet date)</b>	<b>24.15</b>	<b>23.90</b>	<b>1.0%</b>

1) The fair value adjustments of inventories are valued by CBRE as of 31 of October and 30 of April.

2) Adjustment for deferred tax liabilities arising in connection with potential property sales of EUR 27.5 million (EUR 33.4 million)

**Loan to Value (LTV).** Net liabilities in relation to the fair value (carrying amount) of the BUWOG Group's portfolio (LTV) were successfully reduced from 44.1% as of 30 April 2017 to 38.5% as of 31 July 2017. This decline reflects the strong growth in liquid funds following the cash capital increase of EUR 305.6 million on 2 June 2017.

## LOAN TO VALUE RATIO

in EUR million	31 July 2017	30 April 2017	Change
Non-current financial liabilities	1,787.0	1,844.6	-3.1%
Current financial liabilities	135.3	118.8	13.9%
Financial liabilities held for sale	0.0	0.1	-100.0%
Liabilities from convertible bonds	288.7	288.0	0.2%
<b>Financial liabilities</b>	<b>2,211.0</b>	<b>2,251.6</b>	<b>-1.8%</b>
Cash and cash equivalents	-443.0	-211.4	>-100.0%
<b>Net financial liabilities</b>	<b>1,768.0</b>	<b>2,040.2</b>	<b>-13.3%</b>
Investment properties	4,189.8	4,203.9	-0.3%
Investment properties under construction	66.8	56.3	18.6%
Non-current assets held for sale	7.0	15.7	-55.3%
Inventories	326.9	355.5	-8.1%
<b>Carrying amount overall portfolio</b>	<b>4,590.5</b>	<b>4,631.4</b>	<b>-0.9%</b>
<b>Loan-to-value ratio</b>	<b>38.5%</b>	<b>44.1%</b>	<b>-5.5 PP</b>

## FINANCIAL POSITION

### CONDENSED CASH FLOW STATEMENT

in EUR million	Q1 2017/18	Q1 2016/17	Change
Gross cash flow	42.6	29.7	43.2%
Cash flow from operating activities	44.0	30.2	45.7%
Cash flow from investing activities	-52.6	-42.6	-23.5%
Cash flow from financing activities	240.2	31.6	>100.0%
<b>Cash flow</b>	<b>231.6</b>	<b>19.2</b>	<b>&gt;100.0%</b>

Gross cash flow totalled EUR 42.6 million (EUR 29.7 million) after an adjustment for non-cash effects like the fair value adjustment of investment properties, the fair value measurement of financial instruments, depreciation, amortisation and other positions. Cash flow from operating activities, which is generated primarily by the Asset Management and Property Development business areas, rose by 45.7% from EUR 30.2 million to EUR 44.0 million.

Cash flow from investing activities was negative at EUR -52.6 million and increased slightly year-on-year (EUR -42.6 million). Cash outflows of EUR 68.5 million (EUR 99.2 million) for investments in property assets, for properties under construction and for the purchase of other non-current assets were contrasted by cash inflows of EUR 15.2 million (EUR 55.6 million) from the sale of non-current assets.

The strong growth in cash flow from financing activities to EUR 240.2 million (EUR 31.6 million) resulted, above all, from the proceeds generated by the cash capital increase of EUR 305.6 million on 2 June 2017. These inflows were contrasted by cash outflows of EUR 49.2 million (EUR 42.7 million) from a net decline in other current and non-current financing and cash outflows of EUR 8.7 million (EUR 9.3 million) for interest payments.



## OUTLOOK

From an operational standpoint, BUWOG AG can look on a successful first quarter in 2017/18.

Our goal to generate Recurring FFO of at least EUR 125 million in 2017/18 remains intact. In the Asset Management business area, the Executive Board still expects like-for-like growth of 1.5% to 2.0% in rents and constant high-margin Unit Sales of roughly 600 apartments as well as Recurring FFO of at least EUR 102 million. The Property Development business area should contribute at least EUR 23 million to Recurring FFO based on the expected completion of 694 units in 2017/18. The funds released through Block Sales in strategically less relevant regions of Austria will be reinvested in BUWOG's attractive core markets in Germany.

There have been no significant changes in the opportunity/risk profile since the end of the 2016/17 financial year which would lead to indications of new opportunities or risks for the BUWOG Group. Individual minor adjustments are discussed in the applicable sections of this report, including the section on the development of business. The information provided under the Risk Report in the 2016/17 annual report is still valid.

## SUBSEQUENT EVENTS

Information on relevant events occurring after the balance sheet date on 31 July 2017 is provided in the consolidated interim financial statements under note 8. *Subsequent events*.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS BUWOG GROUP



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## CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	Q1 2017/18	Q1 2016/17
Residential rental income		47,888.4	49,638.1
Other rental income		3,833.1	3,108.7
<b>Rental income</b>		<b>51,721.5</b>	<b>52,746.8</b>
Operating costs charged to tenants and third party property management revenues		28,177.2	29,276.6
Other revenues		6.7	16.4
<b>Revenues</b>		<b>79,905.4</b>	<b>82,039.8</b>
Expenses directly related to investment property	5.1	-13,651.5	-14,154.3
Operating expenses and expenses from third party property management		-27,790.4	-29,414.4
<b>Results of Asset Management</b>		<b>38,463.5</b>	<b>38,471.1</b>
Sale of properties		51,953.8	27,666.7
Carrying amount of sold properties		-51,953.8	-27,666.7
Other expenses from property sales		-361.8	-767.9
Fair value adjustments of properties sold	5.5	14,470.5	10,382.5
Fair value adjustments of properties held for sale	5.5	1,668.3	0.0
<b>Results of Property Sales</b>	<b>5.2</b>	<b>15,777.0</b>	<b>9,614.6</b>
Sale of real estate inventories		83,795.8	18,367.3
Cost of real estate inventories sold		-61,294.1	-15,146.4
Other expenses from sale of real estate inventories		-1,329.9	-1,384.7
Other real estate development expenses		-2,468.6	-2,702.3
<b>Results of Property Development</b>		<b>18,703.2</b>	<b>-866.1</b>
Other operating income	5.3	675.3	681.2
Other not directly attributable expenses	5.4	-10,749.7	-9,279.5
<b>Results of operations</b>		<b>62,869.3</b>	<b>38,621.3</b>
Fair value adjustments of investment properties	5.5	0.0	146,503.8
Maintenance and improvement contributions received		0.0	24.9
<b>Other valuation results</b>		<b>0.0</b>	<b>146,528.7</b>
<b>Operating profit (EBIT)</b>		<b>62,869.3</b>	<b>185,150.0</b>
Financing costs		-11,676.6	-11,289.8
Financing income		71.0	149.7
Other financial results		-14,190.5	-71,839.4
<b>Financial results</b>	<b>5.6</b>	<b>-25,796.1</b>	<b>-82,979.5</b>
<b>Earnings before tax (EBT)</b>		<b>37,073.2</b>	<b>102,170.5</b>
Income tax expenses	5.7	-9,990.7	-3,056.8
Deferred tax income/expenses	5.7	2,146.5	-15,247.0
<b>Net profit</b>		<b>29,229.0</b>	<b>83,866.7</b>
Thereof attributable to:			
<b>Owners of the parent company</b>		<b>28,963.0</b>	<b>83,916.1</b>
<b>Non-controlling interests</b>		<b>266.0</b>	<b>-49.4</b>
<b>Basic earnings per share in EUR</b>	<b>5.8</b>	<b>0.27</b>	<b>0.84</b>
<b>Diluted earnings per share in EUR</b>	<b>5.8</b>	<b>0.27</b>	<b>0.84</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

in TEUR	Q1 2017/18	Q1 2016/17
<b>Net profit</b>	<b>29,229.0</b>	<b>83,866.7</b>
<b>Items which will not be reclassified to the income statement in the future</b>		
Remeasurement of defined benefit obligations	0.0	0.0
Income taxes attributable to items which will not be subsequently reclassified to the income statement	0.0	0.0
<b>Total items which will not be reclassified to income statement in the future</b>	<b>0.0</b>	<b>0.0</b>
<b>Total comprehensive income</b>	<b>29,229.0</b>	<b>83,866.7</b>
Thereof attributable to:		
<b>Owners of the parent company</b>	<b>28,963.0</b>	<b>83,916.1</b>
<b>Non-controlling interests</b>	<b>266.0</b>	<b>-49.4</b>

