THE PERFECT INVESTMENT. WITH REAL VALUE.

THE MOST NORMAL THING WITH BUWOG.

Annual Financial Report 2017/18

BUWOG group

BUWOG GROUP KEY FIGURES

EARNINGS DATA		2017/18	2016/17	Change
Net cold rent	in EUR million	210.9	214.4	-1.7%
Results of Asset Management	in EUR million	157.3	156.9	0.3%
Results of Property Sales	in EUR million	41.6	44.3	-6.2%
Results of Property Development	in EUR million	57.7	28.3	>100.0%
EBITDA[1)]	in EUR million	170.6	188.1	-9.3%
Fair value adjustments of investment properties	in EUR million	242.0	335.1	-27.8%
Financial results[2)]	in EUR million	-83.0	-69.3	-19.8%
EBT	in EUR million	343.3	458.3	-25.1%
Net profit	in EUR million	279.3	366.7	-23.8%
Earnings per share[3)]	in EUR	2.46	3.59	-31.5%
FFO	in EUR million	90.2	80.1	12.6%
Recurring FFO	in EUR million	129.4	117.2	10.4%
Recurring FFO per share[3)]	in EUR	1.16	1.17	-1.2%
Total FFO	in EUR million	133.6	122.6	9.0%
AFFO	in EUR million	77.7	77.9	-0.3%

ASSET AND FINANCIAL DATA		30 April 2018	30 April 2017	Change
Balance sheet total	in EUR million	5,487.3	5,019.7	9.3%
Equity ratio	in %	51.4%	39.8%	11.7 PP
Cash and cash equivalents	in EUR million	219.3	211.4	3.7%
Net financial liabilities	in EUR million	1,670.2	2,040.2	-18.1%
Loan-to-value (LTV)	in %	33.7%	44.1%	-10.4 PP
EPRA Net Asset Value	in EUR million	3,209.5	2,384.8	34.6%
Ø Interest rate on financial liabilities	in %	2.06%	1.78%	0.3 PP
Ø Term of financial liabilities	years	11.9	11.8	0.1

SHARE DATA		30 April 2018	30 April 2017	Change
Share price	in EUR	29.04	24.79	17.1%
Shares issued as of the balance sheet date (excl. treasury shares)	Number of shares	124,149,546	99,773,479	24.4%
Market capitalisation	in EUR million	3,605.3	2,473.4	45.8%
Free float[4)]	in %	19%	95%	-76.2 PP
EPRA Net Asset Value per share[3)]	in EUR	25.85	23.90	8.2%

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 trough profit or loss (EUR -11.3 million) and by derivative financial instruments (EUR -15.9 million)
3) Base for earnings data: 111,574,193 shares; previous year 99,773,479 shares (both weighted). Base for asset data: 127,149,546 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)		30 April 2018	30 April 2017	Change
Number of units	Quantity	48,828	49,597	-1.6%
Germany	Quantity	27,297	27,151	0.5%
Austria	Quantity	21,531	22,446	-4.1%
Total floor area[1]	in sqm	3,364,496	3,418,784	-1.6%
Germany	in sqm	1,702,742	1,690,258	0.7%
Austria	in sqm	1,661,755	1,728,526	-3.9%
Annualised net in-place rent[2]	in EUR million	208	205	1.6%
Germany	in EUR million	122	116	4.6%
Austria	in EUR million	87	89	-2.3%
Monthly net in-place rent[2]	in EUR per sqm	5.34	5.18	3.2%
Germany	in EUR per sqm	6.09	5.85	4.1%
Austria	in EUR per sqm	4.56	4.50	1.3%
Development of net in-place rent – like-for-like[3]	in %	2.8%	4.5%	-1.7 PP
Germany – like-for-like	in %	4.0%	3.2%	0.8 PP
Austria – like-for-like	in %	0.7%	6.3%	-5.6 PP
Vacancy rate[4]	in %	3.3%	3.4%	-0.1 PP
Germany	in %	2.2%	1.9%	0.3 PP
Austria	in %	4.5%	4.9%	-0.4 PP
Fair value[5]	in EUR million	4,207	3,942	6.7%
Germany	in EUR million	2,282	1,997	14.2%
Austria	in EUR million	1,925	1,945	-1.0%
Fair value[5]	in EUR per sqm	1,250	1,153	8.4%
Germany	in EUR per sqm	1,340	1,182	13.4%
Austria	in EUR per sqm	1,158	1,125	2.9%
Gross rental yield[6]	in %	5.0%	5.2%	-0.2 PP
Germany	in %	5.3%	5.8%	-0.5 PP
Austria	in %	4.5%	4.6%	-0.1 PP

		2017/18	2016/17	Change
Maintenance expense	in EUR per sqm	7.6	7.7	-1.6%
Capitalization of modernisation work (CAPEX)	in EUR per sqm	15.3	11.2	36.8%

PROPERTY SALES		2017/18	2016/17	Change
Units sold	Quantity	1,022	1,731	-41.0%
thereof Unit Sales	Quantity	567	614	-7.7%
thereof Block Sales	Quantity	455	1,117	-59.3%
Margin on fair value – Unit Sales	in %	62%	57%	5.5 PP
Margin on fair value – Block Sales	in %	17%	5%	12.7 PP

PROPERTY DEVELOPMENT		30 April 2018	30 April 2017	Change
Units under construction	Quantity	2,340	1,472	59.0%
Total investment volume	in EUR million	3,191	2,932	8.8%
Completed units	Quantity	722	606	19.1%
thereof defined for sale to third parties	Quantity	536	440	21.8%
thereof defined to transfer to investment portfolio	Quantity	186	166	12.0%

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: 30 April 2018 vs. 30 April 2017 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 2.1%
5) Based on fair value of standing investments according to CBRE valuation as of 30 April 2018
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


TOP 14
TOP 12
TOP 17
TOP 11
TOP 16
TOP 18

Humboldtpalais, Hegelplatz 2 / Berlin

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HIGHLIGHTS BUWOG GROUP

- Increase of Recurring FFO by 10.4% to EUR 129.4 million
- Further improvement of EPRA NAV per share by 8.2% to EUR 25.85
- Continued intensification of efforts in Property Development -> Pipeline growth of 7%, 59% more units under construction, 19.1% more units completed
- Rise of monthly net in-place rent per sqm to EUR 5.34
- Further development of sustainability-related activities and reporting
- Successful cash capital increase boost equity ratio by 11.7 percentage points to 51.4%
- Investment grade rating "BBB+" with stable outlook from rating agency Standard & Poor's (S&P)
- Following settlement of the successful takeover offer as well as settlement of the shares delivered within the extension period, Vonovia SE currently holds 90.73% of the BUWOG shares and is therefore the primary shareholder of BUWOG

Daniel Riedl at the press conference on results 2017/18

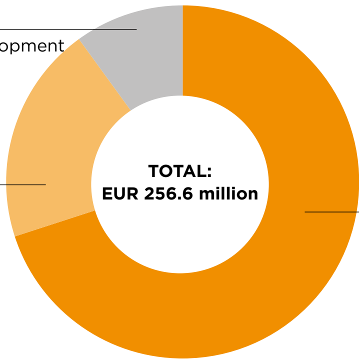
European Property Award for BUWOG

Rolf Buch, CEO Vonovia SE, and Daniel Riedl, CEO BUWOG

SUCCESSFUL BUSINESS DEVELOPMENT

- Intensification of efforts in property development reflected in the sizeable increase of the results to EUR 57.7 million
- Fair value adjustment of investment property in the amount of EUR 242.0 million according to CBRE
- Decrease in net profit to EUR 279.3 million due to lower fair value adjustment
- Increase in Recurring FFO of 10.4% to EUR 129.4 million
- Recurring FFO forecast of at least EUR 90 million for the shortened 2018 financial year as well as also due to an expected positive effect of EUR 32 million resulting from the new rules of IFRS 15, which will be applied for the first time in the shortened financial year.
- Average interest rate on financial liabilities of 2.06%
- Further improvement of LTV to just 33.7%

OPERATING RESULTS[1] BY BUSINESS AREA



1) Operating results before the subtraction of costs not directly attributable to the business areas (EUR 77.0 million) and not including other operating income (EUR 4.6 million)

Further details can be found on page 147ff under *Asset, Financial and Earnings Position* and on page 172ff under *Consolidated Financial Statements*.

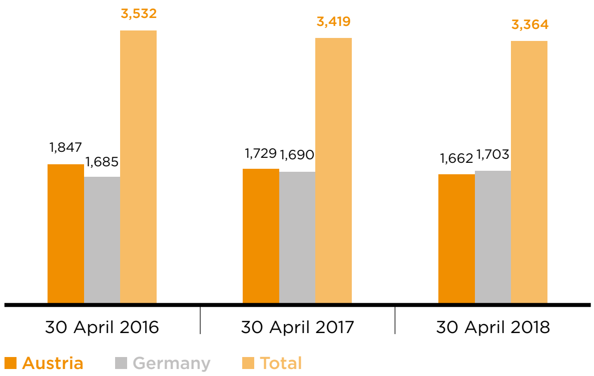
HIGHLIGHTS ASSET MANAGEMENT

- Property portfolio includes 48,828 units totalling around 3.4 million sqm
- Increase of monthly net in-place rent per sqm by 3.2% to EUR 5.34
- Increase of net in-place rent on a like-for-like basis by 2.8%
- Intensification of investments in the portfolio by 21% to EUR 23.0 per sqm
- Increase of the fair value of standing investments by 6.7% to around EUR 4.2 billion as part of the fair value adjustment
- Portfolio growth of 100 units in Vienna and 86 units in Berlin through develop-to-hold

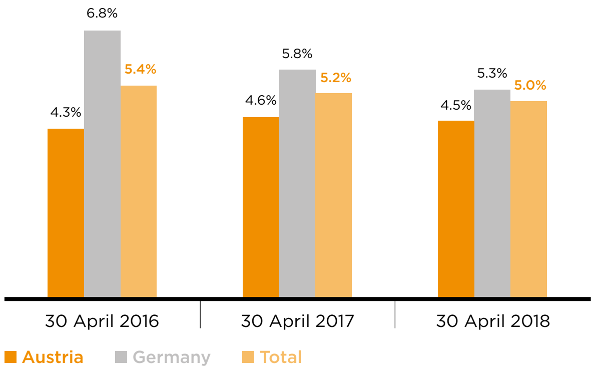
Further details on Asset Management can be found on page 20ff.

TOTAL FLOOR AREA

in 1,000 sqm



GROSS RENTAL YIELD



High-Deck-Siedlung, Berlin

HIGHLIGHTS PROPERTY SALES

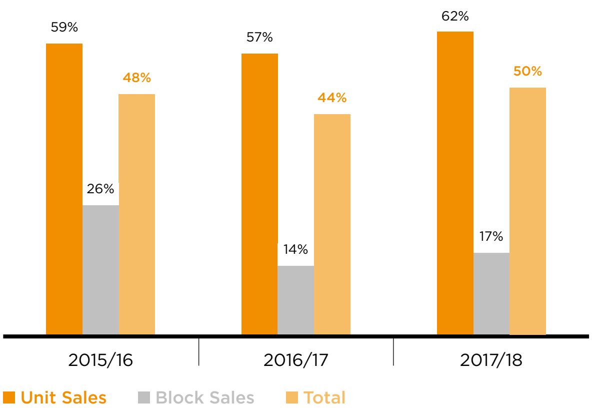
- Results from property sales in the amount of EUR 41.6 million
- Successful sale of 567 units at a margin on fair value of 62%
- Fewer units sold following exceptional results from Block Sales in the previous year (sale of the Tyrolean portfolio)
- Significant potential for future unit sales; the strategic cluster Unit Sales includes 11,159 units at a fair value of around EUR 1.4 billion

Further details on Property Sales can be found on page 40ff.

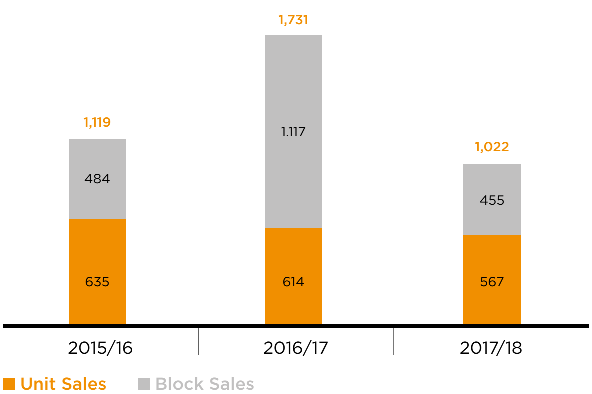
Zauchen, Bad Eisenkappel

Eduard-Keil-Gasse, Graz

MARGIN ON FAIR VALUE

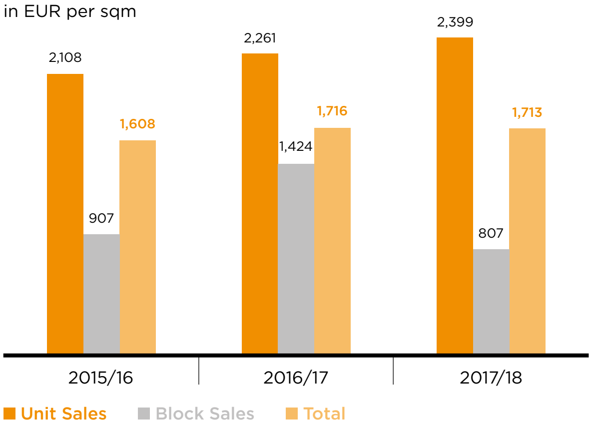


UNITS SOLD



AVERAGE PRICES REALISED

in EUR per sqm

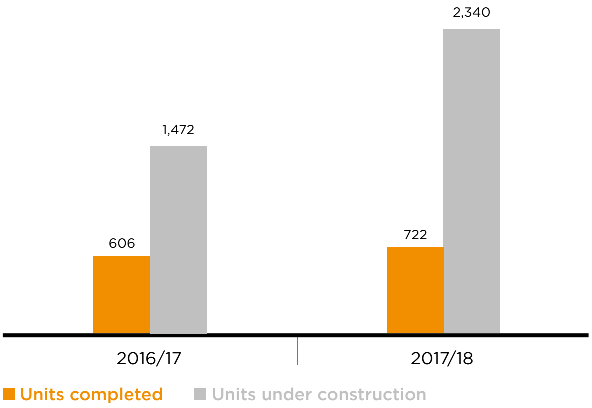


HIGHLIGHTS PROPERTY DEVELOPMENT

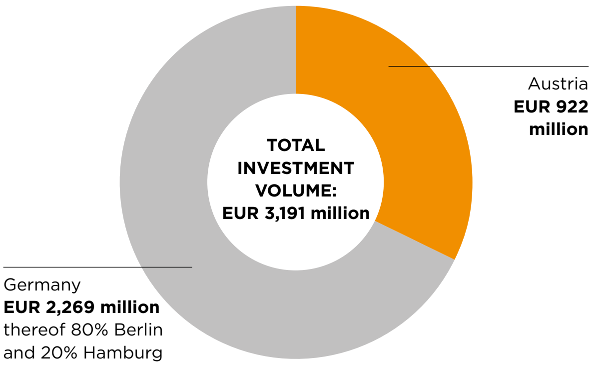
- Another considerable improvement of the business area's results to EUR 57.7 million
- Growth of completions during the reporting period by 19.1% to 722 units
- Further intensification of the development pipeline through conclusion of a purchase agreement for four new sites within the reporting period
- Increase in development pipeline as of the reporting date by 7% to 10,847 units with a calculated total investment volume of EUR 3.2 billion
- 2,340 units and therefore 59% more units under construction

Further details Property Development can be found on page 46ff.

COMPLETED UNITS AND UNITS UNDER CONSTRUCTION



DEVELOPMENT PROJECTS
by country as of 30 April 2018




Seestadt Aspern, Vienna


Haus an der Dahme, Berlin

DEAR SHAREHOLDERS

This annual report is very special one for BUWOG and, on a personal level, for us as well. With the successful offer for takeover by Vonovia SE, the 2017/18 financial year marks a change for BUWOG and for you as a shareholder. A new era is beginning.

The current annual report is therefore both a review and an outlook.

In 2014, no one would have been able to predict the future of the newly listed company with any certainty. Foresight, visionary thinking and courage were all part of investing in BUWOG. We would like to extend our thanks to you again today and also do so on behalf of the entire BUWOG team.

We have achieved a great deal together, thus our performance has been extraordinarily successful for you as a shareholder. This success story shows you made the "perfect investment".

The 2017/18 financial year is the most successful in the history of BUWOG. For you as a shareholder, it may also be the grand finale of the BUWOG Group as a listed company.

Vonovia SE now holds 90.7% of the BUWOG shares based on a voting rights announcement dated 3 July 2018. Meanwhile, BUWOG has received the squeeze-out request from Vonovia SE, which will be decided at the Annual General Meeting. On 12 August 2018, BUWOG AG announced that, together with BUWOG's primary shareholder Vonovia SE, BUWOG's Executive Board had determined the appropriate cash compensation of EUR 29.05 per share for the minority shareholders of BUWOG to be excluded as part of the initiated squeeze-out proceedings.

At the Extraordinary General Meeting on 4 May 2018, the conversion of the BUWOG financial year to the calendar year was also approved.

If we look back on the successful and eventful 2017/18 financial year, we regard it first and foremost as a confirmation of our strategy, which is also reflected in the key figures:

- Recurring FFO increased by 10.4% to EUR 129.4 million.
- The intensified Property Development business once again achieved a significant increase in earnings to EUR 57.7 million.
- With our development pipeline of 10,847 units in the business with new construction, we have successfully set the course for further growth
- Unit sales have a margin on fair value of around 62%.
- The successful cash capital increase increased the equity ratio by 11.7 percentage points to 51.4%.
- BUWOG received the investment grade rating "BBB+" with a stable outlook from the rating agency Standard & Poor's as one of the few residential property companies with significant European-rated business in new construction.

This and further information as well as detailed explanations of the BUWOG Group's completed, ongoing, and initiated developments and projects can be found in this Annual Report. As always, it provides you with a comprehensive and transparent view of the company.

Daniel Riedl, CEO
Herwig Teufelsdorfer, COO
(from left to right)

The continuing positive business development of recent years is a result of the successful combination of sustainable portfolio management and the development business. The focus on the three largest German-speaking cities of Berlin, Hamburg and Vienna has once again proved to be the driver of the BUWOG Group's growth in these activities.

In the future, our plan is, in a number of ways, to take advantage of the opportunities arising from the strategic cooperation between BUWOG and Vonovia SE and to continue expanding our development pipeline.

With the Development-to-Sell and Development-to-Hold business areas, we not only succeeded in creating a unique selling proposition for the BUWOG Group at the time, but in the future, we will make an important contribution to developing the necessary residential space, particularly in big cities marked by immigration.

In accordance with our strategy, we continue to operate as portfolio managers in our new construction projects in numerous locations. In doing so, we ensure successful economically, ecologically and socially sustainable neighbourhoods on the basis of our theme of happy living. My particular thanks therefore go to all of the employees who have brought this vision to life and who are part of our shared success.

Ladies and gentlemen, I thank you for your trust and look forward to the developments of the future and the successes along the path shared by BUWOG and Vonovia.

Until next time!

,
Daniel Riedl and Herwig Teufelsdorfer

BUWOG COMPACT

BUWOG BUSINESS MODEL

The BUWOG Group is the leading German-Austrian full-service provider in the residential property business and now looks back on 67 years of expertise. BUWOG's integrated business model stands out compared to its peer group due to the breadth and depth of its value chain as well as the optimal integration of its three areas of business, including:

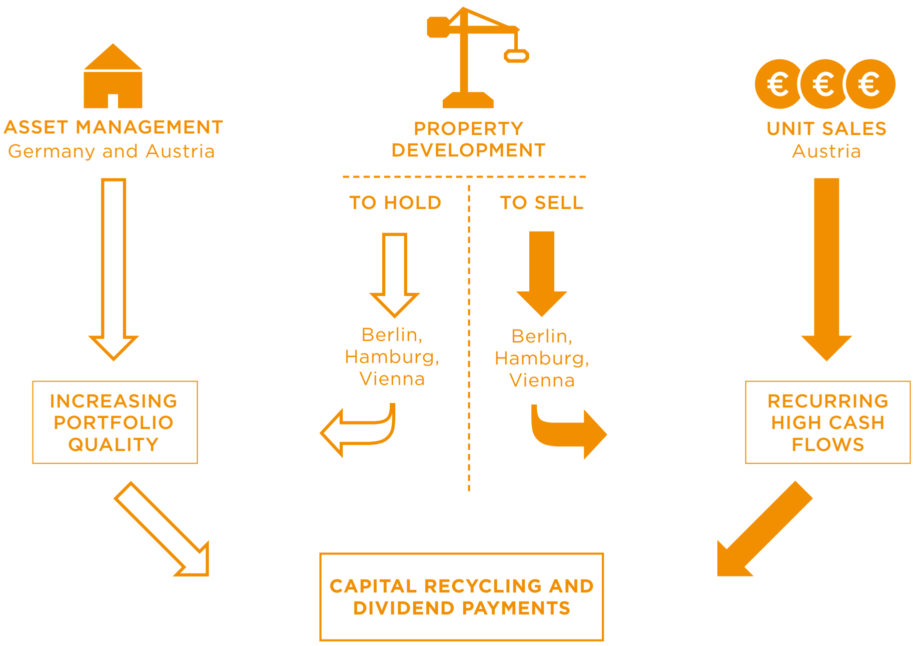
- the value-oriented, sustainable management of an investment portfolio encompassing approximately 49,000 units in Germany and Austria (Asset Management)
- the development of residential properties in the three biggest German-speaking cities of Berlin, Hamburg and Vienna for immediate sale and inclusion in the BUWOG portfolio
- the profit-oriented unit sales in Austria (Unit Sales)

The BUWOG Group is in a position to take optimal advantage of market cycles and generate significant long-term profitability due to its full integration along the entire real estate value chain with clearly defined, standardised and industrialised processes.