## CONSOLIDATED BALANCE SHEET

in TEUR	Notes	31 July 2017	30 April 2017
Investment property	6.1	4,189,819.9	4,203,921.9
Investment property under construction	6.1	66,792.4	56,300.0
Other tangible assets		15,421.2	14,948.0
Intangible assets		14,113.7	14,607.2
Trade and other receivables	6.2	10,494.4	1,686.6
Other financial assets		13,981.9	14,222.5
Deferred tax assets		109.8	173.3
<b>Non-current assets</b>		<b>4,310,733.3</b>	<b>4,305,859.5</b>
Trade and other receivables	6.2	166,523.7	126,047.2
Income tax receivables		3,799.7	3,941.8
Other financial assets		965.1	1,265.3
Non-current assets held for sale	6.3	7,000.0	15,661.1
Real estate inventories		326,906.0	355,531.4
Cash and cash equivalents		443,020.4	211,397.2
<b>Current assets</b>		<b>948,214.9</b>	<b>713,844.0</b>
<b>ASSETS</b>		<b>5,258,948.2</b>	<b>5,019,703.5</b>
Share capital		112,245.2	99,773.5
Capital reserves		1,585,769.6	1,299,687.1
Accumulated other equity		-1,295.8	-1,295.8
Retained earnings		605,412.4	576,449.4
		2,302,131.4	1,974,614.2
Non-controlling interests		21,160.5	21,195.3
<b>Equity</b>	<b>6.4</b>	<b>2,323,291.9</b>	<b>1,995,809.5</b>
Liabilities from convertible bonds	6.5	288,668.0	287,987.5
Financial liabilities	6.6	1,787,021.3	1,844,645.6
Trade payables and other liabilities	6.7	111,995.2	120,550.7
Provisions		6,516.8	6,543.3
Deferred tax liabilities		262,645.9	264,856.0
<b>Non-current liabilities</b>		<b>2,456,847.2</b>	<b>2,524,583.1</b>
Financial liabilities	6.6	135,290.3	118,826.6
Trade payables and other liabilities	6.7	303,448.7	343,417.0
Tax liabilities		31,579.6	28,843.3
Provisions		8,490.5	8,077.0
Financial liabilities held for sale	6.3	0.0	147.0
<b>Current liabilities</b>		<b>478,809.1</b>	<b>499,310.9</b>
<b>EQUITY AND LIABILITIES</b>		<b>5,258,948.2</b>	<b>5,019,703.5</b>

## CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Q1 2017/18	Q1 2016/17
Earnings before tax (EBT)	37,073.2	102,170.5
Fair value adjustments/depreciation/gain from a bargain purchase	-14,534.0	-155,632.4
Gains/losses from disposal of non-current assets	-19.6	-2.2
Gain/loss on the fair value measurement of financial instruments	13,493.4	71,395.2
Income taxes received/paid	-5,171.3	217.5
Net financing costs	11,605.5	11,140.2
Other non-cash income/expense	143.6	443.3
<b>Gross cash flow</b>	<b>42,590.8</b>	<b>29,732.1</b>
Changes in:		
Trade and other receivables	-1,743.2	-1,793.0
Real estate inventories	25,965.1	-12,696.4
Trade payables	-7,293.2	-568.2
Provisions	386.9	671.4
Prepayments received on the sale of apartments	-26,797.0	19,233.8
Miscellaneous other liabilities	10,890.2	-4,379.1
<b>Cash flow from operating activities</b>	<b>43,999.6</b>	<b>30,200.6</b>
Acquisition of/Investments in investment property incl. prepayments	-57,910.6	-90,587.0
Acquisition of/Investments in property under construction	-8,819.8	-7,855.8
Acquisition of/Investments in other tangible assets	-1,586.5	-42.5
Acquisition of intangible assets	-204.1	-719.1
Disposal of non-current assets	15,219.3	55,630.7
Cash inflows from other financial assets	721.1	873.1
Interest received	9.1	118.1
<b>Cash flow from investing activities</b>	<b>-52,571.5</b>	<b>-42,582.5</b>
Cash inflows from long-term financing	9,957.0	46,815.1
Cash inflows from capital increase	305,556.3	0.0
Cash outflows for transaction costs for capital increase	-7,167.0	0.0
Cash flows arising from changes of the ownership interests in subsidiary	0.0	-1,689.8
Cash inflows/outflows from short-term financing	-40,081.3	5,544.7
Cash outflows for long-term financing	-19,042.2	-9,709.7
Cash outflows for derivative financial instruments	-3,371.5	-3,364.0
Interest paid and cash outflows for other financing expenses	-5,355.4	-5,927.5
Payments of dividends to non-controlling interests	-300.8	-102.0
<b>Cash flow from financing activities</b>	<b>240,195.1</b>	<b>31,566.8</b>
<b>Change in cash and cash equivalents</b>	<b>231,623.2</b>	<b>19,184.9</b>
Cash and cash equivalents at the beginning of the period	211,397.2	82,540.1
Cash and cash equivalents at the end of the period	443,020.4	101,725.0
<b>Change in cash and cash equivalents</b>	<b>231,623.2</b>	<b>19,184.9</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TEUR	Share capital	Capital reserves
<b>Balance on 30 April 2017</b>	<b>99,773.5</b>	<b>1,299,687.1</b>
Payment of dividends	0.0	0.0
Capital increase	12,471.7	286,082.5
<b>Transactions with owners</b>	<b>12,471.7</b>	<b>286,082.5</b>
Net profit	0.0	0.0
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance on 31 July 2017</b>	<b>112,245.2</b>	<b>1,585,769.6</b>

in TEUR	Share capital	Capital reserves
<b>Balance on 30 April 2016</b>	<b>99,773.5</b>	<b>1,299,643.1</b>
Payment of dividends	0.0	0.0
Equity-settled share-based payment	0.0	47.4
Structural changes	0.0	-145.5
<b>Transactions with owners</b>	<b>0.0</b>	<b>-98.1</b>
Net profit	0.0	0.0
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance on 31 July 2016</b>	<b>99,773.5</b>	<b>1,299,545.0</b>



Accumulated other equity IAS 19R	Retained earnings	Total	Non-controlling interests	Total equity
<b>-1,295.8</b>	<b>576,449.4</b>	<b>1,974,614.2</b>	<b>21,195.3</b>	<b>1,995,809.5</b>
0.0	0.0	0.0	-300.8	<b>-300.8</b>
0.0	0.0	298,554.2	0.0	<b>298,554.2</b>
<b>0.0</b>	<b>0.0</b>	<b>298,554.2</b>	<b>-300.8</b>	<b>298,253.4</b>
0.0	28,963.0	28,963.0	266.0	<b>29,229.0</b>
0.0	0.0	0.0	0.0	<b>0.0</b>
<b>0.0</b>	<b>28,963.0</b>	<b>28,963.0</b>	<b>266.0</b>	<b>29,229.0</b>
<b>-1,295.8</b>	<b>605,412.4</b>	<b>2,302,131.4</b>	<b>21,160.5</b>	<b>2,323,291.9</b>

Accumulated other equity IAS 19R	Retained earnings	Total	Non-controlling interests	Total equity
<b>-1,010.8</b>	<b>287,477.2</b>	<b>1,685,883.0</b>	<b>14,075.8</b>	<b>1,699,958.8</b>
0.0	0.0	0.0	-102.0	<b>-102.0</b>
0.0	0.0	47.4	0.0	<b>47.4</b>
0.0	0.0	-145.5	-1,544.3	<b>-1,689.8</b>
<b>0.0</b>	<b>0.0</b>	<b>-98.1</b>	<b>-1,646.3</b>	<b>-1,744.4</b>
0.0	83,916.1	83,916.1	-49.4	<b>83,866.7</b>
0.0	0.0	0.0	0.0	<b>0.0</b>
<b>0.0</b>	<b>83,916.1</b>	<b>83,916.1</b>	<b>-49.4</b>	<b>83,866.7</b>
<b>-1,010.8</b>	<b>371,393.3</b>	<b>1,769,701.0</b>	<b>12,380.1</b>	<b>1,782,081.1</b>

# 1. GENERAL PRINCIPLES

BUWOG AG is an Austrian residential property investor and developer with core markets in Germany and Austria. The company headquarters are located at A-1130 Vienna, Hietzinger Kai 131. BUWOG AG is the parent company of the BUWOG Group.

The business activities of the BUWOG Group cover the following areas

- Asset Management (portfolio management and administration)
- Property Sales (the sale of individual apartments and portfolios) and
- Property Development (the planning and construction of residential buildings with a focus on Vienna, Berlin and Hamburg).

The shares of BUWOG AG are admitted for trading on the Prime Standard market of the Frankfurt Stock Exchange, the Prime Market of the Vienna Stock Exchange and the Main Market of the Warsaw Stock Exchange (*"Rynek podstawowy"*).

## 2. BASIS OF PREPARATION

The consolidated interim financial statements of BUWOG AG as of 31 July 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union in accordance with EC Regulation 1606/2002. These condensed consolidated interim financial statements were prepared in accordance with the rules set forth in IAS 34.

Information on the IFRS and significant accounting policies applied by BUWOG AG in preparing the consolidated interim financial statements is provided in the consolidated financial statements of BUWOG AG as of 30 April 2017.

The consolidated interim financial statements are presented in thousands of Euros (TEUR, rounded). The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts and percentages.

### **2.1 INITIAL APPLICATION OF STANDARDS AND INTERPRETATIONS**

No new or revised standards or interpretations required mandatory application in the first quarter of the 2017/18 financial year.

### **2.2 STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU, BUT NOT YET APPLIED**

The following new or revised standards and interpretations had been announced by the balance sheet date, but have not been adopted by the EU and are therefore not applicable:

Standard	Content	Published by the IASB (adopted by the EU)	Mandatory application for BUWOG
<b>New standards and interpretations</b>			
IFRS 15	Revenue from Contracts with Customers	28 May 2014 (22 September 2016)	1 May 2018
IFRS 9	Financial Instruments, amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures, and amendments to IFRS 9, IFRS 7 and IAS 39, Hedge Accounting	24 July 2014 (22 November 2016)	1 May 2018

### 2.3 STANDARDS AND INTERPRETATIONS ANNOUNCED, BUT NOT YET ADOPTED BY THE EU

The following new or revised standards and interpretations had been announced by the balance sheet date, but have not yet been adopted by the EU and are therefore not applicable:

Standard	Content	Published by the IASB	Expected mandatory application for BUWOG
<b>New standards and interpretations</b>			
IFRS 14	Regulatory Deferral Accounts	30 January 2014	1 May 2016
IFRS 16	Leases	13 January 2016	1 May 2019
IFRS 17	Insurance contracts	18 May 2017	1 May 2021
<b>Changes to standards and interpretations</b>			
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture	11 September 2014	<sup>1)</sup>
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	19 January 2016	1 May 2017 <sup>2)</sup>
IAS 7	Disclosure Initiative	29 January 2016	1 May 2017 <sup>2)</sup>
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	12 April 2016	1 May 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	20 June 2016	1 May 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12 September 2016	1 May 2018
Various standards	Annual Improvements to IFRSs 2014 - 2016 Cycle	8 December 2016	1 May 2017/ 1 May 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	8 December 2016	1 May 2018
IAS 40	Transfers of Investment Property	8 December 2016	1 May 2018
IFRIC 23	Uncertainty over Income Tax Treatments	7 June 2017	1 May 2019

1) The initial application of this revised standard has been postponed for an indefinite period.

2) Currently not endorsed by the European Union.

### 3. SCOPE OF CONSOLIDATION

In addition to BUWOG AG, these consolidated interim financial statements include 34 domestic and 89 foreign companies in which BUWOG Group directly or indirectly holds the majority of voting rights or can exercise legal or actual control.

#### **3.1 DEVELOPMENT OF THE SCOPE OF CONSOLIDATION**

The following table shows the changes in the scope of consolidation for the BUWOG Group during the first quarter of 2017/18:

Scope of consolidation	Full consolidation
<b>Balance on 30 April 2017</b>	<b>122</b>
Initially included	2
<b>Balance on 31 July 2017</b>	<b>124</b>

#### **3.2 INITIAL CONSOLIDATIONS**

The following subsidiaries were initially consolidated during the first quarter of 2017/18:

Segment	Country	Headquarters	Company	Interest in capital	Consolidation date
<b>Founding/acquisition of companies without businesses</b>					
Austria	AT	Vienna	BUWOG - Breitenfurterstraße Zwei, GmbH & Co. KG	99,98%	1 June 2017
Austria	AT	Vienna	BUWOG - Breitenfurterstraße Vier, GmbH & Co. KG	99,98%	1 June 2017

#### **3.3 NON-CONSOLIDATED SUBSIDIARIES**

Segment	Country	Headquarters	Company
Germany	DE	Berlin	Marina Lindenstraße GbR
Germany	DE	Berlin	Marina Spreestraße GbR
Germany	DE	Berlin	Planungsgemeinschaft „Das-Neue-Gartenfeld“ Verwaltungs GmbH
Germany	DE	Berlin	Planungsgemeinschaft „Das-Neue-Gartenfeld“ GmbH & Co. KG

Additional information is provided in the notes to the consolidated financial statements as of 30 April 2017.

### 4. SEGMENT REPORTING

The reportable segments of the BUWOG Group are classified according to regional criteria based on the location of the properties.

## SEGMENTS

in TEUR	Germany		Austria	
	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17
Residential rental income	27,658.9	26,656.8	20,229.5	22,981.3
Other rental income	2,076.7	1,903.2	1,756.4	1,205.5
<b>Rental income</b>	<b>29,735.6</b>	<b>28,560.0</b>	<b>21,985.9</b>	<b>24,186.8</b>
Operating costs charged to tenants and third party property management revenues	16,116.1	16,925.2	12,061.1	12,351.4
Other revenues	6.4	2.0	0.3	14.4
<b>Revenues</b>	<b>45,858.1</b>	<b>45,487.2</b>	<b>34,047.3</b>	<b>36,552.6</b>
Expenses directly related to investment property	-9,140.4	-8,645.0	-4,511.1	-5,509.3
Operating expenses and expenses from third party property management	-15,224.7	-16,686.5	-12,565.7	-12,727.9
<b>Results of Asset Management</b>	<b>21,493.0</b>	<b>20,155.7</b>	<b>16,970.5</b>	<b>18,315.4</b>
Sale of properties	111.4	107.0	51,842.4	27,559.7
Carrying amount of sold properties	-111.4	-107.0	-51,842.4	-27,559.7
Other expenses from property sales	-9.9	-12.9	-351.9	-755.0
Fair value adjustments of properties sold	22.3	29.6	14,448.2	10,352.9
Fair value adjustments of properties held for sale	0.0	0.0	1,668.3	0.0
<b>Results of Property Sales</b>	<b>12.4</b>	<b>16.7</b>	<b>15,764.6</b>	<b>9,597.9</b>
Sale of real estate inventories	27,354.3	8,109.1	56,441.5	10,258.2
Cost of real estate inventories sold	-20,464.3	-7,447.2	-40,829.8	-7,699.2
Other expenses from sale of real estate inventories	-711.8	-715.0	-618.1	-669.7
Other real estate development expenses	-1,094.1	-1,000.9	-1,374.5	-1,701.4
<b>Results of Property Development</b>	<b>5,084.1</b>	<b>-1,054.0</b>	<b>13,619.1</b>	<b>187.9</b>
Other operating income	378.7	188.7	179.3	464.8
Other not directly attributable expenses	-2,598.2	-2,249.2	-2,235.6	-1,775.8
<b>Results of operations</b>	<b>24,370.0</b>	<b>17,057.9</b>	<b>44,297.9</b>	<b>26,790.2</b>
Fair value adjustments of investment properties	0.0	137,424.6	0.0	9,079.2
Maintenance and improvement contributions received	0.0	0.0	0.0	24.9
<b>Other valuation results</b>	<b>0.0</b>	<b>137,424.6</b>	<b>0.0</b>	<b>9,104.1</b>
<b>Operating profit (EBIT)</b>	<b>24,370.0</b>	<b>154,482.5</b>	<b>44,297.9</b>	<b>35,894.3</b>
<b>Financial results</b>				
<b>Earnings before tax (EBT)</b>				
Income tax expenses				
Deferred tax income/expenses				
<b>Net profit</b>				
<b>Investments in non-current segment assets</b>	<b>16,888.6</b>	<b>106,486.7</b>	<b>8,039.4</b>	<b>23,335.6</b>
	31 July 2017	30 April 2017	31 July 2017	30 April 2017
Investment property	2,255,911.9	2,243,940.7	1,933,908.0	1,959,981.2
Investment property under construction	26,709.8	21,920.0	40,082.6	34,380.0
Other tangible assets	712.0	721.8	5,041.6	5,119.1
<b>Non-current segment assets</b>	<b>2,283,333.7</b>	<b>2,266,582.5</b>	<b>1,979,032.2</b>	<b>1,999,480.3</b>
Non-current assets held for sale	0.0	0.0	7,000.0	15,661.1
Real estate inventories	148,480.2	155,380.7	178,425.8	200,150.7
<b>Current segment assets</b>	<b>148,480.2</b>	<b>155,380.7</b>	<b>185,425.8</b>	<b>215,811.8</b>
<b>Segment assets</b>	<b>2,431,813.9</b>	<b>2,421,963.2</b>	<b>2,164,458.0</b>	<b>2,215,292.1</b>