This is how the BUWOG business model combines the ongoing Asset Management business with the considerable profitability from Property Development compared to companies involved solely in property portfolios. Property Development profits from the financial strength of Asset Management while simultaneously minimising the typical exit risk of a pure property developer, because the properties completed and designated for sale can also be included in the company's own portfolio at any time.

Property Development is subdivided into the develop-to-sell and develop-to-hold businesses and is regionally focused on the three biggest German-speaking cities of Berlin, Hamburg and Vienna. Profitable and defined by significant cash flow, unit sales completes the BUWOG business model in Austria.

As part of capital recycling, the liquid assets generated from Asset Management and Unit Sales are used, among other things, for investments in the company's own property portfolio, for new and existing development projects as well as for the acquisition of real estate portfolios in Germany. Thus the company's capacity to finance itself is efficiently availed, the quality of the portfolio increases steadily, and value is created for shareholders, who also profit from a high dividend yield.



COMPANY STRATEGY

Even following the successful takeover by Vonovia SE, the overriding strategic aim of the BUWOG Group is the continuous growth of company value together with a high capacity for distributing profits through significant cash flow. An attractive financing structure with a low average interest rate and a debt level which is adequate for the market is an essential element of the company strategy. In addition to a high distribution rate of around 65% of Recurring FFO, the following important performance indicators are defined:

- Recurring FFO per share (recurring funds from operations)
- EPRA Net Asset Value per share (net asset value adjusted on the basis of EPRA)
- Loan-to-Value (the debt level of the property portfolio)

As part of an integrated business model along the entire real estate value chain, the BUWOG Group pursues the following strategic targets in order to implement its company strategy for the individual business areas in the German and Austrian segments:

Overview of strategic targets

ASSET MANAGEMENT

Active asset management

- Increase of net in-place rents
- Growth of occupancy rate
- Optimisation of maintenance costs
- Enhancement of customer satisfaction

Qualitative portfolio optimisation

- Two-year EUR 55 million CAPEX programme
- Quality enhancement through the inclusion of new properties from Property Development in the portfolio

Consolidation and growth of the investment portfolio

- Profitable, cycle-optimised block sales in Property Sales, particularly in Germany and Austria
- Profitable portfolio growth through acquisitions in Germany and Austria with clearly defined acquisition criteria, especially concerning quality, EPRA-NAV growth potential and yields (about 4%)

PROPERTY DEVELOPMENT

Develop-to-Hold | Develop-to-Sell

Strong project pipeline

- Focus on pipeline development in Berlin, Hamburg and Vienna
- Growth on the basis of clearly defined acquisition criteria

Develop-to-Hold

- Acquisition criteria: particularly location, potential for growth in value and rental yield
- Optimisation of quality & investment costs through the develop-to-hold strategy
- Completion of current pipeline within the next 5 to 6 years

Germany

- Product: largely the construction of privately financed rental apartments
- Average expected yield totalling about 4%

Austria

- Product: the construction of subsidised and privately financed rental apartments
- Average expected yield totalling about 4%
- Future sales potential for Unit Sales in Vienna

Develop-to-Sell

- Acquisition criteria: particularly location, interest on capital employed and margin on total investment costs
- Preferably limited term of 3 to 5 years
- Product: privately financed condominiums
- Significant profitability with average development margin of 20% on the total investment volume
- Medium-term completion and sale of 1,000 to 1,200 units per financial year
- Average sale prices of EUR 4,000 to EUR 5,500 per sqm

UNIT SALES

High sales margins and high free cash flow

- Focus on Austria
- Sale to third parties for their own use due to fluctuation, or to tenants
- High margins of over 50% on fair value
- Significant generation of free cash flow finances company growth with a focus on acquisitions as well as Property Development, and therefore the improvement of portfolio quality
- Sale of around 550 to 600 units per financial year
- Long-term sales potential through integration of develop-to-hold strategy in Property Development in Vienna

ASSET MANAGEMENT – QUALITATIVE AND QUANTITATIVE GROWTH

The core responsibilities of Asset Management are the sustainable management and ongoing optimisation of the investment portfolio. This includes the 48,828 units in Germany and Austria as of the reporting date. The key parameters for measuring success in Asset Management are net in-place rent, the vacancy rate, gross rental yield as well as the (net) results of asset management per share and fair value of the standing investments per share.

ACTIVE ASSET MANAGEMENT

Asset Management's revenues are generated by apartment rentals. The focus is on enhancing rental income and the occupancy rate as well as on optimising maintenance costs. With an individual strategy for every property, it is essential to exploit the property's potential to the fullest and to optimise cost and revenue structures for the purpose of generating significant cash flow and high fair value. For targeted implementation, active management is organised decentrally with local teams at the most important real estate locations in Germany and Austria.

The BUWOG Group's portfolio strategy is based on a qualitatively attractive and focused property portfolio with a considerable share of urban locations (around 85% of the investment portfolio is based on fair value). The continuous development of quality and services means the conditions of the properties, which are already favourable today, will continue to grow, as will customer satisfaction. Efficient management, innovation and strength in services guarantee a steady increase in fair value, ensuring future revenue growth.

QUALITATIVE PORTFOLIO OPTIMISATION

The increase in the quality of the investment portfolio is directly related to vacancies, rental income and customer satisfaction. To optimise portfolio quality, BUWOG initiated an investment programme with a volume of EUR 55 million (CAPEX programme) beginning with the 2016/17 financial year with regional focuses on Berlin, Lübeck and Kiel. After implementation is concluded this year, it will enhance the portfolio quality while simultaneously increasing the rents of the relevant units.

Moreover, the quality of the property portfolio will be gradually increased as a result of the construction of new residential properties for the company's own portfolio in the Property Development business area.

CONSOLIDATION AND GROWTH OF THE INVESTMENT PORTFOLIO

The BUWOG Group aims to steadily consolidate its existing property portfolio while placing the focus on growth.

In order to achieve this objective, the property portfolio is being consolidated in the Property Sales business area through profitable and cycle-optimised block sales in regions of less strategic relevance or of weaker portfolios in Germany and Austria. Due to the significant share of self-financing in the scope of capital recycling, the liquid assets freed up accelerate further growth in Austria with the focus on acquisitions in Vienna. In Germany, the aim is, through active management, to develop the property portfolio in selected cities in northern Germany, in addition to Berlin and Hamburg, and to focus on these regions, also through sales, if necessary. Possibilities for purchases are continuously sought, with acquisitions subject to clearly defined criteria with specific regard to quality, the potential for growth of EPRA-NAV and a purchase yield of around 4%.

Further details can be found in the chapter *Asset Management.*

Wielandstrasse, Brunswick

€€€ UNIT SALES – ATTRACTIVE MARGINS AND HIGH FREE CASH FLOW

The Property Sales business area is closely involved with that of Asset Management and is focused on the continuous optimisation of the BUWOG Group's profit-oriented investment portfolio through high-margin unit sales to owner-occupiers in Austria.

The important indicators for measuring success in Unit Sales are the margin on fair value and the average sale prices per sqm.

In Unit Sales in Austria, BUWOG's strategy is to sell apartments at attractive prices and at a margin of over 50% on fair value. Sales are made to third parties for their own use or to tenants as a result of the fluctuation from apartments that become vacant. This privatisation strategy is decisive for optimising the profitability of the portfolio, which in Austria is shaped by the subsidised rental regimes that generate little profit. BUWOG expects to sell around 600 units per financial year in the long term.

The potential in apartments for sale is continually met with the "develop-to-hold" activity in the Property Development business area. This ensures BUWOG long-term, significant contributions to net profit and creates liquidity for the BUWOG Group to self-finance further growth with the high cash flow that is generated.

Further details can be found in the chapter *Unit sales.*

Pfarrhofgutweg, Hallein

Berliner Strasse, Ratzeburg

PROPERTY DEVELOPMENT – SIZEABLE PROJECT PIPELINE FOR THE PORTFOLIO AND FOR SALE

In the Property Development business area the BUWOG Group combines residential development projects for its own portfolio and for direct sale upon completion. The geographic focus includes the three biggest German-speaking cities: Berlin, Hamburg and Vienna.

LARGE PROJECT PIPELINE

BUWOG's development pipeline grew dynamically in the financial year to a total of 10,847 units. This is equivalent to a calculated total investment volume of around EUR 3.2 billion. Pipeline development is bound by strictly defined criteria for acquisition, qualitative objectives – large properties, development of multifloor properties, favourable locations (e.g. public transport connections, proximity to water) – and quantitative objectives such as total investment costs and yields.

DEVELOP-TO-SELL

The develop-to-sell business is focused on the construction of privately financed condominiums for direct sale to third parties upon completion. The high level of profitability with planned average margins of 20% on the total investment volume and limited terms of three to five years are justified in particular by BUWOG's years of experience and market presence.

BUWOG's aim is to complete the existing pipeline within a planning horizon of five to six years and to renew it at the same level on a revolving basis. In the medium term BUWOG is planning completions for the sale of 1,000 to 1,200 units per financial year at average prices of EUR 4,000 to EUR 5,500 per sqm.

DEVELOP-TO-HOLD

In the context of significant demand for apartments, rising rents and a simultaneous strong increase in the intensity of competition for portfolio acquisitions, for BUWOG with its many years of experience and market presence compared to the German peer group, the develop-to-hold strategy offers the best opportunities to develop a self-sufficient, high-quality and extremely efficient portfolio at the premium locations of Berlin, Hamburg and Vienna. The develop-to-hold business is closely connected to the targets in Asset Management and, in particular, optimises the quality of the investment portfolio. Through the develop-to-hold business BUWOG has created an unparalleled product on the market: new apartments with modern floor plans, contemporary technical standards and, as a result, lower ancillary costs for tenants in urban locations in the cities of Berlin, Hamburg and Vienna. Due to the anticipated low maintenance costs and competitive rental income, this will result in a highly attractive contribution to the future net profit while at the same time the positive valuation effects that are expected will bring added value in the property portfolio for companies, investors, customers and our shareholders.

BUWOG aims to expand its existing develop-to-hold pipeline of 3,700 units to 5,500 units through additional property acquisitions, completing them within the next three to five years. Based on the privately financed development pipeline, BUWOG seeks to generate an average yield[1)] of 4% and Net Operating Income (NOI) margins of more than 90% in rentals.

Germany. The focus of the develop-to-hold strategy in Berlin and Hamburg is the construction of privately financed rental apartments. BUWOG expects to build 400 to 500 units per financial year for its develop-to-hold portfolio in Berlin and Hamburg.

Austria. The focus of the develop-to-hold strategy in Vienna lies in the construction of regulated rentals, particularly for the continued pursuit of the privatisation strategy in Austria, which is aimed at generating a high level of free cash flow. BUWOG has made it an objective to build 400 to 500 units for its develop-to-hold portfolio in Vienna.

Further details can be found in the chapter *Property Development*.

1) Planned annual net in-place rent with respect to total investment costs

DIVIDEND AND FINANCING STRATEGY

Dividend strategy. The Executive Board aims to distribute 65% of the annual Recurring FFO in the form of dividends to BUWOG AG shareholders. The minimum dividend sought is EUR 0.69 per share.

Financing strategy. As part of its financing strategy, BUWOG specifically pursues a conservative financial structure that enables further growth, particularly in times of potentially rising interest rates. The BUWOG Group seeks a Loan-to-Value of no more than 45%. In the Asset Management business area, in particular, the company aims to continue its long-term financing profile with low interest rates. Due among other things to the regional distribution, quality and low vacancy rate of the existing portfolio as well as the flexibility of the business model with new construction activity, during the reporting period BUWOG received an investment grade rating of “BBB+” with a stable outlook from Standard & Poor’s (S&P), which facilitates access to capital market instruments and capital market lending at favourable terms. In June 2017, a capital increase at a volume of EUR 305.6 million took place to finance further growth.

HUMAN RESOURCES STRATEGY

The BUWOG Group places considerable emphasis on the further development of its employees. To encourage the mutual exchange of experiences and establishment of a shared company culture, management workshops and employee events take place on a regular basis. Using modern employee development tools as well as specific training and development courses, employees’ skills are augmented to meet the challenges of the future. Further details can be found in the chapter *Sustainable management* in the *Group Management Report.*

IT STRATEGY

To ensure efficient and effective company management, the existing group-wide IT systems are evaluated, optimised and, if necessary, expanded on a regular basis. This facilitates real-time monitoring of all relevant performance indicators as well as a modern, reliable system of risk management. A contemporary infrastructure that supports processes guarantees operational security and is the basis for long-term competitive capacity. Consequently, the focus of IT strategy lies in the digitisation of business processes.

BUWOG employees at the Wien Energie Business Run

COMPANY HISTORY

The roots of BUWOG extend back to 1951, when it was entered in the commercial register as a not-for-profit housing association with the task of providing housing to federal employees. In the first year of its existence, 24 employees worked for BUWOG and its property portfolio included just 210 units. The next few decades were defined by the expansion of the residential property portfolio through development of the portfolio properties and through acquisitions.

In 2001, one of the most important milestones in BUWOG's history took place when its not-for-profit status legally ended. Three years later, BUWOG was sold to IMMOFINANZ AG by the Republic of Austria as part of the privatisation process. With the establishment of the business area of Property Sales and with the focus especially on unit sales, BUWOG's business model was expanded again in 2002. In 2006 stakes were acquired in the likewise originally state-owned not-for-profit railway housing cooperative ESG in Carinthia ("BUWOG Süd"), thus expanding the property portfolio by around 13,000 units.

The first step in expanding to Germany took place in 2010 with the acquisition of around 2,300 units in Berlin. This path of expansion was continued in 2012 with the acquisition of the business operations (including projects under construction) of a leading Berlin property developer and, consequently, entry into the German property development sector. In 2013 and 2014, the investment portfolio in Germany underwent targeted expansion with the addition of around 3,000 units through smaller transactions. To achieve its strategic goal of enlarging and regionally diversifying the standing investment portfolio with a focus on the German market, the BUWOG Group acquired an investment portfolio of 18,000 units in northern Germany in 2014. Parallel to this, the management platform for residential properties with around 300 employees was acquired over the course of the year, allowing all BUWOG properties in Germany to be brought together into a single platform.

MILESTONES IN THE HISTORY OF BUWOG

1951
Foundation of BUWOG for the purpose of providing housing assistance to civil servants

1970
Transfer of the 10,000th apartment

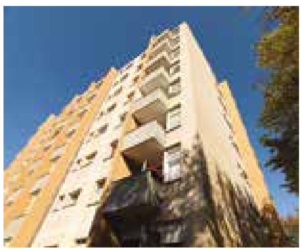
2001
Abandonment of not-for-profit status as per law

2002
Start of property sales with a focus on unit sales

2004
Privatisation – sale by the Republic of Austria to IMMOFINANZ AG

2006
Acquisition of ESG and its 13,000 units – "birth" of the BUWOG Group

2010
Expansion to Germany begins through acquisition of around 2,300 units in Berlin

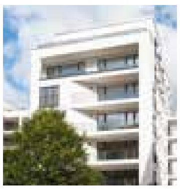


On 28 April 2014 BUWOG reached another important milestone with its successful listing at a share price of EUR 13.00 on the stock exchanges in Frankfurt and Vienna and in Warsaw a day later. In the further course of 2014 BUWOG was included in the FTSE EPRA/NAREIT Developed Europe Index and Austrian Traded Index (ATX).

With the aim of expanding and intensifying efforts in Property Development, BUWOG widened its development activities to Hamburg in April 2016, which means it is now active in the three biggest German-speaking cities. In the context of this strategic expansion and newly established development-to-hold strategy in Germany, there is an opportunity to develop a self-sufficient, high-quality portfolio featuring significant potential for added value with a reduced risk profile for the Property Development business area. On the basis of this, BUWOG can expect the highly profitable Property Development business to constitute a dynamically growing share in BUWOG's total profits in the next few years.

In the 2017/18 financial year, BUWOG stepped up its expansion of the development pipeline and acquired additional purchase agreements for four properties with a plan for 687 units. The capital increase with subscription rights carried out in June 2017 also enhanced the shareholder structure, which resulted for the company in the gross inflow of EUR 306 million, which is earmarked for financing further growth, particularly in the Property Development business area. In November 2017, BUWOG received the investment grade rating "BBB+" with a stable outlook from the rating agency Standard & Poor's (S&P). BUWOG is therefore one of the few European residential real estate companies with a significant business in new construction that has been rated. Vonovia SE has held a total of 112,672,652 no-par-value shares in BUWOG since June 2018 following the settlement of the successful takeover offer and also after settlement of the shares delivered within the extension period; this corresponds to a 90.7% interest in the share capital of BUWOG and makes Vonovia the primary shareholder of BUWOG.

2012
Start of Property Development in Germany through acquisition of a leading Berlin property developer



2014
Acquisition/development of an investment portfolio of 18,000 units in northern Germany and the acquisition of a management platform with 300 employees

Spin-off from IMMOFINANZ AG and listing in Frankfurt and Vienna (28 April 2014) as well as Warsaw (29 April 2014)

Admission of the BUWOG share to the ATX (22 September 2014)

2016
Start of development activities in Hamburg and expansion of the company strategy in Germany with a focus on Berlin and Hamburg

2/2017
Increase in free float to 95%

6/2017
Successful cash capital increase of around 12.5 million new shares worth around EUR 306 million

11/2017
BUWOG receives Investment grade rating "BBB+" with stable outlook from Standard & Poor's

12/2017
Vonovia submits offer for takeover to BUWOG shareholders

3/2018
Vonovia SE exceeds acceptance threshold of 50% with offer to take over BUWOG

6/2018
Vonovia holds 90.7% of the BUWOG shares and is therefore the primary shareholder

Vonovia requests to exclude the minority shareholders

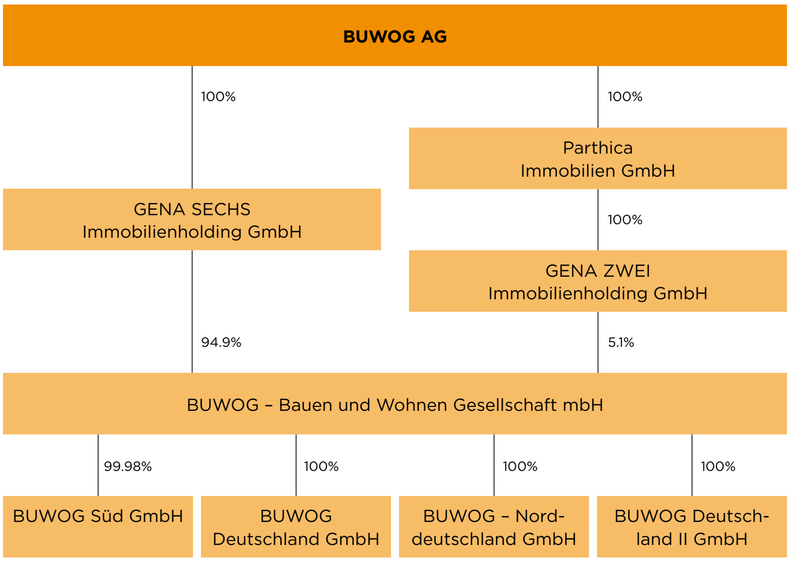
COMPANY STRUCTURE

The legal structure of BUWOG Group did not fundamentally change during the reporting period. Since the settlement of the successful takeover offer as well as the settlement of the extension period, Vonovia holds 90.7% of the BUWOG shares, making it BUWOG's primary shareholder. Listed on the Frankfurt, Vienna and Warsaw stock exchanges, BUWOG AG is the group's holding company and has its headquarters in Vienna. Most of the property portfolio is held in pure holding companies.

The operating responsibilities of the business areas of Asset Management, Property Development and Property Sales will be handled by BUWOG – Bauen und Wohnen Gesellschaft mbH and its subsidiaries, in addition to BUWOG AG. The BUWOG Group employed a total of 933 people (831 FTE) as the reporting date on 30 April 2018.

In Austria, the BUWOG team operates in Vienna as well as in the provinces with its own locations in Villach, Salzburg, Innsbruck and Graz. The BUWOG Group's business activities in Germany are reflected in several subsidiaries; important office locations are maintained in Kiel, Lübeck, Brunswick, Hamburg and Berlin. Management of the German activities in business area of Asset Management is located in Kiel. Property Development in Germany is concentrated on the demographically and economically strong locations of Berlin and Hamburg.

OVERVIEW OF THE LEGAL STRUCTURE OF THE BUWOG GROUP



For a detailed list of all participating interests see section *8. Group Companies of BUWOG AG* in the notes to the consolidated financial statements.

SEGMENTS AND ORGANISATIONAL STRUCTURE OF THE BUWOG GROUP

From an operational perspective, BUWOG Group is organised into the segments of Germany and Austria, which, in turn, are divided into the business areas of Asset Management, Property Sales and Property Development. In addition to these operational units, the BUWOG Group has also set up central departments reporting directly to the Executive Board. As of 26 March 2018, Andreas Segal, who had been appointed deputy CEO and CFO of BUWOG AG as of 1 January 2016, resigned by mutual agreement and stepped down from the Executive Board of BUWOG AG prematurely. The organisational structure of the BUWOG Group as of the reporting date is shown in the following illustration.