Total reportable segments		Holding company/Transition to consolidated financial statements		BUWOG Group	
Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17
47,888.4	49,638.1	0.0	0.0	47,888.4	49,638.1
3,833.1	3,108.7	0.0	0.0	3,833.1	3,108.7
<b>51,721.5</b>	<b>52,746.8</b>	<b>0.0</b>	<b>0.0</b>	<b>51,721.5</b>	<b>52,746.8</b>
28,177.2	29,276.6	0.0	0.0	28,177.2	29,276.6
6.7	16.4	0.0	0.0	6.7	16.4
<b>79,905.4</b>	<b>82,039.8</b>	<b>0.0</b>	<b>0.0</b>	<b>79,905.4</b>	<b>82,039.8</b>
-13,651.5	-14,154.3	0.0	0.0	-13,651.5	-14,154.3
-27,790.4	-29,414.4	0.0	0.0	-27,790.4	-29,414.4
<b>38,463.5</b>	<b>38,471.1</b>	<b>0.0</b>	<b>0.0</b>	<b>38,463.5</b>	<b>38,471.1</b>
51,953.8	27,666.7	0.0	0.0	51,953.8	27,666.7
-51,953.8	-27,666.7	0.0	0.0	-51,953.8	-27,666.7
-361.8	-767.9	0.0	0.0	-361.8	-767.9
14,470.5	10,382.5	0.0	0.0	14,470.5	10,382.5
1,668.3	0.0	0.0	0.0	1,668.3	0.0
<b>15,777.0</b>	<b>9,614.6</b>	<b>0.0</b>	<b>0.0</b>	<b>15,777.0</b>	<b>9,614.6</b>
83,795.8	18,367.3	0.0	0.0	83,795.8	18,367.3
-61,294.1	-15,146.4	0.0	0.0	-61,294.1	-15,146.4
-1,329.9	-1,384.7	0.0	0.0	-1,329.9	-1,384.7
-2,468.6	-2,702.3	0.0	0.0	-2,468.6	-2,702.3
<b>18,703.2</b>	<b>-866.1</b>	<b>0.0</b>	<b>0.0</b>	<b>18,703.2</b>	<b>-866.1</b>
558.0	653.5	117.3	27.7	675.3	681.2
-4,833.8	-4,025.0	-5,915.9	-5,254.5	-10,749.7	-9,279.5
<b>68,667.9</b>	<b>43,848.1</b>	<b>-5,798.6</b>	<b>-5,226.8</b>	<b>62,869.3</b>	<b>38,621.3</b>
0.0	146,503.8	0.0	0.0	0.0	146,503.8
0.0	24.9	0.0	0.0	0.0	24.9
<b>0.0</b>	<b>146,528.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>146,528.7</b>
<b>68,667.9</b>	<b>190,376.8</b>	<b>-5,798.6</b>	<b>-5,226.8</b>	<b>62,869.3</b>	<b>185,150.0</b>
				<b>-25,796.1</b>	<b>-82,979.5</b>
				<b>37,073.2</b>	<b>102,170.5</b>
				<b>-9,990.7</b>	<b>-3,056.8</b>
				<b>2,146.5</b>	<b>-15,247.0</b>
				<b>29,229.0</b>	<b>83,866.7</b>
<b>24,928.0</b>	<b>129,822.3</b>	<b>598.7</b>	<b>42.5</b>	<b>25,526.7</b>	<b>129,864.8</b>
31 July 2017	30 April 2017	31 July 2017	30 April 2017	31 July 2017	30 April 2017
4,189,819.9	4,203,921.9	0.0	0.0	4,189,819.9	4,203,921.9
66,792.4	56,300.0	0.0	0.0	66,792.4	56,300.0
5,753.6	5,840.9	9,667.6	9,107.1	15,421.2	14,948.0
<b>4,262,365.9</b>	<b>4,266,062.8</b>	<b>9,667.6</b>	<b>9,107.1</b>	<b>4,272,033.5</b>	<b>4,275,169.9</b>
7,000.0	15,661.1	0.0	0.0	7,000.0	15,661.1
326,906.0	355,531.4	0.0	0.0	326,906.0	355,531.4
<b>333,906.0</b>	<b>371,192.5</b>	<b>0.0</b>	<b>0.0</b>	<b>333,906.0</b>	<b>371,192.5</b>
<b>4,596,271.9</b>	<b>4,637,255.3</b>	<b>9,667.6</b>	<b>9,107.1</b>	<b>4,605,939.5</b>	<b>4,646,362.4</b>

## 5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 5.1 EXPENSES DIRECTLY RELATED TO INVESTMENT PROPERTY

in TEUR	Q1 2017/18	Q1 2016/17
Maintenance	-7,105.5	-7,149.2
Expenses from asset management	-2,403.4	-2,254.7
Owners expenses	-1,839.4	-1,648.8
Vacancies	-727.9	-936.1
Write-off of receivables from asset management	-520.5	-672.5
Other expenses	-1,054.8	-1,493.0
<b>Total</b>	<b>-13,651.5</b>	<b>-14,154.3</b>

### 5.2 RESULTS OF PROPERTY SALES

The results of property sales total TEUR 15,777.0 (Q1 2016/17: TEUR 9,614.6) and comprise TEUR 13,817.2 (Q1 2016/17: TEUR 9,591.7) from Unit Sales and TEUR 291.5 (Q1 2016/17: TEUR 22.9) from Block Sales and TEUR 1,668.3 (Q1 2016/17: TEUR 0.0) from the fair value adjustment of investment properties held for sale.

### 5.3 OTHER OPERATING INCOME

in TEUR	Q1 2017/18	Q1 2016/17
Income from derecognised liabilities	36.3	16.8
Refund of property transfer tax and value added tax	0.0	184.4
Insurance compensation	127.8	114.6
Miscellaneous	511.2	365.4
<b>Total</b>	<b>675.3</b>	<b>681.2</b>

### 5.4 OTHER NOT DIRECTLY ATTRIBUTABLE EXPENSES

in TEUR	Q1 2017/18	Q1 2016/17
Personnel expenses	-4,296.8	-3,619.6
Legal, auditing and consulting fees	-2,218.3	-1,303.6
IT and communications	-1,582.8	-1,530.4
Advertising and Marketing	-487.4	-651.9
Amortisation and depreciation	-789.0	-600.6
Cost of valuation reports	-240.0	-273.8
Guarantee commission related to acquisition of land	0.0	-54.9
Miscellaneous	-1,135.4	-1,244.7
<b>Total</b>	<b>-10,749.7</b>	<b>-9,279.5</b>

Personnel expenses consist primarily of wages, salaries and expenses for statutory social security contributions as well as other employee-related costs. They are allocated to the individual business areas (Asset Management, Property Sales and Property Development) wherever possible. In cases where direct allocation is not possible, the personnel expenses are reported under other not directly attributable expenses.

The amortisation and depreciation reported in the above table are usage-based and related to other property plant and equipment and intangible assets. Write-downs to inventories are reported under other real estate development expenses and amounted to TEUR 260.1 for the first quarter of 2017/18 (Q1 2016/17: TEUR 0.0).

Other not directly attributable expenses of TEUR 10,749.7 (Q1 2016/17: TEUR 9,279.5) include operating costs of TEUR 1,706.1 (Q1 2016/17: TEUR 951.2) and personnel expenses of TEUR 172.4 (Q1 2016/17: TEUR 433.3) for reorganisation projects as well as expenses of TEUR 594.3 (Q1 2016/17: TEUR 0.0) for employee events.



## **5.5 FAIR VALUE ADJUSTMENTS OF PROPERTIES**

The gains and losses from fair value adjustments are classified as follows:

in TEUR	Investment property		Investment property under construction		Properties sold and held for sale	
	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17
Revaluation gains	0.0	153,775.1	0.0	0.0	16,138.8	10,382.5
Impairment losses	0.0	-7,271.3	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>146,503.8</b>	<b>0.0</b>	<b>0.0</b>	<b>16,138.8</b>	<b>10,382.5</b>

The gains from fair value adjustments are classified as follows by country:

in TEUR	Investment property		Investment property under construction		Properties sold and held for sale	
	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17
Germany	0.0	140,266.2	0.0	0.0	22.3	29.6
Austria	0.0	13,508.9	0.0	0.0	16,116.5	10,352.9
<b>Total</b>	<b>0.0</b>	<b>153,775.1</b>	<b>0.0</b>	<b>0.0</b>	<b>16,138.8</b>	<b>10,382.5</b>

The losses from fair value adjustments are classified as follows by country:

in TEUR	Investment property		Investment property under construction		Properties sold and held for sale	
	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17
Germany	0.0	-2,841.6	0.0	0.0	0.0	0.0
Austria	0.0	-4,429.7	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>-7,271.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

In contrast to the previous year, a special appraisal of the investment properties was not carried out as of 31 July 2017. The next valuation by an independent external appraiser is scheduled for 31 October 2017.

## **5.6 FINANCIAL RESULTS**

in TEUR	Q1 2017/18	Q1 2016/17
Cash financing costs	-8,726.9	-9,291.5
Current interest accruals	-1,254.6	-1,246.9
Gain/loss on financial liabilities carried at amortised cost	-994.3	-723.8
Convertible bonds – increase in interest according to the effective interest rate method	-680.5	0.0
Other non-cash financing costs	-20.3	-27.6
<b>Financing costs</b>	<b>-11,676.6</b>	<b>-11,289.8</b>
Cash financing income	9.1	118.1
Current interest accruals	13.0	-1.8
Gain/loss on other financial assets carried at amortised cost	48.9	33.4
<b>Financing income</b>	<b>71.0</b>	<b>149.7</b>
Valuation of derivative financial instruments:	-6,908.2	-23,578.9
Interest rate swaps	8,425.7	-23,578.9
Embedded derivatives in the convertible bonds	-15,333.9	0.0
Valuation of financial instruments at fair value through profit or loss (Fair Value Option)	-6,585.1	-47,816.2
Other	-697.2	-444.3
<b>Other financial results</b>	<b>-14,190.5</b>	<b>-71,839.4</b>
<b>Total</b>	<b>-25,796.1</b>	<b>-82,979.5</b>

Cash financing costs of TEUR 8,726.9 (Q1 2016/17: TEUR 9,291.5) comprise interest paid of TEUR 5,179.6 (Q1 2016/17: TEUR 5,773.8), cash outflows of TEUR 3,371.5 (Q1 2016/17: TEUR 3,364.0) for derivative financial instruments and cash outflows of TEUR 175.8 (Q1 2016/17: TEUR 153.7) for other current financing costs. Current financing costs include TEUR 56.3 (Q1 2016/17: TEUR 48.6) of ancillary loan costs.

The cash financing income of TEUR 9.1 (Q1 2016/17: TEUR 118.1) resulted in full from interest income on financial assets.

The non-cash results from the measurement of derivatives included under other financial results and the non-cash valuation results from financial instruments carried at fair value through profit or loss (fair value option) are attributable to the different development of the underlying interest rate curve in the first quarter of 2017/18 and the comparable prior year period.

Ancillary financing costs of TEUR 116.6 for borrowings arranged during the reporting period will be distributed over the terms of the respective loans based on the effective interest rate method.

## **5.7 INCOME TAXES**

This item includes income taxes paid or owed by Group companies as well as provisions for deferred taxes.

in TEUR	Q1 2017/18	Q1 2016/17
Income tax expenses	-9,990.7	-3,056.8
Deferred tax income/expenses	2,146.5	-15,247.0
<b>Total</b>	<b>-7,844.2</b>	<b>-18,303.8</b>

The increase in current income taxes resulted from the substantial earnings growth in the Property Sales and Property Development business areas.

## **5.8 EARNINGS PER SHARE**

	Q1 2017/18	Q1 2016/17
Weighted average number of shares (basic)	107,771,625	99,773,479
Diluting effect stock options	395,446	166,001
Weighted average number of shares (diluted)	108,167,071	99,939,480
Net profit excl. non-controlling interests in EUR (basic)	28,963,000	83,916,100
Net profit excl. non-controlling interests in EUR (diluted)	28,963,000	83,916,100
<b>Basic earnings per share in EUR</b>	<b>0.27</b>	<b>0.84</b>
<b>Diluted earnings per share in EUR</b>	<b>0.27</b>	<b>0.84</b>

The calculation of diluted earnings per share for the reporting period did not include any diluting effects from the convertible bonds because these effects would have resulted in higher earnings per share. Diluting effects are only included in earnings per share when they lead to lower earnings per share or a higher loss per share.

## 6. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 6.1 INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION

The following table shows the development of the fair value of investment property and investment property under construction:

in TEUR	Investment property	Investment property under construction
<b>Balance on 1 May 2017</b>	<b>4,203,921.9</b>	<b>56,300.0</b>
Additions	14,397.1	10,492.4
Disposals	-36,292.7	0.0
Fair value adjustments	16,138.8	0.0
Reclassification	-1,345.2	0.0
Reclassification IFRS 5	-7,000.0	0.0
<b>Balance on 31 July 2017</b>	<b>4,189,819.9</b>	<b>66,792.4</b>

The additions include modernisation expenditures (CAPEX) of TEUR 9,752.9 (Q1 2016/17: TEUR 6,418.6) and other additions of TEUR 4,644.2 (Q1 2016/17: TEUR 118,284.9).

The transfers consist of reclassifications to real estate inventories.

Details on revaluation results are provided in note 5.5 *Fair value adjustments of properties*.

### 6.2 TRADE AND OTHER RECEIVABLES

in TEUR	31 July 2017	Thereof remaining term under 1 year	Thereof remaining term over 1 year	30 April 2017
<b>Trade accounts receivable</b>				
Rents receivable	4,026.3	4,026.3	0.0	3,240.0
Miscellaneous	3,427.4	3,427.4	0.0	2,701.3
<b>Total trade accounts receivable</b>	<b>7,453.7</b>	<b>7,453.7</b>	<b>0.0</b>	<b>5,941.3</b>
<b>Other financial receivables</b>				
Restricted funds	43,003.4	43,003.4	0.0	39,435.1
Outstanding purchase price receivables – sale of properties	95,838.5	94,913.8	924.7	59,165.7
Fair value of derivative financial instruments (receivables)	61.8	0.0	61.8	0.0
Miscellaneous	5,319.6	5,092.0	227.6	4,863.0
<b>Total other financial receivables</b>	<b>144,223.3</b>	<b>143,009.2</b>	<b>1,214.1</b>	<b>103,463.8</b>
<b>Other non-financial receivables</b>				
Tax authorities	12,194.5	12,194.5	0.0	10,886.3
Prepayments made for land purchases	9,280.3	0.0	9,280.3	360.1
Accrued property taxes	2,497.4	2,497.4	0.0	3,995.9
Miscellaneous	1,368.9	1,368.9	0.0	3,086.4
<b>Total other non-financial receivables</b>	<b>25,341.1</b>	<b>16,060.8</b>	<b>9,280.3</b>	<b>18,328.7</b>
<b>Total</b>	<b>177,018.1</b>	<b>166,523.7</b>	<b>10,494.4</b>	<b>127,733.8</b>

### 6.3 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

This position included seven properties in Carinthia, Lower Austria, Salzburg and Styria as of 31 July 2017. The Executive Board had approved the sale of these properties and offers had been received from potential buyers by that date.

The remaining two properties from the Tyrolean portfolio and the properties in the Carinthian and Styrian portfolio, which were reported under this position as of 30 April 2017, were transferred to the buyer during the first quarter of 2017/18.

## 6.4 EQUITY

These consolidated interim financial statements include compensation costs of TEUR 0.0 (Q1 2016/17 TEUR 47.4) for the fair value of share options granted in connection with the Long-Term Incentive Programme 2014, which were charged to the capital reserves.

Based on a decision by the Executive Board on 15 May 2017 and 2 June 2017 and the approval of the Supervisory Board on 15 May 2017 and 2 June 2017, share capital was increased from EUR 99,773,479 by EUR 12,471,685 based on an authorisation of the annual general meeting on 7 March 2014 (authorised capital). This capital increase was recorded in the company register on 3 June 2017, and share capital now totals EUR 112,245,164. Following the capital increase, share capital is divided into 112,245,164 no par value shares. The issue price equalled EUR 24.50 per share.

The transaction costs of TEUR 9,336.1 for the capital increase were offset against capital reserves after the deduction of the tax benefit of TEUR 2,334.0, i.e. TEUR 7,002.1 in total.

## 6.5 LIABILITIES FROM CONVERTIBLE BONDS

The following table shows the remaining terms of the liabilities from convertible bonds:

in TEUR	31 July 2017	Thereof remaining term over 1 year
Convertible bonds 2016 - 2021	288,668.0	288,668.0

BUWOG AG issued non-subordinated, unsecured convertible bonds (ISIN: AT0000A1NQH2) on 6 September 2016. The bonds have a term ending in 2021 and a total nominal value of EUR 300 million with a denomination of EUR 100,000.00. The subscription rights of BUWOG shareholders were excluded. These bonds are initially convertible into 9,554,140 bear shares, which represent approx. 9.58% of BUWOG's current outstanding share capital. As part of the bookbuilding process, the initial conversion premium was set at 35% over the reference price of EUR 23.2592 and interest payments were excluded. The initial conversion price therefore equals EUR 31.40. The conversion price equalled EUR 31.22 after the capital increase (see note 6.4 *Equity*). The convertible bonds have a term of five years; they were issued and will be redeemed at 100% of their nominal value. The convertible bonds will be redeemed at their nominal value on 9 September 2021 unless they are converted, repaid or purchased and cancelled before that date. The terms include a cash settlement option in favour of BUWOG AG.