Management Board		
Daniel Riedl, CEO, CFO / **Herwig Teufelsdorfer,** COO		
Germany & Austria		
Asset Management	**Property Sales**	**Property Development**
Corporate departments		

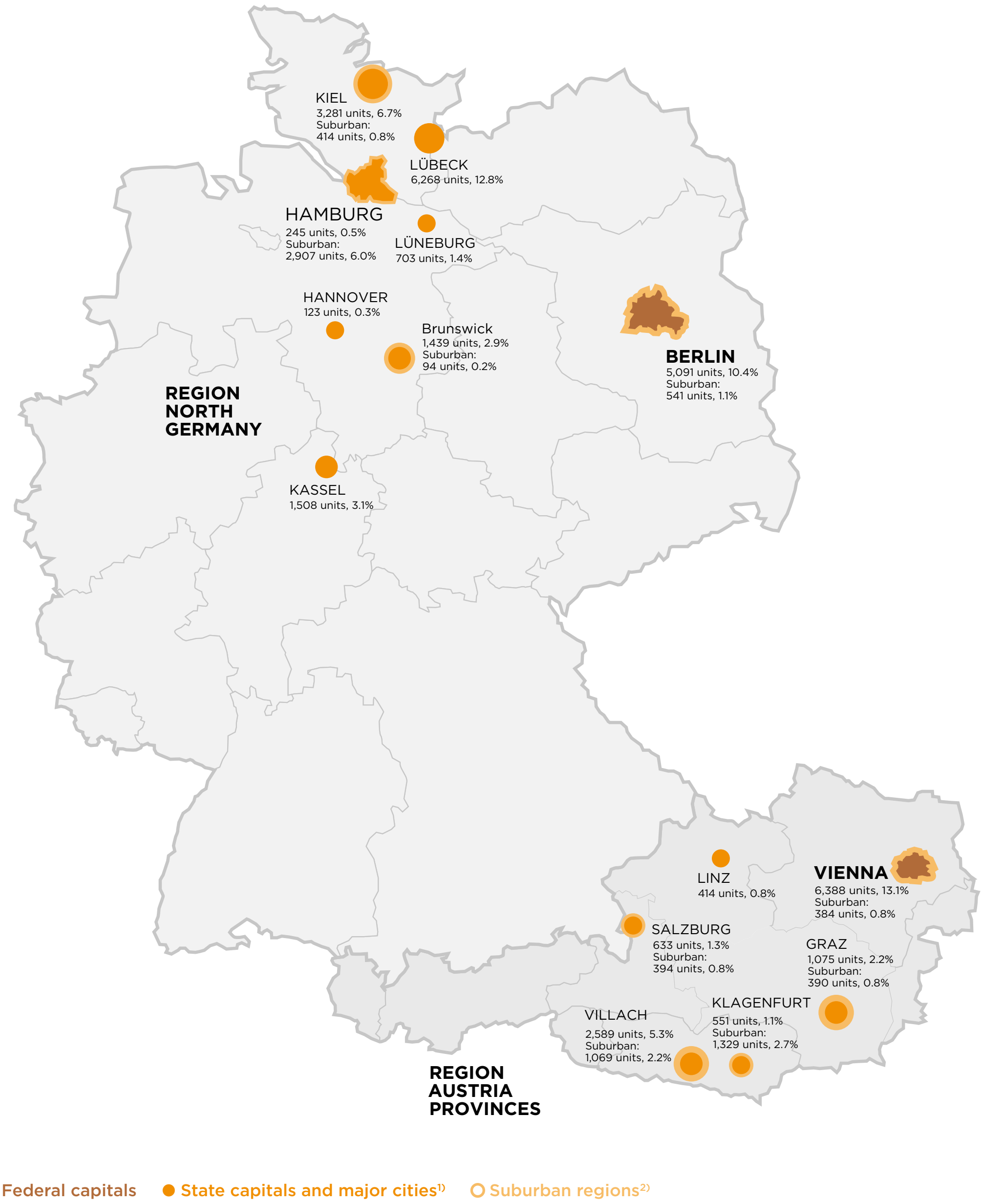
“Das Lichtenhain”, Berlin

ASSET MANAGEMENT

ATTRACTIVE INVESTMENT PORTFOLIO

The BUWOG Group's investment portfolio comprises both subsidised as well as privately financed units with a high degree of customisation as well as terraced and semi-detached homes in Germany and Austria. As of the reporting date on 30 April 2018, a total of 48,828 units (previous year: 49,597 units) with a total floor area of 3.4 million sqm (previous year: 3.4 million sqm) and a fair value of EUR 4.2 billion (previous year: EUR 3.9 billion) were held. Compared to the reporting date the previous year, this is equivalent to a slight 1.6% reduction of floor area due to disposals from Property Sales and a simultaneous increase in fair value of

BUWOG INVESTMENT PORTFOLIO BY REGION AS OF 30 APRIL 2018
Number of units per location and percentage of the total portfolio



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

6.7%. In the reporting year a total of 1,022 units (previous year: 1,731 units) were sold in the scope of property sales. In contrast, there were additions totalling 261 units (previous year: 266 units), 74 units of which were from three portfolio acquisitions in Germany, 100 units from the develop-to-hold portfolio in Vienna, and 86 units from the develop-to-hold portfolio in Berlin.

The BUWOG Group's investment portfolio is divided within the two countries into four regional clusters: "federal capitals", "state capitals & major cities", "suburban regions" as well as "rural regions". In terms of fair value, around 42% (previous year: 41%) of the BUWOG Group's investment portfolio is located within the municipal areas of Vienna and Berlin; this is equivalent to a value of EUR 1.8 billion (previous year: EUR 1.6 billion). No other company in the peer group has such as high concentration of properties in these two capital cities. Another total of 45% of the portfolio (previous year: 45%) based on fair value – EUR 1.9 billion (previous year: EUR 1.8 billion) – is located in state capitals and major cities with more than 50,000 inhabitants, including their suburban regions within a radius of 15 km from the city limit. These cities include Braunschweig, Graz, Hamburg, Hannover, Innsbruck, Kassel, Kiel, Klagenfurt, Linz, Lübeck, Lüneburg, Salzburg and Villach. At a value of EUR 0.6 billion (previous year: EUR 0.5 billion) based on fair value, only around 13% (previous year: 14%) of the portfolio is located in rural regions.

BUWOG PORTFOLIO BY REGIONAL CLUSTER

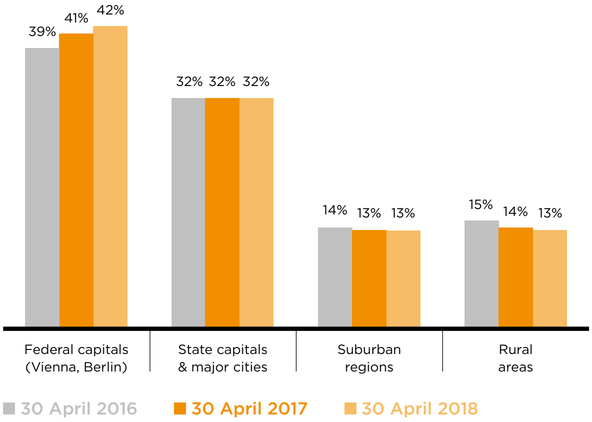
as of 30 April 2018	Number of units	Total floor area in sqm	Annualised net in-place rent[1] in EUR million	Monthly net in-place rent[1] in EUR per sqm	Fair value[2] in EUR million	Fair value[2] in EUR per sqm	Gross rental yield[3]	Vacancy rate[4]
Federal capitals	**11,479**	**902,751**	**62**	**5.90**	**1,756**	**1,945**	**3.5%**	**3.4%**
Vienna	6,388	562,198	36	5.46	1,065	1,894	3.3%	3.6%
Berlin	5,091	340,553	26	6.61	691	2,030	3.8%	3.0%
State capitals and major cities[5]	**18,829**	**1,206,423**	**77**	**5.46**	**1,351**	**1,120**	**5.7%**	**2.4%**
Lübeck	6,268	363,786	26	6.09	465	1,278	5.6%	2.2%
Kiel	3,281	198,129	15	6.28	266	1,343	5.6%	0.9%
Villach	2,589	183,756	9	3.98	104	568	8.2%	2.0%
Kassel	1,508	107,289	6	4.99	91	850	6.8%	4.2%
Brunswick	1,439	83,684	6	6.28	106	1,266	5.9%	0.7%
Graz	1,075	80,587	4	4.30	86	1,062	4.8%	2.1%
Lüneburg	703	51,076	4	6.28	62	1,208	6.1%	2.1%
Salzburg	633	41,525	2	4.56	67	1,614	3.2%	5.7%
Klagenfurt	551	40,897	2	4.04	23	565	8.0%	6.6%
Linz	414	30,593	2	4.55	40	1,312	3.9%	5.8%
Hamburg	245	16,601	1	7.04	29	1,749	4.8%	0.5%
Hannover	123	8,500	1	6.22	13	1,479	5.0%	0.6%
Suburban regions[6]	**7,522**	**521,904**	**31**	**5.16**	**544**	**1,041**	**5.7%**	**3.5%**
Hamburg	2,907	178,673	13	5.88	229	1,282	5.5%	0.7%
Klagenfurt	1,329	94,917	4	4.12	71	747	6.2%	6.7%
Villach	1,069	83,184	4	4.04	56	674	6.9%	3.9%
Berlin	541	34,768	2	5.62	31	883	7.3%	4.7%
Kiel	414	31,970	2	6.27	32	997	7.3%	3.0%
Salzburg	394	31,260	2	5.94	49	1,571	4.2%	6.6%
Graz	390	29,304	2	4.68	24	821	6.7%	1.6%
Vienna	384	32,337	2	4.92	48	1,475	3.7%	7.6%
Brunswick	94	5,490	0	5.58	4	739	9.0%	1.0%
Rural areas	**10,998**	**733,418**	**38**	**4.57**	**555**	**757**	**6.9%**	**4.7%**
Rural areas Austria	6,315	451,196	19	3.79	292	647	6.6%	6.2%
Rural areas Germany	4,683	282,222	19	5.76	264	934	7.2%	2.5%
Total BUWOG Group	**48,828**	**3,364,496**	**208**	**5.34**	**4,207**	**1,250**	**5.0%**	**3.3%**
thereof Germany	27,297	1,702,742	122	6.09	2,282	1,340	5.3%	2.2%
thereof Austria	21,531	1,661,755	87	4.56	1,925	1,158	4.5%	4.5%

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 2018
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; 2.1% adjusted by vacancy of unit sales
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

In terms of fair value, this means that a total of around 87% (previous year: 86%) or EUR 3.7 billion (previous year: EUR 3.4 billion) of BUWOG Group's property portfolio is located in three regional clusters in urban regions, which stand out in their entirety due to attractive characteristics with respect to development and the quality of the economy, infrastructure and demographics. The fair value of the 48,828 units (previous year: 49,597 units) is also concentrated in the current reporting year primarily in the two federal capitals of Berlin and Vienna (42%), whose share of fair value rose compared to the previous year (41%) again, as well as in the state capitals and major cities (32%). Due to the regional focus on urban centres, the shares of fair value for the portfolios in areas close to the city and in rural regions were reduced again.

FAIR VALUE

by geographic cluster (total: about EUR 4.2 billion)



KEY FIGURES PROPERTY PORTFOLIO

		BUWOG Group as of 30 April 2017	BUWOG Group as of 30 April 2018	Austria as of 30 April 2018	Germany as of 30 April 2018
Number of units	Quantity	49,597	48,828	21,531	27,297
Total floor area	in sqm	3,418,784	3,364,496	1,661,755	1,702,742
Annualised net in-place rent[1)]	in EUR million	205	208	87	122
Monthly net in-place rent[1)]	in EUR per sqm	5.18	5.34	4.56	6.09
Fair value[2)]	in EUR million	3,942	4,207	1,925	2,282
Fair value[2)]	in EUR per sqm	1,153	1,250	1,158	1,340
Gross rental yield[3)]	in %	5.2%	5.0%	4.5%	5.3%
Vacancy rate	per sqm	3.4%	3.3%	4.5%	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 2018
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

As of 30 April 2018, the investment portfolio in Germany comprised a total of 27,297 units (previous year: 27,151 units) with a total floor area of around 1.7 million sqm (previous year: EUR 1.7 million sqm). As of 30 April 2018, the monthly net in-place rent was an average of EUR 6,09 per sqm (previous year: EUR 5.85 per sqm). As of 30 April 2018, the fair value of the German investment portfolio increased compared to 30 April 2017 by a total of around EUR 284 million, from EUR 2.0 billion to EUR 2.3 billion as a result of the very positive performance of the German real estate investment market and high yield compression (purchase prices for apartment complexes and portfolios increase more than rents) in the BUWOG investment portfolio's core regions. The average fair value rose from EUR 1,182 per sqm to EUR 1,340 per sqm. The significant increase in the fair value of the investment portfolio from the property valuation as of 30 April 2018 resulted in a decline in gross rental yield from 5.8% to 5.3% in relation to fair value, as the increase in rents was less than the increase in fair value.

The vacancy rate of the portfolio in Germany developed from 1.9% in the previous year to 2.2% as of 30 April 2018. This was largely due to the transfer of a develop-to-hold property in Berlin as of April 2018. Adjusted for this effect, the vacancy rate remained stable at 1.9% due to highly successful rental activity as well as the positive development on the market and with demand.

In Austria, the investment portfolio comprised a total of 21,531 units (previous year: 22,446 units) with a total floor area of 1.7 million sqm (previous year: 1.7 million sqm) and a fair value of EUR 1,925 million (previous year: EUR 1,945 million) as of 30 April 2018. This is equivalent to a fair value of EUR 1,158 per sqm (previous year: EUR 1,125 per sqm). As of 30 April 2018, the monthly net in-place rent totalled EUR 4.56 per sqm (previous year: EUR 4.50 per sqm), resulting in a gross rental yield of 4.5% (previous year 4.6%). The vacancy rate in Austria as of 30 April 2018 declined from 4.9% to 4.5%. 2.6 percentage points of the vacant floor area are accounted for by individual apartments designated for sale.

CHANGES IN THE INVESTMENT PORTFOLIO

In the 2017/18 financial year, the BUWOG Group acquired three property portfolios with a total of 74 units and 5,446 sqm of floor area for a purchase price totalling EUR 9.8 million or around EUR 1,800 per sqm and took it over in its entirety. A purchase agreement for a portfolio acquisition with 725 units in the north of Germany was also signed for a total of EUR 73 million. The transfer is planned for the first quarter of the 2018/19 financial year.

Moreover, on 22 March 2017 the BUWOG Group purchased a property in Berlin on which the turnkey construction by a general contractor of a residential facility with 95 units has been agreed. The completion and transfer to the investment portfolio is planned for March 2019.

As part of the implementation of the develop-to-hold strategy, in the 2017/18 financial year a total of 100 units were completed in Vienna in the "Breitenfurter Strasse" development project in accordance with the Vienna Housing Initiative and transferred to the company's investment portfolio in Austria. In Berlin, 86 units were completed in the "Ankerviertel" project and transferred to the company portfolio.

The key data on the respective portfolio acquisitions can be found in the table below.

PORTFOLIO ACQUISITIONS 2017/18

		Number of units	Total floor area in sqm	Annualised net in-place rent[1] in EUR thousand	Monthly net in-place rent[1] in EUR per sqm	Fair value[2] in EUR per sqm	Gross rental yield[3]	Vacancy rate[4]
Hannover	State capitals and major cities	23	2,151	179	6.94	1,664	5.0%	0.0%
Berlin	Federal capitals	14	1,100	53	8.49	2,727	1.8%	52.5%
Hamburg	Suburban Region	37	2,195	180	6.85	1,503	5.5%	0.0%
Total I (Closing as per 30 April 2018)		**74**	**5,446**	**413**	**7.06**	**1,814**	**4.2%**	**10.6%**
Hannover, Bremen, Kiel/ Lübeck/Lüneburg	Several locations	725	41,294	3,429	7.36	1,772	4.7%	6.0%
Total II (including acquisitions after 30 April 2018)		**799**	**46,740**	**3,841**	**7.33**	**1,777**	**4.6%**	**6.5%**

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

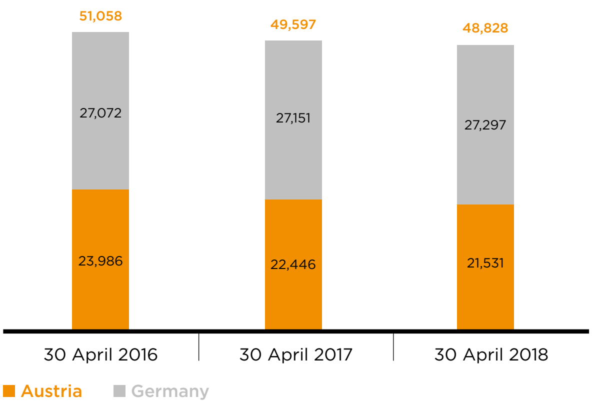
KEY DATA OF THE INVESTMENT PORTFOLIO AND PORTFOLIO STRUCTURE

In addition to efficient portfolio management through targeted investment measures in the properties, the BUWOG Group seeks to continuously optimise the value of the property portfolio in order to ensure long-term profitability and stable liquidity inflow. As in the last few financial years, BUWOG substantially improved all of the key performances indicators in this reporting year as well.

ANOTHER SIGNIFICANT INCREASE IN FAIR VALUE TO EUR 4.2 BILLION

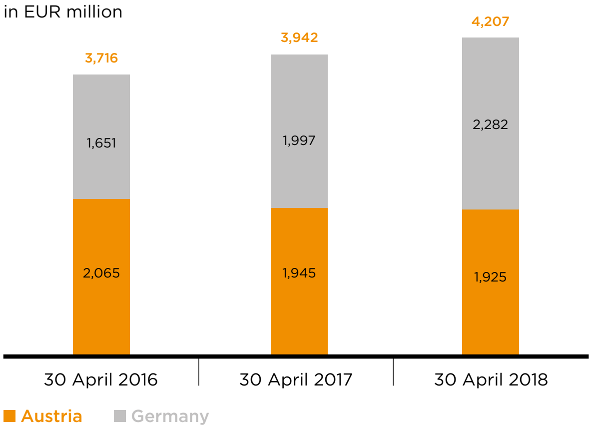
The 2017/18 financial year was already marked by considerable fair value adjustments of the investment portfolio. As of 30 April 2018, the fair value of the BUWOG Group's investment portfolio established by CBRE was EUR 4,206.5 million (last year: EUR 3,942.1 million). The significant growth in value of EUR 264.4 million was largely influenced by another notable increase in the value of the German investment portfolio as a result of the ongoing rise in yield compression (purchase prices for rental properties increase disproportionately with respect to rents) in the German real estate investment market as well as the readjustment of sale price potentials in the Unit Sales portfolio in Austria. As of the reporting date, fair value in Germany including the new acquisition portfolio was EUR 2,281.8 million, after EUR 1,997.4 million the previous year (EUR +284.5 million). In Austria, fair value fell by EUR 20.1 million to EUR 1,924.7 million due especially to the sales in the Property Sales business area. As a whole, fair value per sqm in BUWOG's investment portfolio increased from EUR 1,153 to EUR 1,250 (+8.4%), which resulted from a significant growth in fair value in Germany from EUR 1,182 to EUR 1,340 (+13.4%) and in Austria from EUR 1,125 to EUR 1,158 (+2.9%). As of the reporting date on 30 April 2018, the fair value of the strategic cluster for Unit Sales was EUR 1.4 billion (previous year: EUR 1.4 billion). Based on the sales margins achieved to date on fair value, BUWOG's property portfolio is also expected to include a significant, positive margin effect due to unit sales and, consequently, a contribution to Recurring FFO. Further details can be found in the chapter *Property valuation.*

NUMBER OF UNITS



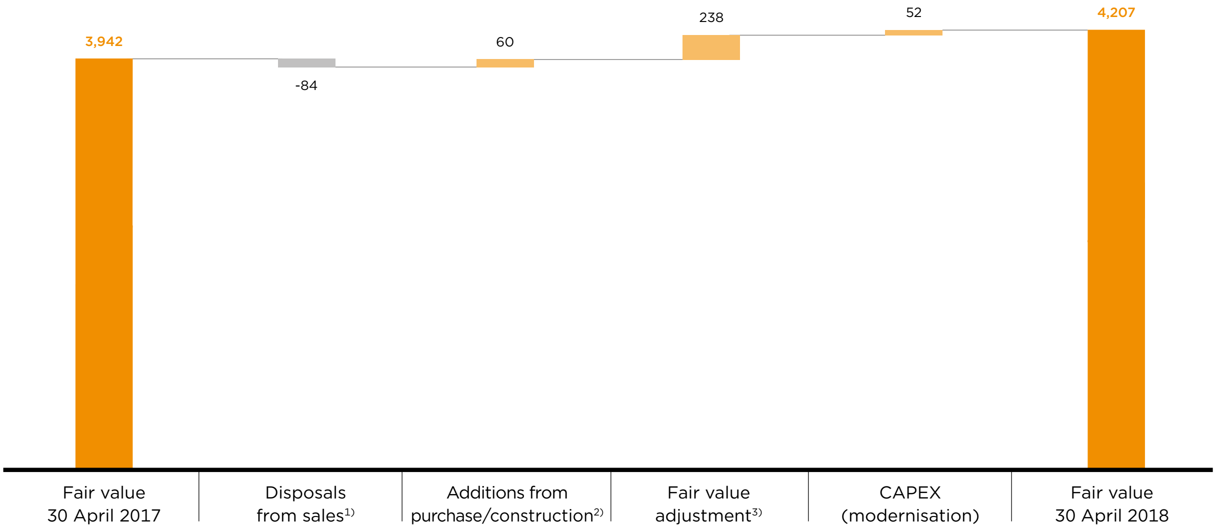
FAIR VALUE STANDING INVESTMENT PORTFOLIO

in EUR million



The following chart shows the development of the fair value of BUWOG's investment portfolio from EUR 3,942 million on 30 April 2017 to EUR 4,207 million on 30 April 2018.

DEVELOPMENT OF FAIR VALUE STANDING INVESTMENT PORTFOLIO
in EUR million

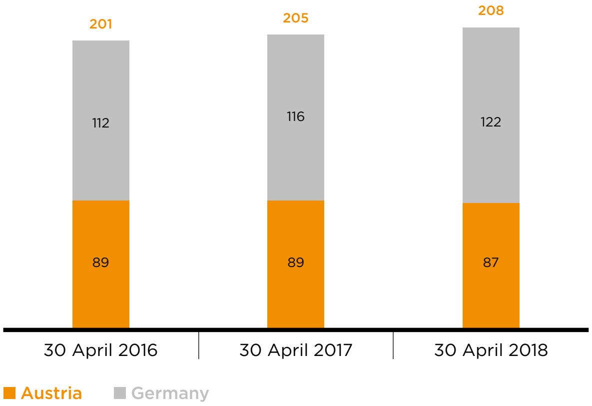


The values in the above graph are not scaled.
1) Net carrying amount of and fair value adjustments to properties sold
2) Additions include the portfolio acquisitions in Germany and completed develop-to-hold projects.
3) Fair value adjustments refer solely to standing investments.

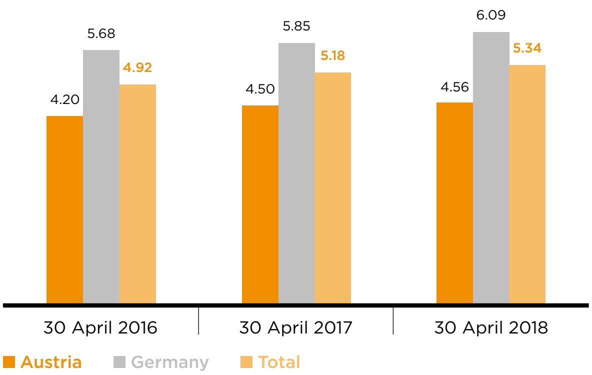
INCREASE OF ANNUALISED NET IN-PLACE RENT TO OVER EUR 208 MILLION

Compared to the previous year, the annualised net in-place rent increased by 1.6% from EUR 205.1 million to EUR 208.4 million through active asset management and indexing in Austria. As of the reporting date, the BUWOG Group's average rent per sqm was EUR 5,34 (+3.1%) compared to EUR 5.18 on the same date the previous year. The share of the German investment portfolio that contributes to annualised net in-place rent increased to around 58% (previous year: 57%).

ANNUALISED NET IN-PLACE RENT
in EUR million



NET IN-PLACE RENT PER MONTH
in EUR per sqm



HIGH LIKE-FOR-LIKE RENTAL GROWTH

Asset Management's primary responsibility is the ongoing optimisation of rental income, taking into account the effective legislation on rent and the resulting restrictions on pricing rents through the rent increase cap in Germany and the Austrian Non-Profit Housing Act *(Wohnungsgemeinnützigkeitsgesetz)* in Austria. In the 2017/18 financial year, the indexing of the maintenance and improvement contributions and, respectively, the follow-up rent arising from the amendment to the Austrian Non-Profit Housing Act in the Austrian portfolio had a significant influence on the like-for-like rental growth in the BUWOG Group's overall investment portfolio. This means the elimination of effects resulting from the change in the investment portfolio (excluding portfolio transactions) and the effect from changes in vacancies were taken into consideration. As of 30 April 2018, like-for-like rental growth for the BUWOG Group totalled 2.8% (previous year: 4.5% as a result of the amendment to the Austrian Non-Profit Housing Act). Like-for-like rental growth in the German residential portfolio was 4.0% (previous year: 3.2%), which resulted largely from the conclusion of a significant number of new leases and from increases in the rents generated by standing investments in Berlin as well as major cities. In the Austrian residential portfolio, the increase in net in-place rents per sqm following the implementation of the amendment to the Austrian Non-Profit Housing Act on 1 July 2016 and the resulting increase of 6.3% last year declined to a normal 0.7%. The calculation of like-for-like rental growth includes around 99.4% of all units or around 99.3% of the fair value of the BUWOG Group's entire portfolio.

Depending on the feasibility on the regional rental market and taking statutory restrictions from the rent models into account, the BUWOG Group also plans to fully exploit the potentials for increasing rents in the individual investment portfolio units in the future.

LIKE-FOR-LIKE RENTAL GROWTH BY RENTAL AGREEMENT

as of 30 April 2018	Number of units	Occupied floor area in sqm 30 April 2018	Net in-place rent per month in EUR million[3] 30 April 2018	Occupied floor area in sqm 30 April 2018	Net in-place rent per month in EUR million[3] 30 April 2018	Like-for-like rental growth
Unregulated rental agreements Germany	17,946	1,035,149	6.0	1,036,240	6.3	4.1%
Regulated rental agreements Germany	8,892	569,283	3.1	569,177	3.3	3.7%
Total Germany	**26,838**	**1,604,432**	**9.2**	**1,605,417**	**9.5**	**4.0%**
Unregulated rental agreements Austria (incl. reasonable rents pursuant to WGG and MRG)[1]	1,724	133,211	0.7	127,164	0.7	2.1%
Regulated rental agreements Austria (incl. other provisions under WGG)[2]	19,467	1,414,681	5.9	1,396,003	5.8	0.6%
Total Austria	**21,191**	**1,547,892**	**6.6**	**1,523,167**	**6.5**	**0.7%**
Other (incl. commercial)	514	98,585	0.7	105,856	0.7	2.2%
Total BUWOG Group	**48,543**	**3,250,909**	**16.4**	**3,234,440**	**16.8**	**2.8%**

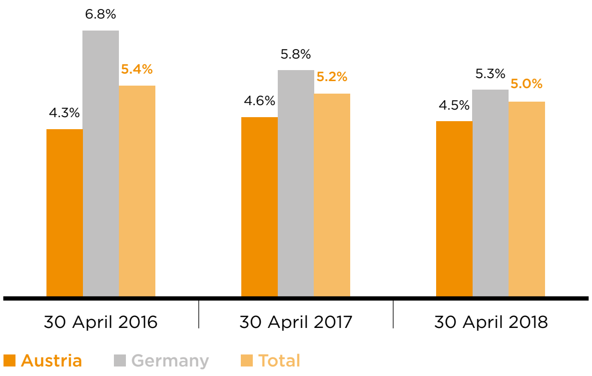
1) Reasonable rents under WGG includes properties for which subsidies received have already been repaid and for which indexing can be individually agreed
2) Cost-covering rent and Follow-up Rent (prev. Burgenland guidelines -30%)
3) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

CONSIDERABLE GROWTH IN THE INVESTMENT PORTFOLIO VALUE REDUCES GROSS RENTAL YIELD

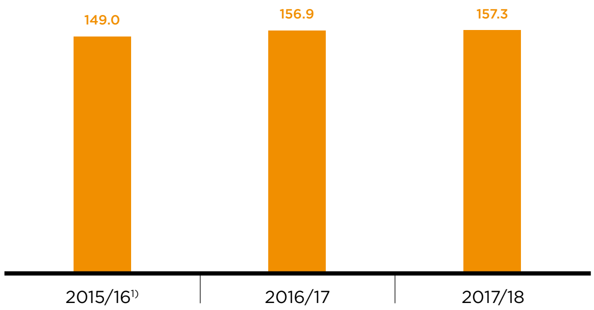
Gross rental yield was 5.0% as of the reporting date on 30 April 2018. The change of -0.2 percentage points from the previous year is based on the disproportionate increase in the fair value of the units of 6.7% compared to the growth in the annualised net in-place rent of 1.6%. As of the reporting date, there was a significant decline in gross rental yield from 5.8% to 5.3% in the German portfolio, resulting from the considerable appreciation in value due to strong yield compression. The yield from the Austrian portfolio declined from 4.6% to 4.5%.

The operating results from Asset Management rose again to EUR 157.3 million compared to the previous year at EUR 156.9 million.

GROSS RENTAL YIELD



OPERATING RESULT FROM ASSET MANAGEMENT
in EUR million



1) The comparable figures from the previous years were adjusted through the retroactive implementation of the capitalisation guideline (see chapter 1.3 of the consolidated financial statements).

VACANCY RATE (INCLUDING THE VACANCY RATE FROM UNIT SALES) IMPROVES TO 3.3%

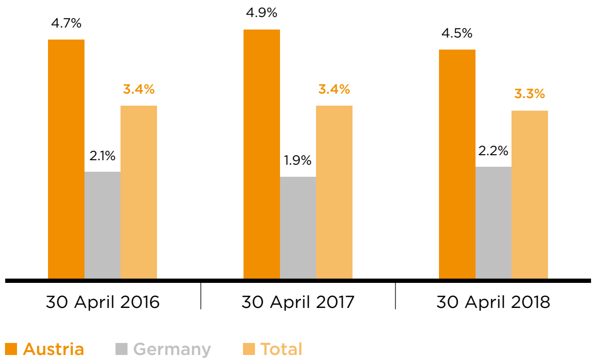
The BUWOG Group's vacancy rate (based on floor area) totalled 3.3% as of 30 April 2018 and therefore improved by 0.1 percentage point compared to the previous year. Taking the vacancy rate of 1.3% (previous year: 1.2%) necessary for the Unit Sales cluster into account, the BUWOG Group's adjusted vacancy rate (excl. the vacancy rate for Unit Sales) was just 2.1% (previous year: 2.2%).

In Germany the vacancy rate increased from 1.9% last year to 2.2% as of 30 April 2018. The low vacancy rate is due especially to the active follow-up rentals of refurbished vacant apartments in the core regions of Lübeck, Kiel and Kassel as well as Berlin. The BUWOG Group also profited from the continuing significant demand for rental apartments in Berlin. The increase in the vacancy rate is the result of a develop-to-hold project, which was only transferred at the end of April 2018. Excluding this project, the vacancy rate would still be a stable 1.9%.

In Austria, the vacancy rate declined from 4.9% to 4.5% as of 30 April 2018 compared to the previous year. The reduction of the vacancy rate was for the most part a result of the effect of 0.4% points arising from the leasing of a nursing home in a rural region of Styria with a vacant floor area of around 7,000 sqm. In Vienna, the vacancy rate remained stable at 3.6% compared to the previous year. At the same time, the number of units deliberately kept vacant for strategic unit sales increased from 3.4% to 3.5%, thus the adjusted vacancy rate for the core portfolio in Vienna is just 0.1%. For carrying out unit sales, it is necessary to maintain vacant apartments for sale to third parties who own and directly use the properties themselves. In connection with this, for properties involving ongoing and planned conversions into condominiums, precautionary expiry dates in rental agreements are not being extended, nor will there be any follow-up rentals. The restructuring of the rental organisation by the BUWOG Group last year and the increased marketing measures aimed at rentals for the Austrian portfolio with the focus on Carinthia resulted in a further improvement of the vacancy rate in this province from 5.9% to 5.2% as of 30 April 2018.

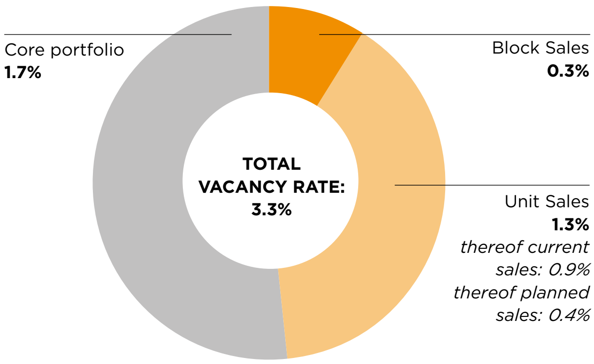
In the following illustration of the vacancy rate by strategic cluster, the BUWOG Group's total vacancy rate of 3.3% is broken down into the core portfolio, the Unit Sales portfolio and the Block Sales portfolio. In the financial year, the vacancy rate of the core portfolio increased by 0.1 percentage points, while the vacancy rate for Block Sales declined by 0.4 percentage points. The Unit Sales portfolio is divided into the current sales portfolio with strategic non-rentals totalling 0.9% (previous year: 0.9%) and planned conversions into condominiums totalling 0.4% (previous year: 0.3%). Unit sales are carried out in Austria. For further details, please refer to the chapter *Unit sales* on page 41ff.

VACANCY RATE



VACANCY RATE BY STRATEGIC CLUSTER

Basis total floor area, as of 30 April 2018



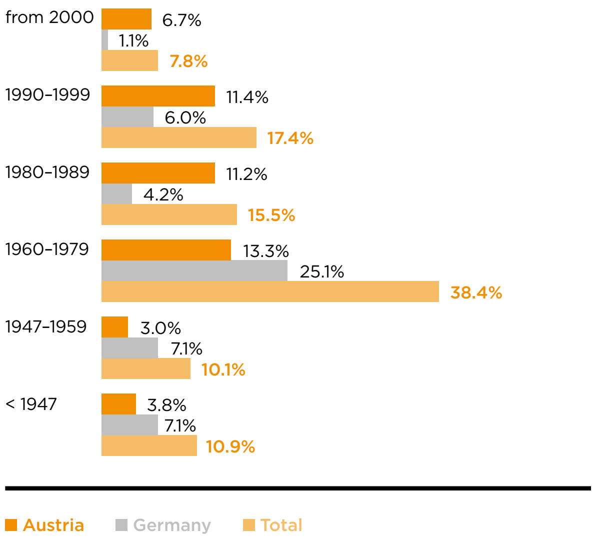
KEY FIGURES ON THE STRUCTURE OF THE INVESTMENT PORTFOLIO

In the following illustrations, the structure of the BUWOG Group's investment portfolio is depicted on the basis of construction year, apartment size and monthly net in-place rent.

Distributed by year of construction, at around 71%, the portfolio from 1960 to 1999 represents the majority of total rentable floor area. Pre-war builds and post-war builds from 1947 to 1959 each account for around 10%. The construction years beginning in the year 2000 up to the present day represent around 8% of the entire portfolio.

PORTFOLIO STRUCTURE BY DATE OF CONSTRUCTION

Total floor area: around 3.6 million sqm



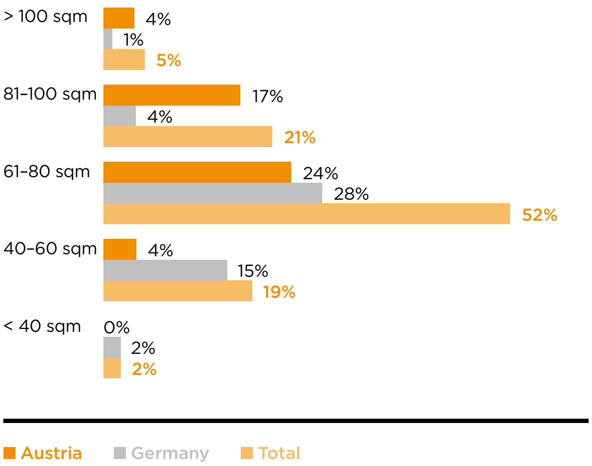
93% of BUWOG's investment portfolio is focused on apartment sizes of between 40 sqm and 100 sqm. The majority have a total floor area ranging from 61 sqm to 80 sqm, largely corresponding to three-room apartments for which there is considerable demand.

As of the reporting date on 30 April 2018, the BUWOG Group's entire portfolio showed an average monthly net in-place rent of EUR 5.34 per sqm (previous year: EUR 5.18 per sqm). At around EUR 1.53 per sqm, the differences between the portfolios in Germany and Austria were clear. The figure in the German portfolio was EUR 6.09 per sqm (previous year: EUR 5.85 per sqm). In contrast to this, due to the high share of subsidised rents, the average figure in Austria was EUR 4.56 per sqm and month compared to the previous year at EUR 4.50 per sqm and month. The average rent level in urban clusters was considerably higher than that of the rural regions, with Vienna at an average of EUR 5.46 per sqm and month (previous year: EUR 5.44 per sqm and month) and Berlin at EUR 6.61 per sqm and month (previous year: EUR 6.30 per sqm and month) constituting the top group together with the regions of Hamburg (EUR 7.04 per sqm), Kiel (EUR 6.28 per sqm), Lüneburg (EUR 6.28 per sqm), Brunswick (EUR 6.28 per sqm) and Lübeck (EUR 6.09 per sqm).

The structure of the average rent level, which is below that of the peer group, is due especially to the high proportion of subsidised residential buildings in BUWOG's rental portfolio (61% or total rented floor area). In the Austrian portfolio, all of the properties rendered habitable prior to 1 April 2001 are subject to the provisions of the Austrian Non-Profit Housing Act, which also preclude increases in rent after subsidies have expired. Expiring subsidy periods in Germany in turn increase the potential for realising rental increases in the portfolio in the medium to long term.

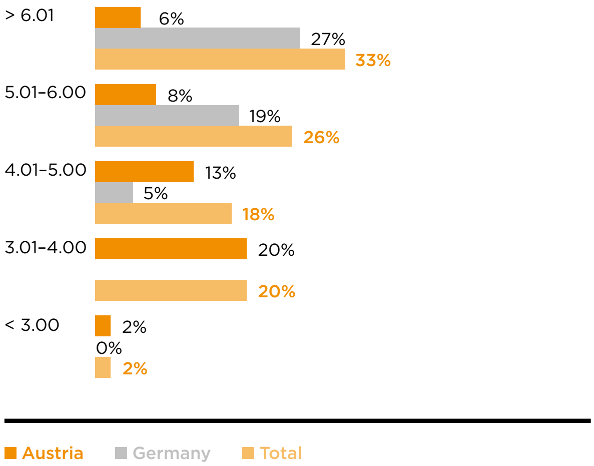
PORTFOLIO STRUCTURE BY APARTMENT SIZE

Total floor area: around 3.4 million sqm



NET IN-PLACE RENT PER MONTH

in EUR per sqm as of the balance sheet date
(Ø total portfolio: EUR 5.34 per sqm)

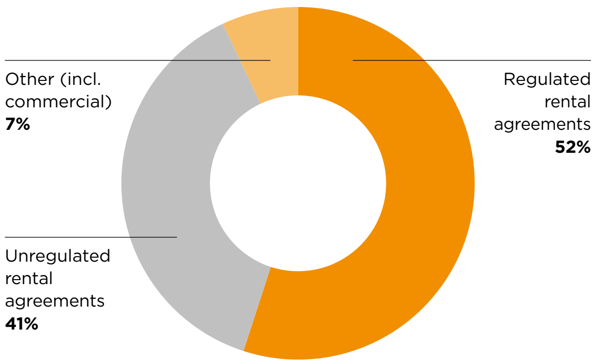


Vaasastrasse, Kiel

THE INVESTMENT PORTFOLIO'S RENT MODELS

For determining rents, the BUWOG Group is subject particularly to Section 16 of the Schleswig-Holstein Housing Subsidy Act *(Wohnraumförderungsgesetz Schleswig-Holstein)* for the subsidised units in the German investment portfolio and to the legal requirements of the Austrian Non-Profit Housing Act for a large part of the Austrian investment portfolio. This is why BUWOG's investment portfolio is divided into unregulated and regulated tenancies as well as other tenancies (including commercial space) in the chart opposite.

PORTFOLIO STRUCTURE BY TYPE OF RENTAL AGREEMENT
Basis net in-place rent, as of 30 April 2018



STRUCTURE OF RENTAL AGREEMENTS

as of 30 April 2018	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[3]
Unregulated rental agreements Germany	1,043,670	75.9	36%	6.06
Regulated rental agreements Germany	569,177	39.1	19%	5.72
Unregulated rental agreements Austria (incl. reasonable rents pursuant to WGG and MRG)[1]	135,345	9.0	4%	5.52
Regulated rental agreements Austria (incl. other provisions under WGG)[2]	1,392,858	69.9	34%	4.18
Other (incl. commercial)	110,908	14.6	7%	10.94
Total BUWOG Group	**3,251,958**	**208.4**	**100%**	**5.34**

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

The BUWOG Group is subject to the statutory requirements when determining rents for the investment portfolio's fixed-price units, which comprise a share of 58% of the total units rented, or around 90% of the total units rented in Austria. Thus an increase in rental income in the Austrian portfolio is only attainable to a limited extent as a result of tenant turnover as well as through fixed annual adjustments. Because of these restrictions, it is important for Asset Management to fully exploit the available potential of properties, to determine potentials for value growth by exploiting unused floor area in existing developments, and to carry out top-floor expansions as well as optimise cost structures.

COMPARISON OF MARKET RENT TO NET IN-PLACE RENT IN THE PORTFOLIO

	Monthly market rent[1] in EUR per sqm	Monthly net in-place rent[2] in EUR per sqm
Berlin	6.90	6.30
Rest of Germany	6.43	5.74
Total Germany	**6.52**	**5.85**
Vienna	not applicable	5.44
Rest of Austria	not applicable	4.02
Total Austria	**not applicable**	**4.50**
Total BUWOG Group	**–**	**5.18**

1) Based on monthly market rent (excluding utilities) as of the balance sheet date of external valuation from CBRE
2) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date

Thus due to the overwhelming number of fixed-price or regulated units, for BUWOG's Austrian portfolio the potential for increasing rents on the basis of the difference between market rents and net in-place rent is non-existent. In the German portfolio, there is a price difference between market rent and net in-place rent of EUR 0.8 per sqm (previous year: EUR 0.7 per sqm) or around 11% (previous year: 11%). In the context of a follow-up rentals arising from tenant turnover and adjustments in rents generated by standing investments, the potential for increasing rent is systematically pursued, supported by property- and apartment-specific modernisation measures, which is reflected in the increase in the fair value of the property, in addition to the increase of cash flow from rent.

The BUWOG Group's various rent models for its property portfolio are explained separately for Austria and Germany in the following section. For extensive explanations of the important changes arising from the amendment to the Austrian Non-Profit Housing Act pertaining to collecting rental income as well as for detailed descriptions of the rent models, please refer to the chapter *Asset Management – BUWOG's rent models* in the 2015/16 Annual Report on pages 58ff and on the BUWOG Group's homepage under www.buwog.com.

CONDITIONS IN GERMANY

In Germany, unregulated tenancies represent around 1,125,000 sqm of the BUWOG portfolio. This corresponds to around 68% of the German portfolio's total rented floor area of 1.67 million sqm. The resulting annualised net in-place rent totals EUR 80.2 million at an average rent of EUR 6.10 per sqm.

Rent controls from various types of subsidies. As of 30 April 2018, the BUWOG Group's German portfolio reported 8,892 rent-controlled apartments on the basis of various types of subsidies. The regulated tenancies in the German portfolio account for around 578,000 sqm or 34% of the German portfolio's total rented floor area of 1.67 million sqm. For these property portfolios, the annualised net in-place rent totalled EUR 39.5 million at an average rent of EUR 5.78 per sqm. Tenancy law restrictions in Germany originate primarily from the Schleswig-Holstein Housing Subsidy Act. The rent controls for all publicly subsidised units in the BUWOG Group's German investment portfolio run on average until 2026. The expiry of the subsidies and the associated elimination of rent controls represent a potential for rental growth.