The reconciliation of the nominal amount of the convertible bonds to the carrying amount is shown below:

in TEUR	
<b>Carrying amount on 1 May 2017</b>	<b>0.0</b>
Issue amount of convertible bonds 2016 - 2021	300,000.0
Transaction costs	-3,037.5
Separation of the embedded derivatives	-10,691.2
<b>Net amount</b>	<b>286,271.3</b>
Interest growth using the effective interest rate method	1,716.2
<b>Carrying amount on 30 April 2017</b>	<b>287,987.5</b>
Interest growth using the effective interest rate method	680.5
<b>Carrying amount on 31 July 2017</b>	<b>288,668.0</b>

## 6.6 FINANCIAL LIABILITIES

The following table shows the composition and remaining term of the financial liabilities as of 31 July 2017:

in TEUR	31 July 2017	Thereof remaining term under 1 year	Thereof remaining term between 1 and 5 years	Thereof remaining term over 5 years	30 April 2017
Amounts due to financial institutions	1,487,662.5	108,189.2	219,528.4	1,159,944.9	1,523,493.3
thereof secured by collateral	1,390,463.9	97,189.0	184,250.5	1,109,024.4	1,442,150.7
thereof not secured by collateral	97,198.6	11,000.2	35,277.9	50,920.5	81,342.6
Amounts due to local authorities	434,649.1	27,101.1	102,586.3	304,961.7	439,884.8
Other financial liabilities	0.0	0.0	0.0	0.0	94.1
<b>Total</b>	<b>1,922,311.6</b>	<b>135,290.3</b>	<b>322,114.7</b>	<b>1,464,906.6</b>	<b>1,963,472.2</b>

The major conditions of financial liabilities as of 31 July 2017 are as follows:

### CONDITIONS OF FINANCIAL LIABILITIES

	Currency	Interest rate fixed/floating	Average interest rate	Nominal value of remaining liability in TEUR	Balance in TEUR
	EUR	fixed	1.93%	347,485.5	
	EUR	floating	1.03%	1,163,418.5	
<b>Total amounts due to financial institutions</b>				<b>1,510,904.0</b>	<b>1,487,662.5</b>
<b>Amounts due to local authorities</b>	<b>EUR</b>	<b>fixed</b>	<b>1.63%</b>	<b>432,803.7</b>	<b>434,649.1</b>
<b>Total</b>					<b>1,922,311.6</b>

## 6.7 TRADE PAYABLES AND OTHER LIABILITIES

in TEUR	31 July 2017	Thereof remaining term under 1 year	Thereof remaining term over 1 year	30 April 2017
<b>Trade payables</b>	<b>18,304.4</b>	<b>18,208.3</b>	<b>96.1</b>	<b>27,116.2</b>
<b>Other financial liabilities</b>				
Fair value of derivative financial instruments (liabilities):	83,797.1	35,660.3	48,136.8	76,826.9
Interest rate swaps	49,240.4	1,103.6	48,136.8	57,604.2
Embedded derivatives in the convertible bonds	34,556.7	34,556.7	0.0	19,222.7
Property management	15,107.2	15,107.2	0.0	14,476.7
Deposits and guarantees received	30,053.8	30,053.8	0.0	29,630.8
Maintenance and improvement amounts received	40,514.0	4,051.4	36,462.6	39,581.2
Outstanding purchase prices (share deals)	2,645.8	2,645.8	0.0	3,390.7
Outstanding purchase prices (acquisition of properties)	0.0	0.0	0.0	34,280.2
Liabilities from financial contributions	103,495.8	103,495.8	0.0	104,445.9
Miscellaneous	99,279.8	71,980.1	27,299.7	85,511.8
<b>Total other financial liabilities</b>	<b>374,893.5</b>	<b>262,994.4</b>	<b>111,899.1</b>	<b>388,144.2</b>
<b>Other non-financial liabilities</b>				
Tax and other public authorities	11,030.9	11,030.9	0.0	10,648.0
Prepayments received on apartment sales	11,122.5	11,122.5	0.0	37,919.5
Prepayments received for rents and operating costs	50.6	50.6	0.0	62.6
Miscellaneous	42.0	42.0	0.0	77.2
<b>Total other non-financial liabilities</b>	<b>22,246.0</b>	<b>22,246.0</b>	<b>0.0</b>	<b>48,707.3</b>
<b>Total</b>	<b>415,443.9</b>	<b>303,448.7</b>	<b>111,995.2</b>	<b>463,967.7</b>

## 6.8 INFORMATION ON FINANCIAL INSTRUMENTS

### 6.8.1 Classification of financial instruments by IAS 39 categories

in TEUR

ASSETS	FA@FV/P&L						Carrying amount on 31 July 2017	Fair value on 31 July 2017
	AFS	Fair value option		HFT	L&R	Non-FI		
	Fair value not recognised in profit or loss	Fair value recognised in profit or loss	Fair value recognised in profit or loss	Amortised cost	Not within the scope of IFRS 7			
<b>Trade and other receivables</b>	<b>0.0</b>	<b>0.0</b>	<b>61.8</b>	<b>151,615.2</b>	<b>25,341.1</b>	<b>177,018.1</b>	<b>177,018.1</b>	
Trade accounts receivable	0.0	0.0	0.0	7,453.7	0.0	7,453.7	7,453.7	
Derivatives	0.0	0.0	61.8	0.0	0.0	61.8	61.8	
Other receivables	0.0	0.0	0.0	144,161.5	25,341.1	169,502.6	169,502.6	
<b>Other financial assets</b>	<b>190.3</b>	<b>7,866.0</b>	<b>0.0</b>	<b>6,890.7</b>	<b>0.0</b>	<b>14,947.0</b>	<b>18,048.3</b>	
Securities and other investments	190.3	0.0	0.0	0.0	0.0	190.3	190.3	
Originated loans	0.0	7,866.0	0.0	6,890.7	0.0	14,756.7	17,858.0	
<b>Cash and cash equivalents</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>443,020.4</b>	<b>0.0</b>	<b>443,020.4</b>	<b>443,020.4</b>	
<b>TOTAL ASSETS</b>	<b>190.3</b>	<b>7,866.0</b>	<b>61.8</b>	<b>601,526.3</b>	<b>25,341.1</b>	<b>634,985.5</b>	<b>638,086.8</b>	

LIABILITIES	FL@FV/P&L					Carrying amount on 31 July 2017	Fair value on 31 July 2017
	Fair value option	HFT	FLAC	Non-FI			
	Fair value recognised in profit or loss	Fair value recognised in profit or loss	Amortised cost	Not within the scope of IFRS 7			
<b>Liabilities from convertible bonds</b>	<b>0.0</b>	<b>0.0</b>	<b>288,668.0</b>	<b>0.0</b>	<b>288,668.0</b>	<b>292,590.3</b>	
<b>Financial liabilities</b>	<b>484,536.7</b>	<b>0.0</b>	<b>1,437,774.9</b>	<b>0.0</b>	<b>1,922,311.6</b>	<b>1,952,092.3</b>	
Amounts due to financial institutions	81,296.3	0.0	1,406,366.2	0.0	1,487,662.5	1,514,754.6	
Other financial liabilities	403,240.4	0.0	31,408.7	0.0	434,649.1	437,337.7	
<b>Trade payables and other liabilities</b>	<b>0.0</b>	<b>83,797.1</b>	<b>309,400.8</b>	<b>22,246.0</b>	<b>415,443.9</b>	<b>415,443.9</b>	
Trade payables	0.0	0.0	18,304.4	0.0	18,304.4	18,304.4	
Derivatives	0.0	83,797.1	0.0	0.0	83,797.1	83,797.1	
Miscellaneous other liabilities	0.0	0.0	291,096.4	22,246.0	313,342.4	313,342.4	
<b>Financial liabilities held for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>TOTAL LIABILITIES</b>	<b>484,536.7</b>	<b>83,797.1</b>	<b>2,035,843.7</b>	<b>22,246.0</b>	<b>2,626,423.5</b>	<b>2,660,126.5</b>	

AFS: available for sale  
 FA@FV/P&L: financial assets at fair value through profit or loss  
 FL@FV/P&L: financial liabilities at fair value through profit or loss  
 HFT: held for trading  
 L&R: loans and receivables  
 FLAC: financial liabilities measured at amortised cost  
 Non-FI: non-financial assets/liabilities

**Classification of financial instruments by IAS 39 categories – previous year**

in TEUR

	FA@FV/P&L						
	AFS	Fair value option		L&R	Non-FI		
	Fair value not recognised in profit or loss	Fair value recognised in profit or loss	Fair value recognised in profit or loss	Amortised cost	Not within the scope of IFRS 7	Carrying amount on 30 April 2017	Fair value on 30 April 2017
<b>ASSETS</b>							
<b>Trade and other receivables</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>109,405.1</b>	<b>18,328.7</b>	<b>127,733.8</b>	<b>127,733.8</b>
Trade accounts receivable	0.0	0.0	0.0	5,941.3	0.0	5,941.3	5,941.3
Other receivables	0.0	0.0	0.0	103,463.8	18,328.7	121,792.5	121,792.5
<b>Other financial assets</b>	<b>190.3</b>	<b>8,113.3</b>	<b>0.0</b>	<b>7,184.2</b>	<b>0.0</b>	<b>15,487.8</b>	<b>18,678.4</b>
Securities and other investments	190.3	0.0	0.0	0.0	0.0	190.3	190.3
Originated loans	0.0	8,113.3	0.0	7,184.2	0.0	15,297.5	18,488.1
<b>Cash and cash equivalents</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>211,397.2</b>	<b>0.0</b>	<b>211,397.2</b>	<b>211,397.2</b>
<b>TOTAL ASSETS</b>	<b>190.3</b>	<b>8,113.3</b>	<b>0.0</b>	<b>327,986.5</b>	<b>18,328.7</b>	<b>354,618.8</b>	<b>357,809.4</b>

	FL@FV/P&L						
	Fair value option		HFT	FLAC	Non-FI		
	Fair value recognised in profit or loss	Fair value recognised in profit or loss	Fair value recognised in profit or loss	Amortised cost	Not within the scope of IFRS 7	Carrying amount on 30 April 2017	Fair value on 30 April 2017
<b>LIABILITIES</b>							
<b>Liabilities from convertible bonds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>287,987.5</b>	<b>0.0</b>	<b>287,987.5</b>	<b>290,281.3</b>
<b>Financial liabilities</b>	<b>492,947.9</b>	<b>0.0</b>	<b>0.0</b>	<b>1,470,524.3</b>	<b>0.0</b>	<b>1,963,472.2</b>	<b>1,989,287.4</b>
Amounts due to financial institutions	84,696.9	0.0	0.0	1,438,796.4	0.0	1,523,493.3	1,546,684.4
Other financial liabilities	408,251.0	0.0	0.0	31,727.9	0.0	439,978.9	442,603.0
<b>Trade payables and other liabilities</b>	<b>0.0</b>	<b>76,826.9</b>	<b>0.0</b>	<b>338,433.5</b>	<b>48,707.3</b>	<b>463,967.7</b>	<b>463,967.7</b>
Trade payables	0.0	0.0	0.0	27,116.2	0.0	27,116.2	27,116.2
Derivatives	0.0	76,826.9	0.0	0.0	0.0	76,826.9	76,826.9
Miscellaneous other liabilities	0.0	0.0	0.0	311,317.3	48,707.3	360,024.6	360,024.6
<b>Financial liabilities held for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>147.0</b>	<b>0.0</b>	<b>147.0</b>	<b>147.0</b>
<b>TOTAL LIABILITIES</b>	<b>492,947.9</b>	<b>76,826.9</b>	<b>0.0</b>	<b>2,097,092.3</b>	<b>48,707.3</b>	<b>2,715,574.4</b>	<b>2,743,683.4</b>

AFS: available for sale  
 FA@FV/P&L: financial assets at fair value through profit or loss  
 FL@FV/P&L: financial liabilities at fair value through profit or loss  
 HFT: held for trading  
 L&R: loans and receivables  
 FLAC: financial liabilities measured at amortised cost  
 Non-FI: non-financial assets/liabilities

The fair values were determined on the basis of recognised valuation methods. Additional information is provided in the consolidated financial statements as of 30 April 2017.

## 6.8.2 Hierarchy of fair values of financial instruments

in TEUR

<b>31 July 2017</b>	Level 1	Level 2	Level 3	<b>Total</b>
<b>Financial assets available for sale</b>				
Securities and other investments	0.0	0.0	190.3	<b>190.3</b>
<b>Financial assets at fair value through profit or loss</b>				
Fair value option				
Originated loans	0.0	7,866.0	0.0	<b>7,866.0</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Fair value option				
Amounts due to financial institutions	0.0	81,296.3	0.0	<b>81,296.3</b>
Other financial liabilities	0.0	403,240.4	0.0	<b>403,240.4</b>
<b>Held for trading</b>				
Derivatives	0.0	83,735.3	0.0	<b>83,735.3</b>

## Hierarchy of fair values of financial instruments - previous year

in TEUR

<b>30 April 2017</b>	Level 1	Level 2	Level 3	<b>Total</b>
<b>Financial assets available for sale</b>				
Securities and other investments	0.0	0.0	190.3	<b>190.3</b>
<b>Financial assets at fair value through profit or loss</b>				
Fair value option				
Originated loans	0.0	8,113.3	0.0	<b>8,113.3</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Fair value option				
Amounts due to financial institutions	0.0	84,696.9	0.0	<b>84,696.9</b>
Other financial liabilities	0.0	408,251.0	0.0	<b>408,251.0</b>
<b>Held for trading</b>				
Derivatives	0.0	76,826.9	0.0	<b>76,826.9</b>

The following table shows the reconciliation of the opening and closing balances on 31 July 2017 for the financial instruments classified under level 3.

### RECONCILIATION OF THE FINANCIAL INSTRUMENTS CLASSIFIED UNDER LEVEL 3

in TEUR

	Securities and other investments
<b>Balance on 1 May 2016</b>	<b>2.1</b>
Additions/Disposals	188.2
<b>Balance on 30 April 2017</b>	<b>190.3</b>
<b>Balance on 1 May 2017</b>	<b>190.3</b>
Additions/Disposals	0.0
<b>Balance on 31 July 2017</b>	<b>190.3</b>



Valuation procedures and input factors used to determine the fair values of financial instruments:

Level	Financial instruments	Valuation method	Significant input factors
2	Originated loans	Net present value method	Interest rate curves observable in the market, probability of default, default rate, exposure at time of default
2	Derivatives (interest-rate swaps)	Net present value method	Interest rate curves observable in the market, probability of default, default rate, exposure at time of default
2	Loans and financial liabilities @ FV	Net present value method	Interest rate curves observable in the market, probability of default, default rate, exposure at time of default
2	Embedded derivatives in the convertible bonds	Net present value method	Interest rate curves observable in the market, probability of default, default rate, exposure at time of default, market price of the convertible bonds

The BUWOG Group calculates the fair value of low-interest government loans and financial liabilities due to credit institutions with annuity subsidies that are associated with the funding of real estate by discounting the future cash flows based on net present value methods.

The discount rate reflects the interest conditions available to the BUWOG Group and consists of a reference interest curve and a credit spread specific to the BUWOG Group. The discount rates correspond to an interest curve that is based on a Euro interest rate swap curve which extends over terms ranging up to 60 years. Based on the applicable discount rate, a credit spread matching the maturity is added as a premium. This credit spread represents the borrower's premium over the reference interest rate and also reflects the risk profile of the financing and the credit standing of the borrower together with the probability of default (debt value adjustment). Up to and including 30 April 2015, the BUWOG Group derived the applied credit spreads from current financing offers for long-term standing investments because this method better reflected the risk profile of the long-term, relatively low risk financing than the CDS model for the entire BUWOG Group. In this connection, it should be noted that the risk profile for the entire BUWOG Group not only covers the financing for standing investments, but also the financing for development projects with a comparatively higher specific risk. Due to a change in the data base – and the lack of long-term financing offers for a comparable number and volume of standing investments – the credit spread for the BUWOG Group was also calculated with the Bloomberg function DRSK for the valuation of financial liabilities as of 31 July 2017. This function uses current parameters for listed companies to develop a potential five-year CDS model and to transfer this indicator to the various terms with CDS modelling. Since the input parameters used to develop the CDS spread are observable on the market, the financial liabilities carried at fair value are classified under level 2 on the IFRS 13 fair value hierarchy. If representative financing based on appropriate volumes and the number of different financing partners is available for standing investments as of a future balance sheet date, the credit spreads will again be derived from these financing offers.

For net present value methods, an increase in the discount interest rate or the credit spread results in a decrease in the fair value, while a decrease in these input factors increases the fair value.

The derivative financial instruments held by the BUWOG Group are carried at their fair value. The fair value of the interest rate swaps is established with a DCF model in accordance with IFRS 13. Future cash flows are determined by interest rate modelling through the Hull-White one-factor model, specifically in the form of a Monte Carlo simulation. This model is defined by swaption volatilities and caplet volatilities. The major input parameters were defined as of the balance sheet date and comprise the Euro interest rate curve, historical EURIBOR fixings and caplet and swaption volatility matrices. Bloomberg served as the source for the market data.