TYPES OF SUBSIDIES

Types of subsidies	Units	Share in %	Net in-place rent in EUR per sqm
Schleswig-Holstein Housing Subsidy Act	6,085	68%	5.59
Cost-covering rent	2,073	23%	6.14
Agreed subsidy	734	8%	6.32
Total	**8,892**	**100%**	**5.78**

RENT CONTROL

Expiration of rent control	Units	Share in %	Net in-place rent in EUR per sqm
< 2019	3,124	35%	5.32
2019–2024	506	6%	5.85
2025–2030	3,593	40%	6.03
> 2030	1,669	19%	6.15
Total	**8,892**	**100%**	**5.78**

Section 16 of the Schleswig-Holstein Housing Subsidy Act. A total of 6,085 units and thus around 68% of all rent-controlled units fall under the transitional provisions of Section 16 of the Schleswig-Holstein Housing Subsidy Act. As of 1 July 2014, on the basis of Section 16 of the Act, which now allows opportunities to increase rent as per Section 558 of the German Civil Code (Bürgerliches Gesetzbuch), it is possible for base rents (agreed cost-covering rents) to be raised by a maximum of 9% within a period of three years (varying cap limit). Once the rent control agreed in connection with the subsidy no longer applies, an additional increase in rent by a maximum of 20% is possible on the basis of the statutory requirements. Rent control ends at the earliest on 31 December 2018, depending on the completion of a 35-year occupancy restriction.

Publicly subsidised portfolio in Berlin. In Berlin, a total of just under 2,000 out of around 5,000 units are subsidised. This concerns primarily the High Deck Estate in Berlin-Neukölln, the portfolio of which is subject in the event of follow-up rentals to cost-covering rent as a rent control, but not to occupancy restrictions. Depending on the construction phase, public subsidies will end between 2025 and 2034.

Effects of the rent increase cap in Germany. The rent increase cap in Germany entered into force on 1 June 2015. The aim of the regulation is to curtail the significant market demand-related increase in rents in strained housing markets. For follow-up rentals in locations in which a rent increase cap applies, the following is to be noted:

– With follow-up rentals, rent is permitted to exceed the level customary for the location by a maximum of 10%.
– Apartments rented prior to the introduction of the rent increase cap for more than the customary net in-place rent for the locality plus 10% constitute part of a protected portfolio and may be rented at the previous contractual net in-place rent in the event of follow-up rentals. However, rent increases agreed within the year prior to the tenancy ending are not considered when determining rents for the portfolio.
– Apartments used and rented for the first time after 1 October 2014 are not subject to this restriction on rent.
– Apartments rented for the first time after undergoing extensive modernisation are not subject to a restriction on rent.

For the BUWOG Group's property portfolio in Germany, this means that, based on a current estimation, up to 33% (previous year: 33%) of the units are subject to the rent increase cap. Based on the BUWOG Group's entire portfolio, the share of units subject to the rent increase cap totals around 18% (previous year: 18%).

The rent increase cap impacts the potential for rental growth for follow-up residential rentals if, by the time the cap is introduced, the market rent possible for the housing offered has yet to be effectively obtained. If this is the case, an individual assessment is required in the event of tenant turnover and depending on the location and property. The effects of applying the rent increase cap pose no notable impairment for the BUWOG Group in determining rents in the portfolios. The effects are reflected in full in the multi-year planning.

In addition to the rent increase cap, a further instrument to curb rent increases is the German Capping Limit Ordinance *(Kappungsgrenzenverordnung).* The ordinance stipulates that – in strained rental markets – rent increases in the portfolio are restricted to a maximum of 15% of the previous rent within three years. This applies to the BUWOG locations Berlin, Hamburg and Kassel.

Detailed explanations of the rent increase cap and the German Capping Limit Ordinance can be found in the chapter *Asset Management – BUWOG's rent models* in the 2015/16 Annual Report on pages 63ff.

Effects of the adjustment of rent tables. In and after the 2017/18 financial year, a large number of new rent tables were published at locations in which BUWOG has portfolios. The rent tables provide information on the comparative rents that are customary for the locality with respect to location, type, apartment size, quality, fixtures and fittings, and year of construction of the apartments. In many municipalities these provide a foundation for increases in portfolio rents as well as for the assessment of follow-up rents. As a rule, the rent tables are updated every two years. A new rent table was published in Brunswick and Lübeck in the 2016/17 financial year. In Brunswick the rent tables for 2016 showed a slight rise averaging just 1% compared to the rent tables from 2014. In Lübeck, however, the rent table for 2016 rose by an average of around 4.6% compared to the last rent table in 2014. The Berlin rent table, which showed an average increase in net in-place rents of around 9.2% compared to the rent table from 2015, was published in May 2017. The Kiel rent table was also published in June 2017; it, too, shows an increase in the average rents. In December 2017, the Hamburg rent table was published and in February 2018 the one for Norderstedt. For the BUWOG Group this strong market demand-driven development in the various regional rent tables means significant potential for rental growth, which is being systematically implemented in portfolio rents as well as in the agreement of follow-up rents.

CONDITIONS IN AUSTRIA

When collecting rents for the majority of its investment portfolio, in Austria the BUWOG Group is subject to the requirements of the Austrian Non-Profit Housing Act, which pursues the principle of cost-covering as a basic model for rent. These are essentially properties built or rendered habitable by BUWOG or BUWOG Süd GmbH (previously ESG Wohnungsgesellschaft mbH, Villach) prior to their departure from not-for-profit status on 1 April 2001. All apartments built after 1 April 2001 are subject to the Austrian Tenancy Act (Mietrechtsgesetz).

The following describes the main features of the rent models applicable to the BUWOG Group's Austrian property portfolio in accordance with the amendment to the Austrian Non-Profit Housing Act as of 1 July 2016.

Cost-covering rent, Section 14 (1) of the Austrian Non-Profit Housing Act. This applies to 12,552 units representing 985,613 sqm, an average net in-place rent of EUR 4.32 per sqm and around 63% of the annualised net in-place rent of the portfolio in Austria.

With cost-covering rent as the basic model of the Austrian Non-Profit Housing Act, land acquisition and building construction are financed through rental income. In accordance with Section 14 (1) of the Austrian Non-Profit Housing Act, rent consists of components including annuities, interest and equity contribution, deduction for depreciation of the equity employed to finance building costs and the maintenance and improvement contribution.

The new maintenance and improvement contribution, which was a maximum of EUR 1.71 per sqm prior to the amendment to the Austrian Non-Profit Housing Act, was raised on 1 July 2016 through the aforementioned amendment to a maximum of EUR 2.06 per sqm. It is charged as a component of rent to ensure that the apartments are continually maintained, improved and rendered habitable and is calculated depending on the age of the building.

- Category I (age of building up to 10 years): new maintenance and improvement contribution of between EUR 0.51 and EUR 0.82 per sqm
- Category II (age of building between 10 and 20 years): new maintenance and improvement contribution of between EUR 0.89 and EUR 1.44 per sqm
- Category III (age of building over 20 years): new maintenance and improvement contribution of between EUR 1.50 and EUR 2.06 per sqm

The new maintenance and improvement contribution is to be repaid to the tenant in accordance with the amendment of the Austrian Non-Profit Housing Act if the amount charged is not used for maintenance measures in the relevant properties within 20 years (previously 10 years). Maintenance and improvement charges collected through 30 June 2016 and unused are therefore subject to repayment as of 1 July 2016.

Reference value-based rent, Section 13 (6) of the Austrian Non-Profit Housing Act. This applies to 6,024 units representing around 407,245 sqm, an average net in-place rent of EUR 3.85 per sqm and around 22% of the annualised net in-place rent of the portfolio in Austria.

Beginning on 1 July 2016, in place of the previous reference value-based rent, there has been an inflation-adjusted amount of EUR 1.80 per sqm in addition to the new maintenance and improvement contribution of max. EUR 2.06 per sqm.

Fair rent, Section 13, (4) and (5) of the Austrian Non-Profit Housing Act in Conjunction with the Repayment Incentivisation Act. This applies to around 385 units representing around 25,571 sqm of floor area, an average net in-place-rent of EUR 6.27 per sqm and around 2% of the annualised net in-place rent of the portfolio in Austria.

If the apartment was built using subsidies, the rental price has to correspond to subsidy guidelines. After the subsidy is reduced, a reasonable market rent can be charged in the event of a change in tenancy.

Unregulated rent under the Austrian Tenancy Act, Section 16 in conjunction with Section 1 (4) no. 1 of the Austrian Tenancy Act. This applies to round 1,257 units representing over 105,106 sqm, an average net in-place rent of EUR 5.24 per sqm and around 8% of the annualised net in-place rent in the portfolio in Austria.

There are no rent restrictions on the construction of unsubsidised housing (privately financed new construction).

Summarisation of the key data on types of rent. The BUWOG Group's regulated tenancies in Austria represent total rented floor area of around 1.4 million sqm or 90.1% of the Austrian portfolio's total rented floor area of 1.6 million sqm. The annualised net in-place rent from cost-covering tenancies as well as the rent calculated on the basis of the follow-up rent totals around EUR 69.9 million, resulting in an average monthly rent of around EUR 4.18 per sqm.

The unregulated tenancies in Austria represent rented floor area of around 135,000 sqm or 8.5% of the total rented floor area of the Austrian portfolio of 1.6 million sqm. The average monthly rent for these tenancies totals EUR 5.52 per sqm.

Other rent models (including commercial floor area) in Austria and Germany. For commercial and other tenancies not subject to any rent restrictions, reporting is not divided into Austria and Germany. The share of this space totals around 3% of the entire portfolio of BUWOG's total rented floor area in Austria and Germany and shows an average monthly rent of EUR 10.94 per sqm.

STRATEGY, SUCCESS FACTORS, OUTLOOK

The business performance and operating results of Asset Management at BUWOG are affected by a variety of internal and external factors. Important influences are efficient organisational structures as well as processes, strict cost management, a central procurement strategy for profitable residential property management and efficient IT systems. In addition, legal and regulatory requirements for determining rents also have an influence on the company's growth in value. The most important effects associated with this are outlined below. Further details can be found in the chapters *Development of the property markets* and *Risk and opportunity reporting in the Group Management Report*.

ACTIVE ASSET MANAGEMENT

The structural organisation of the Asset Management business area at BUWOG is divided into regional teams which ensure the market-based management of standing investments. In their role as owner representatives, the experts from these teams are responsible for managing the properties to add value and for continuously improving them to the benefit of the customers and investors. The asset managers cooperate very closely with commercial management of the properties as well as internal departments such as Portfolio Management, Controlling, Technical Procurement, Technical Property Management, Property Accounting and Legal in addition to external service providers such as estate agents, lawyers and notaries. The primary responsibility of Asset Management consists of segmenting the portfolio together with Portfolio Management along with determining property strategies, carrying out cost-optimised maintenance and modernisation measures as well as recognising and profitably fostering potentials for the portfolio. Through Asset Management the following objectives are to be achieved:

- Steady increase of rental income through improvement of the occupancy rate, long-term adjustments to portfolio rents and conclusion of attractive follow-up rents
- Continuation of the growth strategy through new, profitable acquisitions, preferably in the core regions of Germany
- Systematic implementation of the develop-to-hold strategy in the core regions of Berlin and Hamburg in order to expand the investment portfolio with new construction featuring attractive net in-place rents and low maintenance costs (see chapter *Property Development*)
- Sustainable improvement of cost effectiveness in portfolio management, maintenance and modernisation by optimising the organisational and operational structure within the BUWOG Group
- Steady optimisation of the investment portfolio through selective and high-margin unit and block sales (see chapter *Property Sales*)

This ensures the ongoing optimisation of revenue, costs and operating results with a significant contribution to Recurring FFO, sustainable liquidity inflows and the overall value of the properties.

CONSOLIDATION AND GROWTH OF THE INVESTMENT PORTFOLIO

In Austria, portfolio consolidation takes place primarily through profitable and cycle-optimised block sales in strategically less relevant regions (Property Sales). The concentration on urban locations is aimed at continually increasing the average rent level.

In the profitable German market, the aim is to develop the investment portfolio in a selection of cities in northern Germany, in addition to in Berlin and Hamburg. The regional focus for growth in Austria lies in Vienna. The acquisitions are subject to clearly defined criteria for purchase, particularly with respect to quality, marketability, potential for growth in EPRA-NAV, and a return on the acquisition of over 4%.

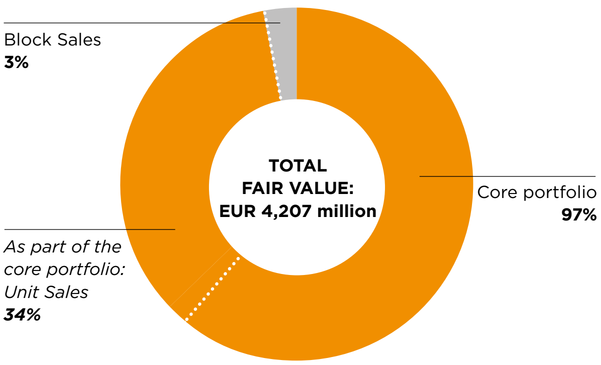
In the context of the high level of demand for housing, rising rents as well as the strong growth in the intensity of competition for portfolio acquisitions, BUWOG expanded its develop-to-hold strategy to Germany at the end of the previous year. The plan is to complete 1,000 units from the development pipeline in the next five years and to include them in the investment portfolio in Berlin and Hamburg.

The focus of new construction for the company's own portfolio is on energy-efficient buildings with coordinated building technology, high-quality fixtures and fittings and spacious common areas. These buildings offer future tenants convenient underground garages, spacious open areas (due to balconies and terraces), contemporary sound-proofing and modern baths. Thus the investment portfolio in Germany will be optimally expanded and improved through attractive high-quality new housing in sought-after residential locations with above-average net in-place rents per sqm as well as low maintenance costs. Further details can be found in the chapter *Property Development.*

CLEAR PORTFOLIO STRATEGY AND SEGMENTATION

The BUWOG Group's investment portfolio is clearly structured into geographic clusters as well as strategic portfolio clusters. This segmentation is evaluated at regular intervals. The portfolio clusters are divided into the categories "Core Portfolio" including "Unit Sales", which represents 97% of the fair value of the portfolio as a whole, and in "Block Sales", which represents 3% of the fair value of the portfolio as a whole. The Block Sales cluster includes properties for which the important indicators such as vacancy rate, monthly net in-place rent and fair value per sqm are comparatively unfavourable and show little potential for improvement in the future. This applies primarily to non-urban regions in Austria. The Unit Sales cluster includes properties from the core portfolio that have been identified as suitable for unit sales in the medium and longer-term. They have a higher fair value per sqm due to the potential sales prices considered. For further details please see the subchapter *Unit sales.*

STRATEGIC PORTFOLIO CLUSTER SPLIT BY FAIR VALUE
as of 30 April 2018



PORTFOLIO SPLIT BY STRATEGIC CLUSTER

as of 30 April 2018		Core portfolio	Unit Sales	Block Sales	Total portfolio
Standing investments	Quantity	35,359	11,159	2,310	48,828
Total floor area	in sqm	2,295,378	892,752	176,365	3,364,496
Monthly net in-place rent[1]	in EUR per sqm	5.62	4.89	3.84	5.34
Fair value[2]	in EUR million	2,655	1,434	117	4,207
Fair value[2]	in EUR per sqm	1,157	1,606	665	1,250
Gross rental yield[3]	in %	5.7%	3.5%	6.5%	5.0%
Vacancy rate per cluster	by sqm	2.5%	4.9%	6.4%	3.3%

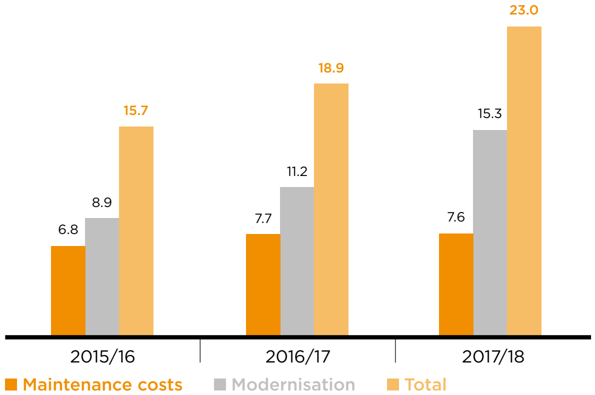
1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date
2) Based on fair value of standing investments according to CBRE valuation as of 30 April 2018
3) Annualised net in-place rent (based on monthly net in-place rent excluding utilities as of the balance sheet date) in relation to fair value

QUALITATIVE PORTFOLIO OPTIMISATION

Extensive investments in property quality. The BUWOG Group pursues a long-term strategy of portfolio maintenance and modernisation in Germany and Austria. The measures are aimed at the systematic and targeted improvement of property conditions by rendering vacant apartments habitable for follow-up rentals, major maintenance and modernisation measures in Germany and Austria, and at realising potentials for growth in value.

MAINTENANCE AND CAPEX

per year in EUR per sqm



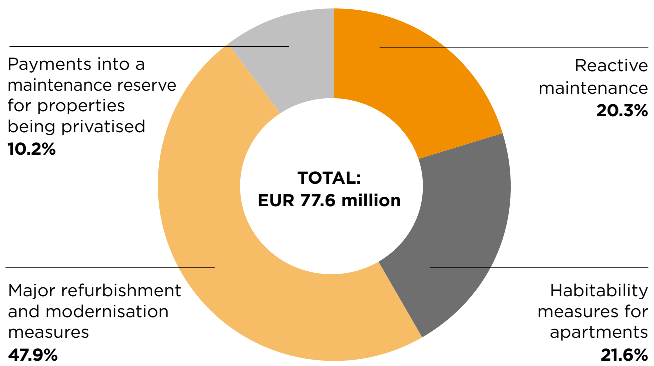
The comparable figures from the previous year were adjusted through the retroactive implementation of the capitalisation guideline (see chapter 2.4 of the consolidated financial statements).

QUALITY-ENHANCING MEASURES IN THE PROPERTY PORTFOLIO

For ongoing maintenance, rendering housing habitable for the purpose of follow-up rentals, payments into maintenance reserves for properties being privatised as well as for major refurbishment and modernisation measures, the BUWOG Group spent a total of EUR 77.6 million (previous year: EUR 66.3 million) in the property portfolios in Germany and Austria in the 2017/18 financial year. This is equivalent to a total of EUR 22.9 per sqm (previous year: EUR 18.9 per sqm) for maintenance and modernisation. The investments in ongoing maintenance totalled EUR 25.8 million (previous year: EUR 27.0 million) or EUR 7.6 per sqm (previous year: EUR 7.7 per sqm). The capitalised investment measures (CAPEX) came to EUR 51.8 million (previous year: EUR 39.3 million) or EUR 15.3 per sqm (previous year: EUR 11.2 per sqm) and resulted from modernisation of the like-for-like portfolio. The capitalisation ratio of total investment costs was thus 66.8% (previous year: 59.2%). Compared to the adjusted value from the previous year, the capitalisation ratio rose due to the share of investments from the special CAPEX programme with its slightly differentiated mix of measures and higher capitalisation. The investments in four maintenance categories are depicted in the illustration below. At 69%, habitability measures for apartments and major refurbishment and modernisation activity comprise a significant percentage of the investments.

SPLIT MAINTENANCE AND MODERNISATION

as a % of total maintenance and modernisation



MAINTENANCE AND MODERNISATION

	2017/18	2016/17	Change
Total maintenance expense and modernisation in EUR million	**77.6**	**66.3**	**17.1%**
Maintenance expense in EUR million	25.8	27.0	–4.6%
Capitalisation of modernisation work (CAPEX) in EUR million	51.8	39.3	32.0%
Capitalisation rate in %	**66.8%**	**59.2%**	**7.6 PP**
Average total floor space in 1,000 sqm[1)]	3,378	3,500	–3.5%
Total maintenance expense and modernisation in EUR per sqm	**23.0**	**18.9**	**21.3%**
Maintenance expense in EUR per sqm	7.6	7.7	–1.1%
Capitalisation of modernisation work (CAPEX) in EUR per sqm	15.3	11.2	36.7%

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

SPECIAL CAPEX PROGRAMME IN GERMANY

The BUWOG Group began the 2016/17 financial year with an extensive investment programme in Germany with a total volume of EUR 57 million. The aim of these modernisation measures is to enhance the quality of the investment portfolio and increase the potentials for growth in value. The primary areas of investment are in the core locations of Lübeck, Berlin, Kiel, Brunswick and the surrounding areas of Hamburg. The focus of investments is, first, on energy-related modernisation measures and on the creation of additional floor area by developing penthouse apartments, exploiting unused space at portfolio sites and adding balconies. Furthermore, extensive apartment refurbishments focusing on the core strategic regions (e.g. Lübeck, Berlin, Brunswick) are being carried out within the special programme in order to achieve additional increases in rent. The investment programme has been running according to plan and by 30 April 2018 encompassed an investment volume of around EUR 32.5 million. Energy-related refurbishments were already concluded on several buildings during the reporting year (including window replacements, installing a thermal insulation system on a façade, the energy-related refurbishment of rooftops as well as the refurbishment of stairwells) in Lübeck and Brunswick. These measures lower energy consumption and CO2 emissions. Balconies, which increase the floor area and enhance the attractiveness of the apartments, were also added to a variety of properties. The original investment sum was reduced as a result of EUR 2 million in cost-savings to EUR 55 million. The investments of the special CAPEX programme in Germany have resulted in rent increases of EUR 3 million p.a., which, given financing with a Loan-to-Value of 30% on the investment measures, will result in a return on capital employed of 7%.