The following three parameters are required to calculate the Credit Value Adjustment (CVA) and the Debt Value Adjustment (DVA): Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Probability of Default is derived from the Credit Default Swap spreads (CDS spreads) of the relevant counterparty. Interest rate swaps with a positive fair value represent receivables for the BUWOG Group and, in this case, a CVA calculation is carried out to calculate the amount of the receivable. The probability of default for the counterparties is required for this calculation. The counterparties for BUWOG's derivative transactions are normally larger financial institutions with individually traded CDSs, these indicators can usually be taken over directly from external sources (data source: Bloomberg). If the counterparty does not have a separately traded CDS, the market CDS spread for a comparable bank (ideally with the same external rating) is used as an approximation. These benchmarks represent level 1 and 2 input factors in the fair value measurement hierarchy.

Interest rate swaps with a negative fair value represent a liability for BUWOG Group, and a DVA calculation is carried out to calculate the amount of the liability. The Bloomberg function DRSK was used to calculate a separate Probability of Default for the BUWOG Group. This function uses current parameters from listed companies to determine a potential five-year CDS model. The calculation of the BUWOG-specific CDS was based on various parameters that include market capitalisation and share price volatility. The BUWOG-specific CDS was then allocated proportionately to the various terms based on the CDS model and, in this way, used to match the respective maturities. Since the significant input parameters used to develop the CDS spread are observable on the market, the interest rate swaps were allocated to level 2 on the fair value hierarchy.

The Loss Given Default (LGD) is the relative value that is lost at the time of the default. The BUWOG Group used a standard market LGD to calculate the CVA and DVA. The Exposure at Default (EAD) represents the expected amount of the asset or liability at the time of default and is calculated using a Monte Carlo simulation.

The derivatives embedded in the convertible bonds are measured on the basis of available market quotations for the convertible bonds. The fair value of these derivatives is calculated as the difference between the quoted prices for the convertible bonds and the constructed fair value of the underlying transaction (i.e. the bonds). The fair value of the underlying transaction represents the present value of the redemption. In addition, the fair value of the derivatives determined on this basis is validated by an option pricing model.

For the valuation of derivative financial instruments, the estimation of the default risk includes assumptions for the probability of default, loss rate and the outstanding amount at the time of expected default. An increase in the probability of default and the loss rate will reduce the fair value of a derivative with a positive exposure (receivable) and reduce the liability for a derivative with a negative outstanding amount (liability); a decrease in the probability of default and loss rate leads to the opposite effect.

The following table shows the market values and conditions of all derivative financial instruments purchased to hedge interest rate risk and held as of 31 July 2017:

**DERIVATIVES/INTEREST RATE SWAPS**

	Variable element	Fair value as of 31 July 2017 in EUR	Reference value as of 31 July 2017 in EUR	Fixed interest rate in %	Maturity
<b>Interest rate of 0.5%-3%</b>					
Interest rate swap (Helaba)	3-M-Euribor	30,370	4,891,677	0.63	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	31,465	1,716,523	0.69	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	-3,733,675	186,270,977	0.72	30 April 2024
Interest rate swap (Helaba)	3-M-Euribor	-3,712,394	183,095,823	0.72	30 April 2024
Interest rate swap (UniCredit Bank Austria)	3-M-Euribor	-2,410,583	101,850,000	0.84	28 February 2025
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	-2,090,778	129,937,500	0.99	2 January 2025
Interest rate swap (UniCredit Bank)	3-M-Euribor	-598,116	16,143,800	1.03	30 April 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	-1,438,562	29,600,650	1.17	31 January 2023
Interest rate swap (Deka Bank)	3-M-Euribor	-198,573	3,611,000	1.39	31 December 2021
Interest rate swap (Deka Bank)	3-M-Euribor	-1,099,855	19,998,000	1.39	31 December 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	-1,321,002	12,874,400	2.13	29 September 2023
Interest rate swap (Hypo Steiermark)	6-M-Euribor	-2,554,696	19,500,000	2.50	31 December 2036
Interest rate swap (UniCredit Bank Austria)	6-M-Euribor	-3,522,679	25,607,858	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	-2,616,125	21,339,882	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	-3,227,225	25,607,858	2.54	30 November 2036
Interest rate swap (BAWAG)	6-M-Euribor	-1,404,810	10,125,000	2.85	31 December 2030
Interest rate swap (Hypo Steiermark)	6-M-Euribor	-2,896,092	14,513,000	2.99	30 September 2039
<b>Number of derivatives: 17</b>		<b>-32,763,330</b>	<b>806,683,948</b>		
<b>Interest rate of 3%-4.5%</b>					
Interest rate swap (Hypo Steiermark)	6-M-Euribor	-1,411,505	7,574,000	3.01	30 September 2039
Interest rate swap (Hypo Steiermark)	6-M-Euribor	-3,690,449	23,291,000	3.09	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	-6,586,805	44,384,000	3.11	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	-3,622,762	24,411,000	3.11	30 September 2031
<b>Number of derivatives: 4</b>		<b>-15,311,521</b>	<b>99,660,000</b>		
<b>Interest rate above 4.5%</b>					
Interest rate swap (Commerzbank)	3-M-Euribor	-1,103,558	24,535,000	4.58	29 June 2018
<b>Number of derivatives: 1</b>		<b>-1,103,558</b>	<b>24,535,000</b>		
<b>Total derivatives: 22</b>		<b>-49,178,409</b>	<b>930,878,948</b>	<b>1.42</b>	

The following discount rates were used to value financial liabilities and originated loans:

**DISCOUNT RATES**

in %	31 July 2017
Up to 31 January 2019	0.157%
Up to 31 January 2020	0.236%
Up to 31 January 2022	0.608%
Up to 31 January 2024	1.073%
Up to 31 January 2026	1.588%
Up to 31 January 2029	2.044%
Up to 31 January 2035	2.448%
As of 1 February 2035	2.623%

## 7. TRANSACTIONS WITH RELATED PARTIES

The Chairman of the Supervisory Board, Vitus Eckert, is a shareholder in the law firm of Eckert Fries Prokopp Rechtsanwälte GmbH, Baden near Vienna. This law firm charged fees of EUR 3,098.28 for legal advice to BUWOG Group companies in the first quarter of 2017/18. The terms of these fees, especially the hourly rates, reflect standard market conditions.

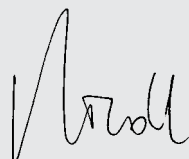
One member of the Supervisory Board is a tenant in an apartment owned by the BUWOG Group. In addition, a close relative of a Supervisory Board member purchased two apartments from the BUWOG Group in the first quarter of 2017/18. The transactions reflected standard market conditions in both cases.

## 8. SUBSEQUENT EVENTS AFTER 31 JULY 2017

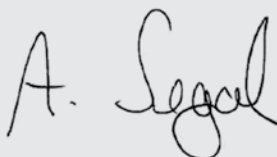
No significant events occurred after the balance sheet date which would have had a material influence on the asset, financial or earnings position of the BUWOG Group.

Vienna, 28 September 2017

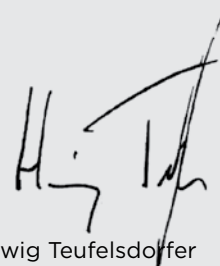
The Executive Board of BUWOG AG



Daniel Riedl  
CEO



Andreas Segal  
Deputy CEO, CFO



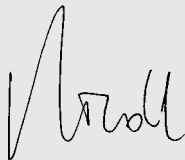
Herwig Teufelsdorfer  
COO

## STATEMENT BY THE EXECUTIVE BOARD

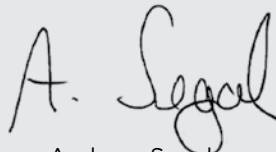
We confirm to the best of our knowledge that these consolidated interim financial statements as of 31 July 2017, which were prepared in accordance with the rules for interim financial reporting defined by International Financial Reporting Standards (IFRS) as adopted by the European Union, provide a true and fair view of the asset, financial and earnings position of the BUWOG Group. Furthermore, we confirm that the group management report provides a true and fair view of the development of business as well as the results of operations and position of the BUWOG Group during the first three months of the financial year and the principal opportunities and risks for the expected development of the BUWOG Group during the remainder of the financial year.

Vienna, 28 September 2017

The Executive Board of BUWOG AG



Daniel Riedl  
CEO



Andreas Segal  
Deputy CEO, CFO



Herwig Teufelsdorfer  
COO

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### **Photos**

Martina Draper (page 5), BUWOG Group (page 50)

### **Disclaimer**

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The materials in this report may contain statements related to our future business and financial performance and future events or developments involving BUWOG that may constitute forward-looking statements. These statements may be identified by words such as “expect”, “look forward to”, “anticipate”, “intend”, “plan”, “believe”, “seek,” “estimate”, “will”, “project”, “target” or words of similar meaning. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of BUWOG’s management, of which many are beyond BUWOG’s control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in the Annual Report. Should one or more of these or other risks or uncertainties materialise, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of BUWOG may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. BUWOG neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.