REGIONAL FOCUSES

	Investments in EUR million
Lübeck	23
Berlin	11
Kiel	10
Brunswick	7
Hamburg surrounding area	4
Total	**55**

Rent increase: EUR 3 million p.a.
Return on equity: 7%
Loan-to-Value: 30%

COST-OPTIMISED INVESTMENTS IN PORTFOLIO MANAGEMENT

As part of efficient portfolio management, Asset Management allocates funds on a per-property basis through multiyear planning for habitability, major refurbishment and modernisation measures, with the focus on strategic regions and cost awareness. The BUWOG Group's newly created area of Technical Procurement in the financial year can ensure realisation of important cost advantages through standardisation, centralised contracting of services to third parties and by bundling orders. Through regular visits to portfolio properties, local real estate management helps prevent an accumulation of necessary maintenance measures and that defects and damages are remediated near term to prevent cost-related disadvantages and to boost customer satisfaction. With cost-covering rents the costs of maintenance impact the amount of the rents.

INNOVATION AND DIGITISATION

The BUWOG Group will continue to digitise its business processes in the future as well, with the aim of reducing manual work, increasing the degree of automation and avoiding media disruptions. The focus is on processing data more consistently and faster. In May 2017, the BUWOG Group introduced a uniform Group-wide ERP system (SAP), thus completing another important milestone in terms of standardisation and increased efficiency. In the 2017/18 financial year, the focus was on the further development of the ERP system with the goal of even greater coordination of the system engineering processes with the technical requirements. The efficiency and effectiveness of the operative processes were increased as a result.

In order to improve the strategic investment planning in real estate management, the software EPIQR was introduced throughout the group in the past financial year. The digital application enables a comprehensive assessment of the condition of a property and therefore supports asset management, property management and technical procurement in the management of maintenance measures, the analysis of potentials for increasing value creation potentials, as well as in forecasting future maintenance and modernisation measures.

In real estate management, new mobile applications were introduced to enable work outside of the office location, thus simplifying processes for BUWOG customers and employees. This eliminates manual recordings, for example when handing over and transferring apartments, and inspections; the data is recorded digitally and processed in the group-wide SAP system. Customers now receive logs and confirmations directly by e-mail, which eliminates the need for expensive mailing.

Furthermore, the "Development 2.0" initiative for the digitisation of business processes was launched in the 2017/18 financial year. With new and innovative technologies such as "blockchain" and "artificial intelligence", BUWOG wants to create a new customer experience on the one hand, and, on the other hand, to bring together several stakeholders around the topic of home buying through an integrated platform. With this innovative initiative, the BUWOG Group as one of the leading property developers in Germany generates a significant competitive advantage.

Following the successful implementation of the BUWOG TenantApp, which enables up-to-date, innovative and process-efficient, interactive communication with tenants in Germany, it is now being used successively in Austria as well. The app supports the central services of BUWOG and makes it possible for tenants to obtain a fast damage report with photo upload, the specification of desired dates for damage elimination as well as craftsman reviews. Damage reports are imported directly into the BUWOG internal SAP ticket system.

As a result, intensive discussions with primary shareholder Vonovia SE are planned in this area.

In addition, pilot projects using AI (artificial intelligence) were carried out in connection with document management and big data analysis aimed at optimising sales strategy, and the introduction of mobile processes was begun.

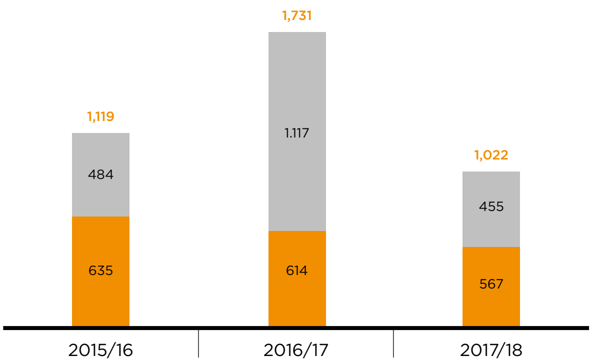
Am Hohenmoor, Kaltenkirchen

PROPERTY SALES

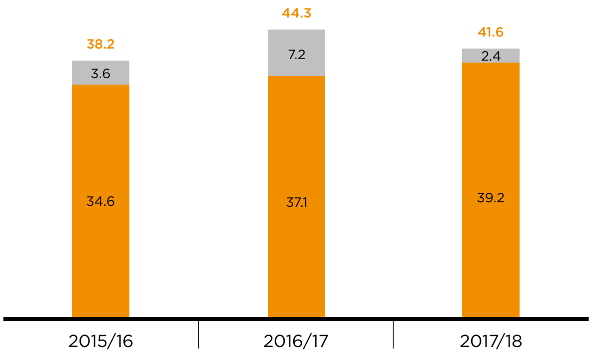
STABLE REVENUES AND ATTRACTIVE MARGINS

The overall objective of the Property Sales business area is continued profit-oriented optimisation of the BUWOG Group's investment portfolio through high-margin unit sales and through block sales to investors. Through the profitable sale of apartments from the Austrian portfolio, the Property Sales business area makes an ongoing, sizeable contribution to Recurring FFO and generates significant liquidity inflows. As part of capital recycling, the BUWOG Group invests these liquid assets – and therefore the capacity for self-financing – into further company growth through acquisitions in Asset Management and Property Development.

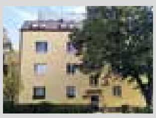
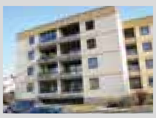
UNITS SOLD



OPERATING RESULTS FROM PROPERTY SALES
in EUR million



In Property Sales, a total of 1,022 units (previous year: 1,731) were sold in the 2017/18 financial year, 567 of them through Unit Sales and 455 through Block Sales. The operating results of the Property Sales business area declined due to the low number of sales from EUR 44.3 million to EUR 41.6 million as of 30 April 2018. As is shown below, the Property Sales business area consists of Unit Sales and Block Sales (property and portfolio sales). Unit sales are part of the business model and company strategy of the BUWOG Group due to their continuing contributions to Recurring FFO.

	Unit Sales	Block Sales
Examples from the portfolio	 Vienna, Elisabethallee 43  Vienna, Hütteldorfer Strasse 122  Villach, Millesistrasse 50	 Leoben, Schellhofgasse 1  Böckstein, Bergherrenstrasse 3–13  Villach, Frühlingsstrasse 18–22
Key facts	■ Sale in selected regions, primarily to owner-occupiers as a result of turnover ■ High profitability – Margins on fair value >50% – Long-term contribution to Recurring FFO – High liquidity inflow ■ Optimal mix of internal and external sales channels	■ Sale of portfolios or properties in strategically less relevant areas, mainly rural regions, or areas of lesser importance ■ Portfolio consolidation and optimisation through profitable and cycle-optimised sales ■ Optimal mix of internal and external sales channels
Contribution to **Recurring FFO**	✔ **Long-term contribution to profit from ongoing unit sales**	✘ **Opportunistic block sales with adequate margins**

UNIT SALES

Established for 16 years, the high-margin Unit Sales business area has been an important factor of success within Property Sales. Based on an in-depth analysis of the overall portfolio, the BUWOG Group continually identifies apartments suitable for unit sales in the medium to long term and assigns them to the Unit Sales cluster. On the basis of the fluctuation resulting from vacancies, unit sales are made largely to third parties for their own use or to tenants and, with margins on fair value of over 50%, are highly profitable and provide an important contribution to Recurring FFO. The potential of apartments for sale is continually replenished through regular "develop-to-hold" measures in Property Development. This ensures significant contributions to net profit and Recurring FFO for BUWOG and also generates liquidity from the substantial free cash flow for the BUWOG Group to finance additional growth on its own.

BUWOG's successful, long-term privatisation strategy is a unique selling proposition compared to the peer group. BUWOG expects to sell around 550 to 600 units per financial year (for 12 months).

HOW DO UNIT SALES WORK?

The sale of units from the Unit Sales cluster is based on the potential for yield resulting from the market price of the units in Unit Sales in relation to the value of the discounted cash flow from renting subsidised apartments with regulated rents. The sales are handled at the Vienna, Carinthia and Styria locations by a separate sales team that has been developed by the company in the last three years as well as by a selection of external agents.

Selection

- Regular in-depth analysis of the overall portfolio for suitable properties for sale
- Identification of properties for unit sales on the basis of marketing and legal conditions
- Assignment of selected properties to the Unit Sales cluster

Conversion into condominiums

- Conversion of properties to condominiums through division of rental property into units in the selected properties
- Determination of the proportional value for each unit through external property appraisal
- Determination of the property's fair value in an external property appraisal in accordance with the Unit Sales cluster

Sale

- Determination of the sale price per unit on the basis of location, condition and market
- Sale of units converted into condominiums largely to third parties for their own use on the basis of vacancies (around 84% of sales)
- Sale to existing tenants (around 16% of sales)

OVERVIEW OF THE 2017/18 FINANCIAL YEAR

In the current 2017/18 financial year, a total of 567 units (previous year: 614 units) were sold in Unit Sales. At 561 units, in the Austrian portfolio the focus of sale was in the regions of Vienna (253 units), Carinthia (128 units) and Salzburg (59). In Germany, six units were sold in the region of Brunswick from properties that had already been partially privatised. The considerable increase in the margins on fair value from 57% to 62% resulted in a generally improved total contribution to Recurring FFO in the amount of EUR 39.3 million (previous year: EUR 37.1 million). At EUR 2,399 per sqm, the average sale prices were significantly increased again compared to the previous year at EUR 2,261 per sqm.

As of 30 April 2018, the Unit Sales cluster contained a total of 11,159 units (30 April 2017: 11,615 units), all of which are located in Austria and were identified as suitable for unit sales in the medium and long term. 6,201 units of these are located in Vienna and 1,951 units in Carinthia; the remaining 3,006 units are distributed across the remaining Austrian provinces. As of the reporting date on 30 April 2018, the fair value of the Unit Sales cluster totalled EUR 1.4 billion (previous year: EUR 1.4 billion) or EUR 1,606 per sqm (previous year: EUR 1,546) with a gross rental yield of 3.5% (previous year: 3.6%). The fair values are generally determined by the independent appraiser CBRE twice per year. In addition to the discounted rental income for a specified period, when appraising units from the Unit Sales cluster, consideration is given to the sale price potentials for the individual apartments and the planned sale based on expected tenant fluctuation as well as legal regulations in the relevant properties.

As of 30 April 2018, around 72% of the units (by fair value) from the Unit Sales cluster were in the process of being sold on the basis of fluctuation arising from apartments that became vacant. BUWOG continues to expect the sale of around 600 units per financial year in the long term.

UNIT SALES CLUSTER

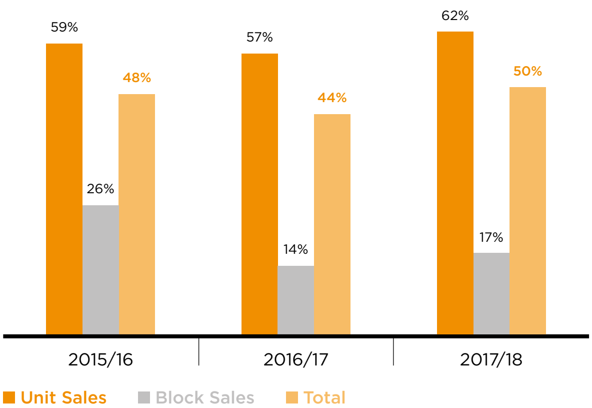
as of 30 April 2018	Number of units	Fair value[1] in EUR million	Share of fair value	Fair value per sqm in EUR	Gross rental yield[2]
Vienna	6,201	986	69%	1,892	3.1%
Carinthia	1,952	143	10%	965	5.0%
Rest of Austria	3,006	305	21%	1,365	3.9%
Total	**11,159**	**1,434**	**100%**	**1,606**	**3.5%**
thereof properties with current sales	7,973	1,032	72%	1,618	3.4%
thereof properties with planned condominium conversions	3,186	402	28%	1,576	3.7%

1) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2018
2) 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

PERFORMANCE INDICATORS 2017/18

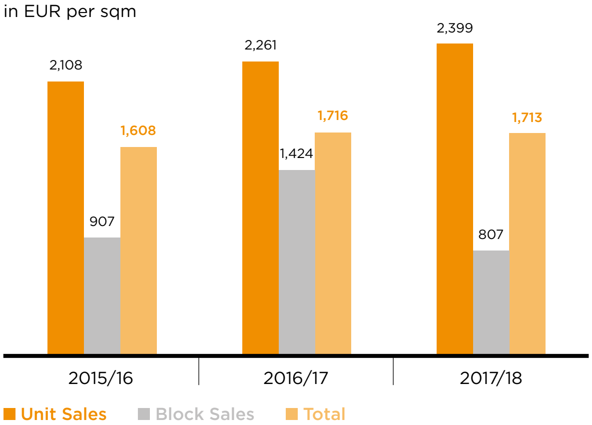
In addition to the contribution to Recurring FFO, the important performance indicators for measuring success in Unit Sales are the margin on fair value and average sale price per sqm. The margin on fair value is determined from the net operating income from Unit Sales including all external costs for the sale and the directly attributable costs for personnel and materials in relation to the carrying amount ("carrying amount" on the basis of the consolidated income statement less the "fair value adjustments of properties sold") of the units sold. For the 2017/18 financial year, the margin on fair value in Unit Sales was 62% as in the previous year and reflects the high and steady profitability in Unit Sales. The average sale prices per sqm rose again substantially compared to the previous year, totalling EUR 2,399 per sqm (+6.1%). This essentially resulted from an increase in the number of units sold in Vienna as well as from the generally positive sale price development in this regional segment.

MARGIN ON FAIR VALUE



AVERAGE PRICES REALISED

in EUR per sqm



ACHIEVING ADDED VALUE THROUGH INVESTMENTS

For the long-term increase of the contribution from Unit Sales to Recurring FFO, properties are regularly analysed in the Asset Management business area for the potential to create additional space and carry out top floor conversions. Due to existing development regulations, in the case of specific properties it is possible to convert the top floors prior to the planned unit sale, which allows additional space to be created without incurring land costs. As a rule, a top floor conversion is carried out in combination with an extensive refurbishment or the modernisation of existing standing investments if a significantly higher yield will be generated in the course of the downstream sale. In addition to major refurbishments, individual extensive refurbishments of apartments in the Unit Sales cluster are carried out if marketability, a positive contribution margin on the investment as well as a higher margin on fair value can be obtained as a result.

In the interest of capital recycling, the BUWOG Group's business model includes the investment of liquid assets into the regular construction of around 100 to 200 rental units per year for the company's own portfolio in Vienna. Later, the properties have the potential for conversion into condominiums and consequently for future unit sales.

SELECTED UNIT SALES

ELISABETHALLEE, 1130 VIENNA

29 units of 2,332 sqm at an average price of EUR 2,985 pro sqm, remaining total floor area 4,167 sqm at an average monthly rent of EUR 3.48 per sqm

AM HOFGARTEL, 1110 VIENNA

8 units of 570 sqm at an average price of EUR 2,210 per sqm, remaining total floor area 5,823 sqm at an average monthly rent of EUR 4.32 per sqm

RETTICHGASSE, 1140 VIENNA

18 units of 1,018 sqm at an average price of EUR 3,071 per sqm, remaining total floor area 8,391 sqm at an average monthly rent of EUR 5.30 per sqm

WIENER STRASSE, 3002 PURKERSDORF

10 units of 927 sqm at an average price of EUR 2,752 per sqm, remaining total floor area 3,407 per sqm at an average monthly rent of EUR 6.19 per sqm

BUWOG Focus

ASSET FOCUS
RESIDENTIAL

REGIONAL FOCUS
AUSTRIA

FUNCTIONAL FOCUS
FULL-SERVICE PROVIDER

Unit Sales

- Sustainable sales proceeds from Unit Sales, largely from vacancies to third parties for their own use
  -> high contribution to Recurring FFO
  -> high liquidity inflow
- Strong track record with high margins in unit sales in Austria
- Planned sale of around 550-600 units per year
- High medium- and long-term sales potential for 11,159 units in Unit Sales
- Sustainability of the sales pipeline for Unit Sales through the develop-to-hold strategy with around 100-200 units per year

BUWOG Strategy

MINIMISE RISK
Ongoing unit sales

HIGH UPSIDE POTENTIAL
Continuing high margins through sales

BLOCK SALES

The BUWOG Group's property portfolio is focused on urban locations in the capital cities of Berlin and Vienna as well as other state capitals and major cities in northern Germany. As part of implementing the strategic target of capital recycling, selected cycle-optimised Block Sales are made primarily to local investors at a positive contribution to margin. The resulting liquidity is invested in a selected core regions in Austria and Germany which generally offer higher yields. These block sales include properties or portfolios mainly in rural regions, which are unsuitable for the core portfolio or unit sales due to their location or quality.

OVERVIEW OF THE 2017/18 FINANCIAL YEAR

In the 2017/18 financial year a total of 455 units were sold (previous year: 1,117 units). 176 units were sold in Carinthia and 117 units in Styria, with the remainder distributed across the regions of Lower Austria, Salzburg, Vienna and Tyrol.

A EUR 4.2 million (EUR 5.4 million) contribution to FFO (excluding the non-current assets held for sale in accordance with IFRS 5) and a margin on fair value of around 17% (5%) were achieved in Block Sales. With all sales, the priorities were the portfolio adjustment for the continued regional focus of the portfolio as a whole as well as the generation of liquidity for growth in Germany with higher yields. The average price of the block sales in the last financial year was EUR 807 per sqm and for the region was therefore significantly below the previous year's level of EUR 1,424 per sqm. The high level of the previous year was attributed to the sale of the Tyrolean portfolio in the 2016/17 financial year.

As of the reporting date on 30 April 2018, the Block Sales cluster contained a total of 2,310 units (previous year: 2,743 units), 1,487 of which were in Carinthia, 100 units in Vienna, and the remaining 722 units in the rest of Austria. For these selected properties from Block Sales, a medium-term sale mainly to local private and institutional investors is planned as part of optimising and consolidating the portfolio for the purpose of enhancing the regional focus of BUWOG's portfolio as a whole. The allocation of the properties to clusters is reviewed on a regular basis. The sale of properties in smaller cities and/or communities in northern Germany is currently under evaluation or market testing.

BLOCK SALES CLUSTER

as of 30 April 2018	Number of units	Fair value[1] in EUR million	Share of fair value	Fair value per sqm in EUR	Gross rental yield[2]
Vienna	100	17	15%	1,495	5.5%
Carinthia	1,487	72	61%	656	6.4%
Rest of Austria	722	28	24%	506	7.3%
Total	**2,310**	**117**	**100%**	**665**	**6.5%**

1) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2018
2) 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

SELECTED BLOCK SALES

SCHELLHOFGASSE, LEOBEN

84 units with total floor area of 5,197 sqm

BERGHERRENSTRASSE, BÖCKSTEIN

58 units with total floor area of 2,440 sqm

Rettichgasse, Vienna

PROPERTY DEVELOPMENT

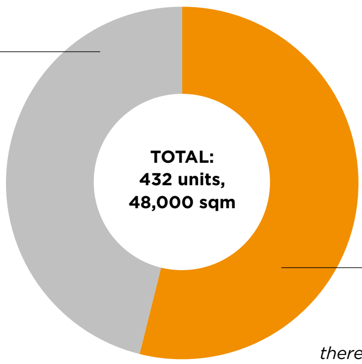
ADDED VALUE THROUGH PROJECT DEVELOPMENT

With more than 35,000 apartments built in the course of its 67-year history, the BUWOG Group is one of the largest and leading project development companies in Austria, with a current focus on the federal capital of Vienna. In Germany, too, the BUWOG group is now among the top ten in residential construction. The business activity in the Berlin property development market began in 2012 with the acquisition of an experienced team of employees as well as the purchase of several projects in various stages of development as well as of land for new development projects. On the basis of its demographically and economically strong parameters, its numerous years of experience and excellent knowledge of the market, the BUWOG Group has focused its current property development activities in the federal capitals of Berlin and Vienna and, since 2016, in Hamburg.

In July 2018, bulwiengesa AG published a ranking of the top eight most active developers in Vienna. Again, the BUWOG Group listed first in the ranking of developers by the number of projects as well as the number of apartments. BUWOG took first place in the ranking for the construction of new condominiums and buy-to-rent apartments, as last year. The bulwiengesa study on the market for development projects in German A-cities ("Der Markt für Projektentwicklungen in den deutschen A-Städten 2017") was also published in May 2017. On the basis of it, the BUWOG Group is one of the biggest project developers in Berlin in terms of residential floor area. The study focuses on the bulwiengesa-defined "trader-developers", who are engaged in housing construction for unit or block sales. The BUWOG Group is a residential builder in the classic sense: approximately 40% of the pipelines in Germany are for develop-to-hold. In regard to this, bulwiengesa has added the chapter "Investor Developer" to the bulwiengesa on behalf of BUWOG.

Depending on the respective market and demand situation, in Property Development various types of development projects are pursued which are continually analysed on the basis of the department's own projects and through observation of the market in the course of project development and marketing. In the privately financed sector, development projects are built mainly for private and institutional investors and for owner-occupiers. In the subsidised housing sector in Vienna, the apartments are rented in compliance with the subsidisation guidelines. These subsidised rentals are generally transferred to the BUWOG Group's own portfolio, where, depending on the strategy, they are either to remain in the portfolio or to be sold at a high margin in property sales over the long-term.

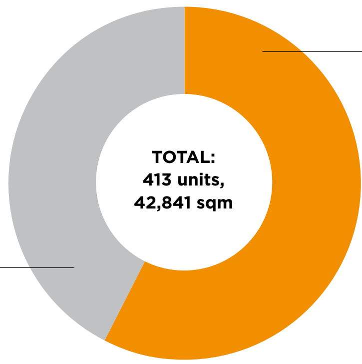
UNITS TRANSFERRED TO BUYERS 2017/18
Number of units and sqm



Germany
164 units,
19,339 sqm

Austria
268 units,
28,661 sqm
thereof: investors: 21,
owner-occupiers: 247

UNITS TRANSFERRED TO BUYERS 2016/17
Number of units and sqm



Austria
224 units,
23,539 sqm

Germany
189 units,
19,301 sqm

OVERVIEW OF THE 2017/18 FINANCIAL YEAR

In the 2017/18 financial year, the Property Development business area generated a very strong operating result of EUR 57.7 million, significantly increasing the figure compared to the previous year. In the structure of its contributions to profit, particularly the contribution from development, the BUWOG Group stands out from other listed real estate companies, which are focused largely on apartment rentals (and sales) but have generally not established property development as a long-term pillar in their business models. With this continuous value chain, the BUWOG Group is in a position to generate significant and long-term growth in value.

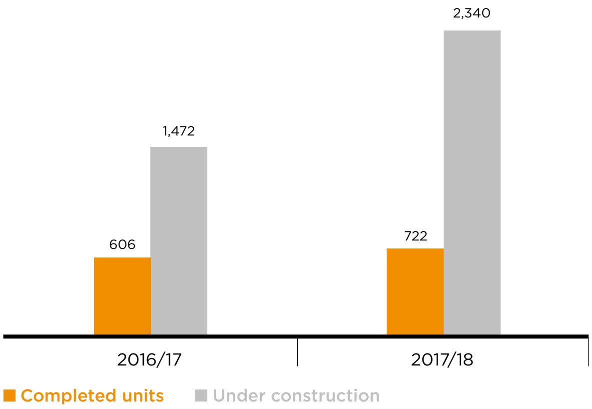
In the 2017/18 financial year, a total of 722 units were completed in Vienna (477) and Berlin (245). Of these, 536 units were designated for sale and 186 units for inclusion in the investment portfolio. In the 2017/18 financial year, a total of 432 units were handed over to customers. As a whole, the BUWOG Group reported 164 units in profit or loss during the reporting year.

Progress was successfully made in the Property Development business area, which differentiates the BUWOG Group from its competitors considerably. Through one acquisition in Vienna and three in Berlin, the development pipeline was further expanded by a total of 687 planned units with a calculated total investment volume of EUR 177 million.

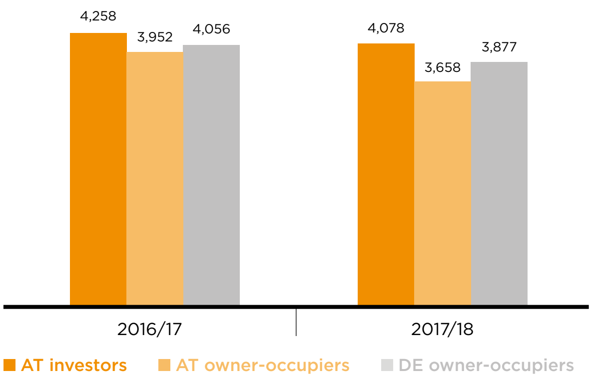
As of the reporting date on 30 April 2018, the development pipeline included a total of 10,847 planned units with a calculated total investment volume of around EUR 3.2 billion. In the interest of improved transparency, since the beginning of the 2016/17 financial year the reporting for the total investment volume has excluded calculated interest on equity. The internal project calculations are based on non-cash interest on equity of 8%.

The chart below shows the average sale prices per sqm, split into Berlin and Vienna and based on the units transferred to buyers in the financial year. While in Germany, privately financed condominiums were sold exclusively to owner-occupiers, in Austria sales were made to owner-occupiers and to investors. The price for a buy-to-rent apartment bought by an investor does not include value-added tax. Of the 432 units in total transferred to buyers (Germany 164 and Austria 268), in Austria, investors accounted for 21 units and owner-occupiers for 247. In the previous year, a total of 413 units were transferred to buyers (in Germany 189 and in Austria 224). In Austria, of the 224 units in total, 202 were transferred to owner-occupiers and 22 to investors.

COMPLETED UNITS AND UNITS UNDER CONSTRUCTION



AVERAGE SALE PRICES
in EUR per sqm



Incl. sale of parking spaces

As of the reporting date on 30 April 2018, a total of 2,340 units were under construction. Of these, 1,038 units were built in Berlin and 1,302 units in Vienna. Compared to the reporting date on 30 April 2017, the BUWOG Group again increased the number of units under construction by 59%.

PROPERTY DEVELOPMENT – FROM THE IDEA TO THE APARTMENT

The success of the BUWOG Group in the Property Development business area is based primarily on clearly defined selection criteria in addition to the decades of experience and extensive expertise of the relevant employees. The success of a profitable development project is already decided by the selection of suitable land and also depends heavily on the timely implementation of the project in line with market conditions as well as on the early exploitation of the residential units. Furthermore, the financing structure and especially the control of production costs, ancillary building costs and other costs as well as sales returns all determine Property Development's overall yield. Recognition in the income statement occurred in the reporting year on completion and transfer to the buyers.

Completed units that are designated for sale are reported in the balance sheet under current assets. If a unit is transferred to a buyer, current assets are reduced by the relevant carrying amount of the unit sold. The aim is to transfer at least 80% of the completed units to buyers when construction is finished.

Overview of the project development process

Out of all of the listed market players in the housing industry, the BUWOG Group is the one with the strongest focus on property development. The large number of necessary decisions along the entire value chain are made using standardised processes while keeping the distinctive features of the respective market and project in mind. This ensures a high level of efficiency and a reduction of the relevant risks. This chart illustrates the most important processes and targets that are crucial for building a new residential property.

Ideal processing time for a project: 12 months of preparation including market launch and 18 months of realisation

1. Project concept/analytical stage

- Feasibility analysis
- Development potential, building feasibility (land use and soil pollution)
- Profitability calculation (achievement of targets)
- Assessment of marketability estimation (macro/micro situation and target group analysis)

INTERDEPENDENCIES OF PROJECT DEVELOPMENT

The location of the plot and the project concept are crucial and determine the overall attractiveness and the achievable sales and rental income. The BUWOG Group aims to add value based on defined targets as its main objective when developing projects.

Property

Idea
Layout, use, urban development

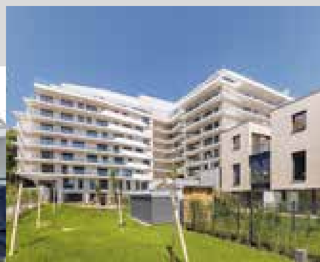
Capital
User, investor, financing

Location
Environment, infrastructure, economic strength

7. Completion of transfer and guarantee

- In individual sales, customer support, transfer and guarantee service provided by company's own buyer management
- Inclusion in the BUWOG investment portfolio (subsidised and privately financed rent)

Apartment transfer "Am Otterweg", Vienna



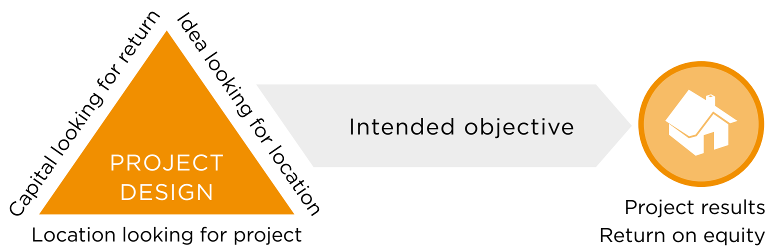
"Pfarrwiesengasse 23", Vienna

Sagedergasse, Vienna

Residual units reported in the inventories, which are units that are completed but have yet to be exploited, are actively and selectively marketed by the BUWOG Group sales team.

Rental units built for the company's own portfolio and professionally managed by Asset Management are reported under assets. In Austria, subsidised rent is distinguished in particular by financing contributions collected on the part of the tenant, which ensures an efficient mix of project financing. In accordance with the BUWOG Group's company strategy, after a certain holding phase these units are later sold for a profit by Property Sales as part of Unit Sales.

Formula for success
Promising location
+ Marketable products
+ Optimal financing structure
+ Timely realisation
= High-quality BUWOG properties



2. Land acquisition

- Completion of due diligence (technology, legal)
- Approval by the Executive Board and Supervisory Board of BUWOG AG
- Specification of optimum transaction structure
- Conclusion of land purchase agreement

Showroom "52 Grad Nord"

3. Detailed project design

- Development of detailed usage concept
- Marketing and sales concept
- Financing concept
- In-depth standard calculation with project deliverables, equity interest and cash-flow modelling

"The One", Berlin

4. Preparation for construction

- Zoning of the property
- Procurement of building approval
- Planning (preliminary draft, housing mix, building approval planning, commissioning of external contractors)
- Conclusion of project financing with bank
- Tendering of construction works

5. Marketing

Key to success in project development

- Individual sales
- Global sales with rentals
- Marketing and sales management

6. Project execution

- Assignment of construction works
- Ongoing project control
- Construction and completion of the development project
- Remedying of defects

COMPLETIONS IN BERLIN

In Berlin, the BUWOG Group is currently developing and carrying out several residential projects in traditionally popular locations and in aspiring districts with potential for development and growth in value. As of the reporting date on 30 April 2018, a total of 1,038 units were under construction. Of these, 590 units are being developed for sale and 448 for inclusion in the investment portfolio. The construction of another 889 units is scheduled to begin in the shortened 2018 financial year. A brief explanation of selected projects in various stages of development can be found below.

"TORHAUS II", TO OWN (COMPLETED)

"Torhaus II", Berlin

- 16 condominiums and 15 parking spaces
- Total floor area: 1,667 sqm
- Apartment sizes from 76 sqm to 145 sqm
- Sale prices from EUR 3,957 per sqm to EUR 5,253 per sqm
- Completed in April 2018

As the highest building of the ensemble, the beacon property of 52 Grad Nord with its five floors plus rooftop floor holds a special charm. With its visionary architecture, the completed project offers attractive apartments and impressive penthouses.

"WESTENDPARK PURE", TO OWN (COMPLETED)

- Three modern-purist urban villas with a total of 26 condominiums and 34 parking spaces
- All condominiums were completed by April 2018.
- Total floor area: 3,122 sqm
- Apartment sizes from 110 sqm to 172 sqm
- Sale prices from EUR 4,438 per sqm to EUR 5,118 per sqm

The high-quality apartments have large windows and south-facing balconies or terraces or private gardens. The project is located directly next to a suburban railway station with short distances into the city and offers a wide range of recreational opportunities due to its proximity to Havel, Grunewald and Olympiapark.

"Westendpark Pure", Berlin

"LICHTENHAIN", TO OWN (UNDER CONSTRUCTION)

"Lichtenhain", Berlin

- Terraced houses, garden houses, urban villas and gatehouses
- In a park-like location with a playground
- 207 condominiums, 2 commercial units (daycare centre) and 160 parking spaces
- Total floor area: 17,619 sqm
- Apartment sizes from 30 sqm to 141 sqm
- Sale prices from EUR 2,929 per sqm to EUR 5,218 per sqm
- Planned overall completion March 2019

The various condominiums in the architecturally diverse buildings meet the requirements of the different target groups from the adjacent districts of Berlin. Young families and creative trendsetters are a particular focus, with a highlight the neighbourhood's own daycare centre. Identification with the project in the up-and-coming, trendy Lichtenberg district is significant. The project's traffic-reduced street has been named "Im Lichtenhain". The apartments are being constructed in compliance with the KfW-55 standard. The first apartments have already been handed over.

COMPLETIONS IN VIENNA

The BUWOG Group completed 477 residential units in Vienna in the 2017/18 financial year. As of the reporting date on 30 April 2018, a total of 1,302 units were under construction. The construction of another 196 units is scheduled to begin in the shortened 2018 financial year. A selection of development projects can be found below.

"KARL-NIESCHLAG-GASSE", TO OWN (COMPLETED)


"Karl-Nieschlag-Gasse 21", Vienna

- 140 privately financed condominiums
- High-quality condominium units
- Total floor area: 9,511 sqm
- Apartment sizes from 54 sqm to 82 sqm
- Sale prices from EUR 3,350 per sqm to EUR 4,240 per sqm
- Completion March 2018

Not far from the city centre and the Alte Donau, the residential complex at Karl-Nieschlag-Gasse 21 in Floridsdorf offers the perfect mix of urban living and proximity to nature. The low-rise development of the 140 residential units ensures the intimate character of an estate. Well-designed floor plans of the residential units in conjunction with high-quality, contemporary fixtures and fittings offer maximum comfort and customisation. The complex also has a rooftop terrace equipped with 24 raised-bed garden plots that can be rented. As part of spacious common open areas in the complex, a wooded playground for children and young people also adds to the range of services offered for families.

"SOUTHGATE", TO OWN (OVERALL COMPLETION)

- 164 privately financed condominiums and 78 rental units (Vienna Housing Initiative)
- Total floor area: 19,956 sqm
- Apartment sizes from 54 sqm to 130 sqm
- Sale prices from EUR 2,800 per sqm to EUR 4,400 per sqm
- Completion July 2017

The "Southgate" project's 164 privately financed condominiums are designed as modern apartments featuring a garden, terrace or loggia, or as maisonettes. The individual buildings are turned slightly away from one another, which ensures maximum privacy on the terraces and loggias. The segment with the 78 rental apartments, which face inward to the green area, is located on Sagedergasse. The entire facility is southfacing and separated from the very busy Altmannsdorfer Strasse by a residential facility from another developer. As a result, the BUWOG facility is "protected" from the street noise despite its very urban Vienna location.


"Southgate", Vienna

"TÖLLERGASSE", TO OWN (COMPLETED)


Töllergasse, Vienna

- 96 privately financed condominiums
- Total floor area: 7,846 sqm
- Apartment sizes from 59 sqm to 127 sqm
- Sale prices from EUR 3,100 per sqm to EUR 4,300 per sqm
- Completion December 2017

Surrounded by natural space with mature trees and in close proximity to the Hans-Hirsch-Park and Alte Donau, 96 residential units have been built on Töllergasse. Low-rise construction, numerous open areas and extensive glazing impart a light-flooded, friendly living atmosphere. A sustainable electricity and water supply ensures that the energy consumption of the residents is largely covered by renewable energy sources. The monastery park adjacent to the project provides a recreational area. Raised-bed garden plots also offer an opportunity for urban gardening.

LAND ACQUISITIONS

CRITERIA FOR ACQUIRING LAND

The BUWOG Group has been constructing multifloor housing for a variety of target groups in attractive locations such as Berlin, Hamburg and Vienna for over 60 years. Its focus is on developing multifloor properties on large tracts of land. In addition to cost and marketing advantages, such large-scale projects also provide the opportunity to design the residential environment based on individual qualities of the quarter, energy concepts included. Consequently, small-scale luxury projects are not the focus of the BUWOG Group.

In Germany, the connection to water is a particular priority for BUWOG's development projects. Such projects include, for example, "52 Grad Nord" (on the Langer See tributary of the River Dahme), the project "The One" (directly on the ship canal), "Uferkrone" as well as "Wohnwerk" in Niederschönweide (directly on the River Spree), the Speicherballett on the Havel in Spandau, and the property on the Schleusengraben canal in Hamburg. Another criterion is close proximity to public transportation options. "Gervin & Wilmers" is located by the Charlottenburg suburban train, "Westendpark" by the Pichelsberg suburban train, and the Bergedorf urban project at the Hamburg-Bergedorf railway station.

In Vienna, BUWOG is engaged as a developer in all important big urban development areas, as in the past with the new Vienna Central Station and now in Seestadt Aspern as well as with the refurbishment of Vienna's Nordbahnhof railway station.

As part of the strategy to develop rental apartments to hold in its own portfolio, Property Development is focused on acquiring tracts of land with the option of building affordable rental apartments in residential areas that are attractive for influx in the medium term.

For the BUWOG Group, the decision-making basis for land acquisitions involves various minimum criteria. For land designated for later sale, a margin of total investment costs (excl. interest on equity) of 15% to 20% is generally planned. For properties designated for the develop-to-hold portfolio, an average rental yield of 4% is sought. Properties with and without zoning are purchased.

LAND ACQUISITIONS IN THE 2017/18 FINANCIAL YEAR

As part of intensifying efforts in the Property Development business area, in the 2017/18 financial year BUWOG acquired four new land plots – three in Berlin and one in Vienna. The construction of over 687 rental apartments and condominiums at a calculated total investment volume of EUR 177 million is planned in these areas. Exclusive option agreements were also concluded for two additional sites in Germany.

Through the land acquisitions in the 2017/18 financial year, the BUWOG Group expanded its development pipeline to a calculated total investment volume of EUR 3.2 billion. This is equivalent to an increase of 9% and illustrates the successful intensification of efforts in this business area.

After the reporting date, the BUWOG Group in Vienna acquired a property for the construction of a total of 328 units and total investment volume of EUR 65 million. Another purchase for a total of around 193 units at a total investment volume of EUR 42 million was also made in Vienna after the reporting date. A contract for a joint venture project was also signed in Vienna. On the basis of this, BUWOG will develop a total of around 660 units at a total investment volume of around EUR 262 million.

The key data on the respective land acquisitions can be found in the following table.

LAND ACQUISITIONS IN VIENNA AND BERLIN IN THE 2017/18 FINANCIAL YEAR

Locations	Signing	Closing	Number of planned units	Expected total floor area in sqm	Total investment volume in EUR million[1)]	Fair value 30 April 2018 in EUR million[2)]	Strategy
"Jahnstrasse", Jahnstrasse 15, 10967 Berlin-Kreuzberg, Germany	07/2017	08/2017	41	2,661	16.7	6.4	to sell
"Brunsbütteler Damm", Brunsbütteler Damm 50, 13581 Berlin-Spandau, Germany	12/2017	03/2018	326	15,000	60.7	7.0	to hold
"Oase 22+", Adelheid-Popp-Gasse, 1220 Vienna, Austria	12/2017	01/ 2018	90	5,400	22.0	5.9	to sell
"Gäblerstrasse", Gäblerstrasse 62–76, 10386 Berlin-Weissensee, Germany	04/2018	06/2018	230	16,370	77.8	–	to hold
Total (as of 30 April 2018)			**687**	**39,431**	**177.2**	**19.3**	

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.

In addition, the BUWOG GROUP succeeded in two concept award procedures in Hamburg, winning the bid and the exclusive option for a plot of land in the district of Hamburg Nord as well as in the Neue Mitte Stellingen of the district of Stellingen. The exclusive option is decided by the Hamburg City Council and results in a purchase contract with approval for construction and compliance with the plan. BUWOG AG is therefore furthering its success at strategic property development in the new group of companies with Vonovia SE.

The transfer of benefits and encumbrances also took place for two additional properties in the 2017/18 financial year.

Locations	Signing	Closing	Number of planned units	Expected total floor area in sqm	Total investment volume in EUR million[1)]	Fair value 30 April 2018 in EUR million[2)]	Strategy
"MGC-Plaza", Döblerhofstrasse, 1030 Vienna, Austria	07/2016	10/2017	379	28,000	94.9	15.6	to hold and to sell
"Spree 12", Spreestrasse 12, Berlin-Niederschöneweide, Germany	01/2017	09/2017	67	4,482	15.8	1.7	to hold
Total (as of 30 April 2018)			**446**	**32,482**	**110.7**	**17.3**	

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.

PRODUCT DEVELOPMENT MATRIX

As part of the intensification of efforts in the Property Development business area, the BUWOG Group continued to expand its development pipeline in the 2017/18 financial year. As of the reporting date on 30 April, the project development pipeline, which is illustrated below in the BUWOG Group's product development matrix, included a total of 10,847 units. 63% of these units are in Germany and 37% in Austria.

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 30 April 2018

Property Development	**Develop-to-Hold**	**Develop-to-Sell**	
	Regulated and privately financed rental apartments	Privately financed condominiums	Global exit
Vienna 4,024 units	**Investment portfolio** Units: 1,492 Total floor area: 106,410 sqm  Vorgartenstrasse, 169 units	**Regional customers** Units: 2,510 Total floor area: 174,059 sqm  Grinzinger Allee, 45 units	**Institutional investors and foundations** Units: 22 Total floor area: 19,795 sqm  Seestadt Aspern, one unit
Berlin 5,644 units	**Investment portfolio** Units: 2,474 Total floor area: 178,182 sqm  "52 Grad Nord" – additional construction segments Wohnwerk, Neumarien, Gartenfeld 1,145 units	**Regional customers** Units: 3,109 Total floor area: 247,960 sqm  "The One", Harzer Strasse, Neumarien, Wohnwerk "52 Grad Nord" 1,859 units	**Institutional investors and foundations** Units: 61 Total floor area: 4,650 sqm  "Geyer-Medienhöfe", Harzer Strasse 61 units
Hamburg 1,179 units	**Investment portfolio** Units: 442 Total floor area: 39,253 sqm	**Regional customers** Units: 705 Total floor area: 56,176 sqm	**Institutional investors and foundations** Units: 32 Total floor area: 8,624 sqm
Total 10,847 units			

The product development matrix is divided into several categories and classifies the BUWOG Group's pipeline of development projects. As of 30 April 2018, the pipeline included a total of 10,847 units. Of these, the largest shares comprised 4,408 rental units and 6,439 privately financed condominiums. The segment of privately financed condominiums in Vienna is simultaneously suitable for buy-to rent apartments for national customers (capital investors), opening up another lucrative sales channel for the BUWOG Group. The sale price of a buy-to-rent apartment is without value-added tax (net), as the buyer acquires it as a business person. This means that in Austria the BUWOG Group also reports the cost of buy-to-rent properties sold as net costs, as the value-added tax can be deducted.

Rivus 3, Berlin

Neumarien, Berlin

DEVELOP-TO-HOLD

THE DEVELOP-TO-HOLD STRATEGY

Intense competition was also observed on the German and Austrian property market in the last financial year, making yield-oriented portfolio acquisitions increasingly difficult. At the same time, vigorous demand remains for housing not met by the current supply, particularly in metropolitan areas. In the context of this and the over 60 years of experience in residential property development and local market presence, BUWOG has also extended the develop-to-hold strategy to Germany. This expanded strategy enables a reduction of the due diligence risk compared with the acquisition of investment portfolios, savings on ancillary purchase costs for estate agents and on property transfer taxes, and an enhancement of portfolio quality through new construction in the Berlin and Hamburg locations. It simultaneously enhances efficiency in the ongoing asset management business. Through further land acquisitions, the BUWOG Group aims to develop the existing pipeline of around 4,400 develop-to-hold units to 5,500 units, completing these within the next five years.

How does develop-to-hold work?

Germany		Austria
	ENVIRONMENT	
High level of demand for apartments along with rising rents		Extensive experience and market presence
Largely privately financed (unregulated rent)	**PRODUCT[1]** What's being built?	Vienna Housing Initiative (regulated rent) and privately financed rent
Quantitative & qualitative portfolio development	**STRATEGY**	Quantitative & qualitative portfolio development with potential for unit sales after ten years
High quality with modern floor plans and limited ancillary costs	**QUALITY**	High-end quality with modern floor plans and limited ancillary costs
Financing at individual market conditions	**FINANCING**	Subsidised financing through the City of Vienna and contributions to financing from tenants and bank loans
	SALES[2]	
Direct sale by BUWOG	Marketing begins six months prior to completion of construction	Target: full occupancy upon completion of construction
Avg. rent of over EUR 13/sqm incl. parking space – higher rent potential	**EXPECTED TARGET RENT[3]**	Avg. rent of over EUR 6/sqm incl. parking space – limited rent potential
about 4%	**EXPECTED YIELDS[4]**	about 4%

1) Germany: with the exception of one project – Mariendorfer Weg (54 units of 211)
2) Austria: contingent for allocation from the City of Vienna (generally 50%) of subsidised apartments
3) Austria: indexed value for the project pipeline of the next few years. Basis of indexing EUR 4.75/sqm plus parking spaces and maintenance and improvement contribution
4) Net in-place rent including parking spaces in relation to total investment volume (in Austria: total investment volume minus financing contribution)

DEVELOP-TO-HOLD IN GERMANY

The plan in Germany is largely for privately financed units. The advantage of this approach is that when building the property the company is bound to fewer requirements than would be the case within a subsidy regime.

The large property development pipeline in Berlin and Hamburg in connection with the comparatively moderate acquisition prices of the properties in Grünau ("52 Grad Nord"), Niederschöneweide, Neukölln and Hamburg-Bergedorf also make it possible for the BUWOG Group to develop rental apartments to hold and transfer to asset management, in addition to building condominiums. This is especially attractive when Property Development acts as Asset Management's service provider and the short-term development earnings are converted into long-term rental yields.

DEVELOP-TO-HOLD IN AUSTRIA

The BUWOG Group has been building rental apartments which it manages in the company's own portfolio since its foundation in 1951. In the last few years in Vienna units have been constructed mainly as part of the Vienna Housing Initiative.

The Vienna Housing Initiative is a special version of privately financed residential construction, which through low-cost loans provided by the City of Vienna, offers advantageous conditions similar to those of subsidised housing. The city links loan approval to equity and rent caps as well as to quality criteria. Tenants of a Vienna Housing Initiative apartment must pay a financing contribution in the amount of EUR 500 per sqm. This amount is reduced through a usage-related deduction over a period of 100 years. If the tenant vacates the apartment, he is refunded the financing contribution minus the usage-related component of 1% per year. The annual discount is recognised by the BUWOG Group as revenue. Prior to tenancy, the subsequent tenant must pay the refunded financing contribution as a deposit. The Vienna Housing Initiative contract stipulates compliance with the contractual criteria for at least ten years. After that the company is basically free to choose the further course of action.

Building on the Vienna Housing Initiative model replenishes the BUWOG portfolio in Austria on a regular basis, supplying new, high-quality rental apartments to Asset Management. Develop-to-hold activities also include the construction of privately financed apartments.

OVERVIEW OF THE 2017/18 FINANCIAL YEAR

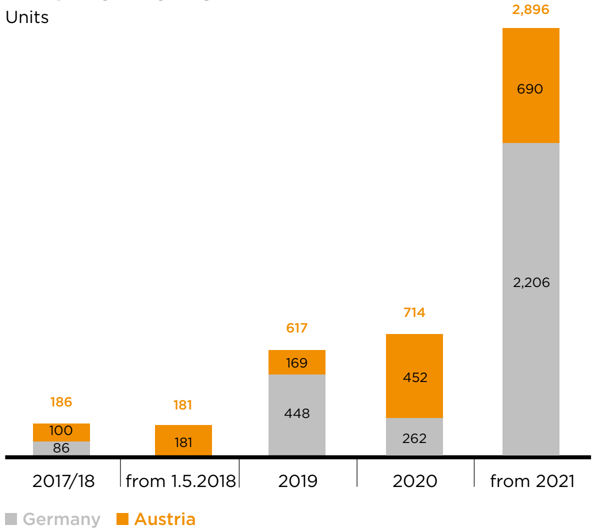
In the 2017/18 financial year, a total of 100 subsidised units of the Vienna Housing Initiative were completed in Vienna with the "Breitenfurter Strasse 239" project and transferred to the company's investment portfolio. In Berlin as well, 86 units were completed with the "Ankerviertel" project and transferred to the company own portfolio for the first time.

PERFORMANCE INDICATORS AND OUTLOOK

Through further land acquisitions, the BUWOG Group aims to develop the existing pipeline from around 4,400 to 5,500 develop-to-hold units and to complete them within the next five years. An average Net Operating Income margin of 90% is sought across the entire pipeline.

COMPLETIONS "DEVELOP-TO-HOLD"

Units



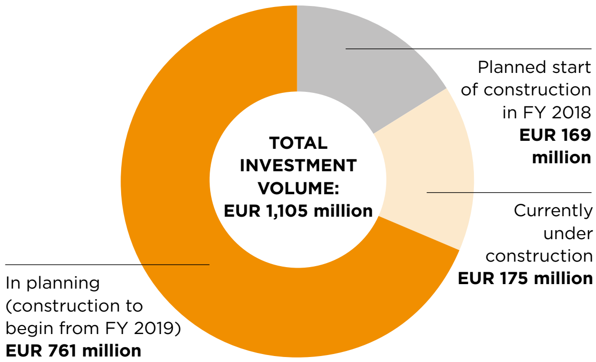
During project development, delays may occur due to unforeseeable factors (e.g. extended approval processes as a result of bureaucracy). Completion times may therefore be postponed.

The chart above illustrates the scheduled completion dates for the develop-to-hold pipeline based on the segments Germany and Austria. The develop-to-hold pipeline constitutes the foundation for continued growth as well as for further improvement in the quality of the investment portfolio in the coming financial years. In the shortened financial year 2018, the BUWOG Group is planning to complete 181 units.

As of the reporting date on 30 April 2018, the BUWOG Group's development pipeline included a total of 10,847 units. These units are planned and being constructed solely as rental properties for the company's own investment portfolio, solely as condominium properties for sale, or as mixed properties (to rent and to own). This corresponds to a total investment volume of EUR 3,191 million. The share of the develop-to-hold pipeline totals EUR 1,105 million. This sum is divided into a pipeline of EUR 864 million in Germany and EUR 241 million in Austria.

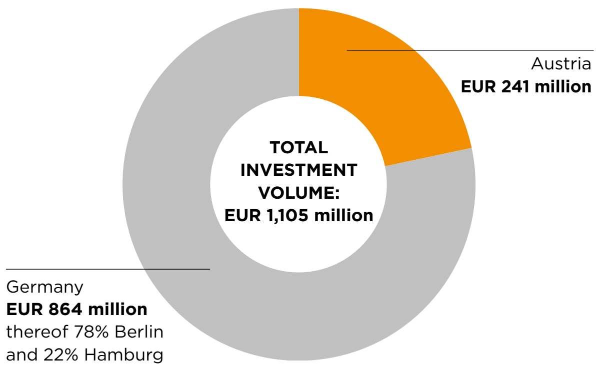
DEVELOPMENT PROJECTS "DEVELOP-TO-HOLD"

by implementation stage as of 30 April 2018



DEVELOPMENT PROJECTS "DEVELOP TO HOLD"

by segment as of 30 April 2018



DEVELOP-TO-SELL

THE DEVELOP-TO-SELL STRATEGY

The BUWOG Group's strategy in the Property Development business area is aimed at the continuous and market-oriented realisation of new projects. Currently, 6,439 units at a volume of EUR 2.1 billion are in the pipeline for later sale.

In Berlin, the BUWOG Group has planned several projects in the up-and-coming districts in the east of the city as well as in established western regions. BUWOG's sales pipeline in Berlin currently includes 3,170 residential units at a total investment volume of EUR 1.1 billion.

Despite the challenging conditions for the real estate industry on the Vienna housing market, the BUWOG Group secured an extensive volume of properties for future development projects. 2,532 units with an investment volume of EUR 0.7 billion are currently being developed in Vienna and will be offered later for sale. The number of units developed and completed for sale is to be increased to between 500 and 600 units in the coming years.

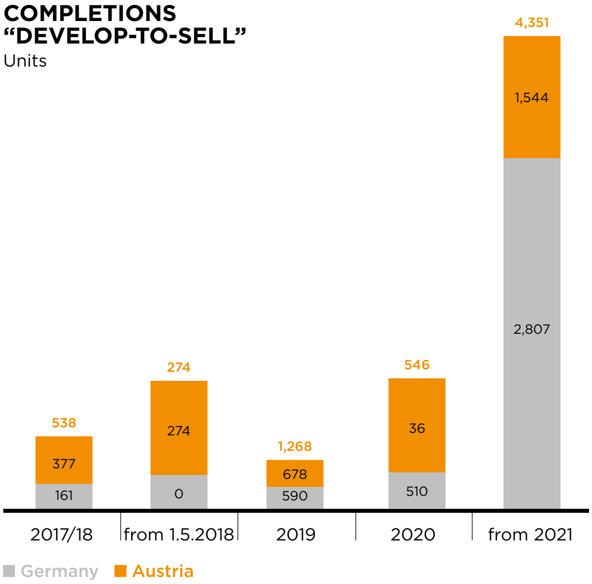
In addition to Berlin and Vienna, Hamburg, too, will be an important development location for the BUWOG Group in the future. Due to previous Hamburg-related activities in the asset management business and the integration of the BUWOG team, BUWOG has outstanding knowledge of the market and contacts in the Hanseatic city, which – in addition to the German export champion's attractive sociodemographic prospects – makes Hamburg a relevant location. The first Hamburg-based residential project includes a quarter with – according to the latest status of planning – over 1,179 residential units, 737 of them designated for sale. The estimated total investment costs for the condominiums are around EUR 0.3 billion. On approval of the project (development rights), construction time of around five years is expected until completion of the new quarter of the city. As in Vienna, in Berlin and in Hamburg between 500 and 600 residential units are to be completed every year in the coming periods.

In the context of developing residential units for sale, only privately financed condominiums will be built. For this, land acquisitions are made on the basis of clearly defined criteria: on the one hand, qualitative targets are pursued such as the focused purchase of large plots for the development of multifloor properties in interesting locations (e.g. with favourable local transportation connections and/or proximity to waterways in Germany), though quantitative targets such as minimum criteria for the margin of total investment costs (excl. interest on equity) are taken into account as well. The aim is to achieve a total investment cost margin (excl. interest on equity) of between 15% and 20%. About 20% equity, which flows into the land purchase, and 80% borrowing are generally expended for financing a development project. By the time the construction is completed the BUWOG Group aims to have marketed around 80% of the developed units, with complete placement about six months afterward. The BUWOG Group's objective in the business area of Property Development is to complete most of the existing development pipeline within the coming five to six year and replenish it at the identical level. In the medium term the BUWOG Group is planning to sell the units at average sale prices of EUR 4,000 to EUR 5,500 per sqm.

OVERVIEW OF THE 2017/18 FINANCIAL YEAR

In the 2017/18 financial year, a total of 536 units (159 in Berlin, 377 in Vienna) designated for for sale to third parties were completed. Thus 96 more units were completed in the last financial year than in the previous one. 432 units were transferred to buyers and recognised in profit or loss. Of these, Germany accounted for 164 units and Austria for 268 units.

COMPLETIONS "DEVELOP-TO-SELL"
Units

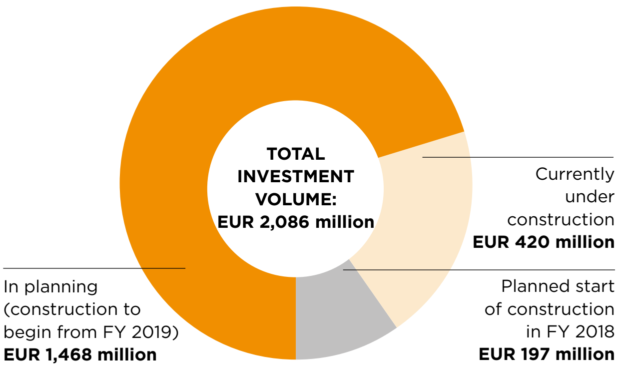


During project development, delays may occur due to unforeseeable factors (e.g. extended approval processes as a result of bureaucracy). Completion times may therefore be postponed.

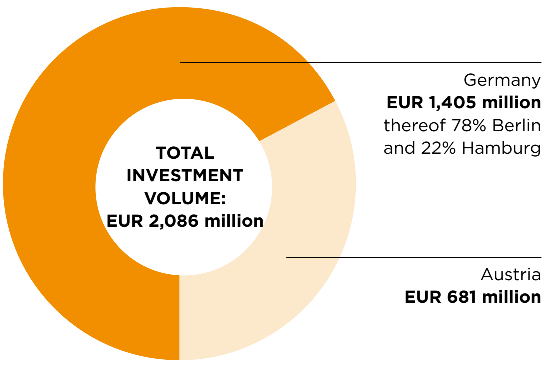
BUWOG plans to complete another 274 condominiums in Vienna for the shortened 2018 financial year.

The entire develop-to-sell pipeline as of 30 April 2018 totalled 6,439 units. Of these, 2,532 units were built in Austria and 3,907 in Germany.

DEVELOPMENT PROJECTS "DEVELOP-TO-SELL"
by implementation stage as of 30 April 2018



DEVELOPMENT PROJECTS "DEVELOP-TO-SELL"
by segment as of 30 April 2018



As of the reporting date on 30 April 2018, the BUWOG Group's development pipeline included a total of 10,847 units. These units are either planned or being built solely as rental properties for the company's own portfolio, solely as condominium properties for sale, or as mixed properties (renting and owning). This corresponds to a total investment volume of EUR 3,191 million. The share of the develop-to-sell pipeline contained therein was EUR 2,086 million. This amount is divided into a pipeline of EUR 1,405 million in Germany and EUR 681 million in Austria.

OVERVIEW OF BERLIN, HAMBURG AND VIENNA

The BUWOG Group's strategy in the business area of Property Development is aimed at the market-oriented and continuous realisation of new construction projects that have been prepared in Berlin, Hamburg and Vienna. The primary objective is to ensure a high level of long-term profitability while taking the respective risk situation into account. To sustainably secure the development pipeline for future development projects, BUWOG is stepping up its ongoing acquisition of attractive land plots in Berlin, Hamburg and Vienna.

Stuhlrohrquartier, Hamburg

Seestadt Aspern, Vienna

Speicherballett, Berlin

OUTLOOK FOR BERLIN

In Berlin, the focus of the BUWOG Group in the current financial year is primarily on the launch of the "Speicherballett" project in Spandau and the next phases of construction for condominiums and units for its own portfolio at "52 Grad Nord" ("Haus an der Dahme", the "Kompasshäuser" wood-hybrid energy buildings, site 3.3 as well as site 5, 7 and 8.3).

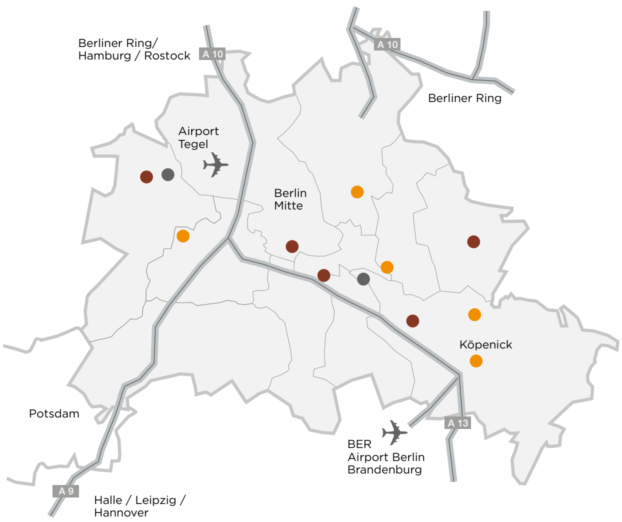
For the large-scale developments of various quarters in Spandau, the basic requirements for successful implementation, site preparation and procurement of development rights are being carried out. With the development projects "Geyer Medienhöfe", "Mariendorfer Weg", "Spree 12", "Regattastrasse", and "Uferkrone" with "Wohnwerk", BUWOG is very well positioned to carry out the combined develop-to-hold and develop-to-sell strategy in the medium term in the dynamic southeastern part of the city. The planned timeframe is causing problems, as the approval for residential construction in Berlin can only be achieved with cooperation between the districts and the senates. The districts have too few personnel and the construction of additional apartments results in demands on infrastructure, which the districts cannot meet on their own. The senate (mainly for urban development and environment, transport and climate protection) is essential for its input in the procurement of building approval and infrastructure-related consequences.

Currently, there are 1,038 units under construction in Berlin. The start of construction is planned for another 889 in the shortened 2018 financial year, and another 3,717 units are currently in planning. The BUWOG Group's pipeline in Berlin therefore totals 5,644 units.

With this pipeline the BUWOG Group is extremely well positioned in a narrower land market for the future. The regulatory interventions on the part of Berlin policymakers withdrew the federal government and state of Berlin's properties from the market. This has led to scarcity and price hikes, which the BUWOG Group dealt with in in a timely manner.

PROGRESS OF DEVELOPMENT PROJECTS IN BERLIN

as of 30 April 2018	Number of units	Floor area in sqm	Total investment volume in EUR million
Currently under construction	1,038	78,168	319.0
Planned construction start in 2018	889	66,518	286.2
In planning (construction to start from 2019)	3,717	286,106	1,174.2
Land reserves	–	–	–
Total	**5,644**	**430,792**	**1,779.3**



● Currently under construction
● Planned construction start in FY 2018
● In planning stage (construction to start from FY 2019)

OUTLOOK FOR HAMBURG

In Hamburg, after entering the market in the 2017/18 financial year, the BUWOG Group laid the foundations for the successful development of the Stuhlrohr factory quarter. The establishment of a citizens' initiative has delayed the project for approximately ten months, however. After the reporting date, a compromise was reached between the citizens' initiative and policymakers, which for BUWOG is likely to mean less total floor area, no high-rises and a revision of the urban development plan. On the basis of this and with the support of the Bergedorf district and Hamburg policymakers, the BUWOG Group will design a new concept, signaling its long-term commitment as a district and neighbourhood developer. With its location at the intersection between the station, city centre, Schleusengraben development axis and the EU smart city concept "mySmartLife", the property offers BUWOG excellent opportunities to develop an attractive residential quarter at the "Stadtquartier an den Stuhlrohrhallen".

In the 2017/18 financial year, the Hamburg development team won two procedures for site allocation as a result of a tender detailing the concept. With site 8a in Pergolenviertel in Hamburg Nord and the Neue Mitte Stellingen, two BUWOG sites were awarded an exclusive option agreement. The exclusive option agreement means that the purchase agreement will be concluded upon building approval and compliance with the plan in the defined purchase agreement. Since market launch, the pipeline has grown by three sites in three districts.

The projects are still currently in planning.

PROGRESS OF DEVELOPMENT PROJECTS IN HAMBURG

as of 30 April 2018	Number of units	Floor area in sqm	Total investment volume in EUR million
Currently under construction	–	–	–
Planned construction start in 2018	–	–	–
In planning (construction to start from 2019)	1,179	104,053	489.5
Land reserves	–	–	–
Total	**1,179**	**104,053**	**489.5**

● In planning stage (construction to start from FY 2019)

OUTLOOK FOR VIENNA

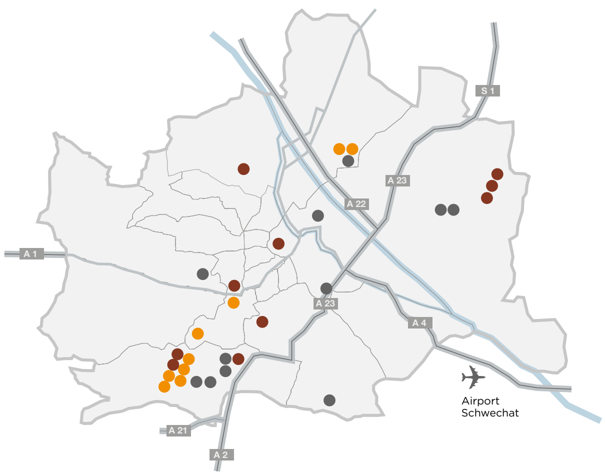
Despite the formidable competition and limited supply of suitable land for housing, in Vienna the BUWOG Group secured development projects early on in very good locations as well as in the urban development areas of Nordbahnhof and Seestadt. In addition, BUWOG is carrying out a large number of development projects, first and foremost in the populous districts. At the same time, BUWoG is expanding its supply of newly built rental apartments to include the segment of privately financed rentals projects. Through rezoning, additional projects (e.g. Penzinger Strasse 76 and Drygalskiweg) have also been prepared for development. Despite the low supply on the Viennese property market, BUWOG managed to secure another plot of land for carrying out residential construction projects.

Currently, there are ten BUWOG Group projects under construction in Vienna, and the start of construction is planned for another three projects in the shortened 2018 financial year. Another 12 projects are in planning. The BUWOG Group's pipeline in Vienna therefore totals 4,024 units.

PROGRESS OF DEVELOPMENT PROJECTS IN VIENNA

as of 30 April 2018	Number of units	Floor area in sqm	Total investment volume in EUR million
Currently under construction	1,302	89,090	276.3
Planned construction start in 2018	196	28,140	79.5
In planning (construction to start from 2019)	2,526	183,034	566.0
Land reserves[1]	0	0	0
Total	**4,024**	**300,264**	**921.8**

1) Outside Vienna: Mödling, Salzburg



● Currently under construction
● Planned construction start in FY 2018
● In planning stage (construction to start from FY 2019)

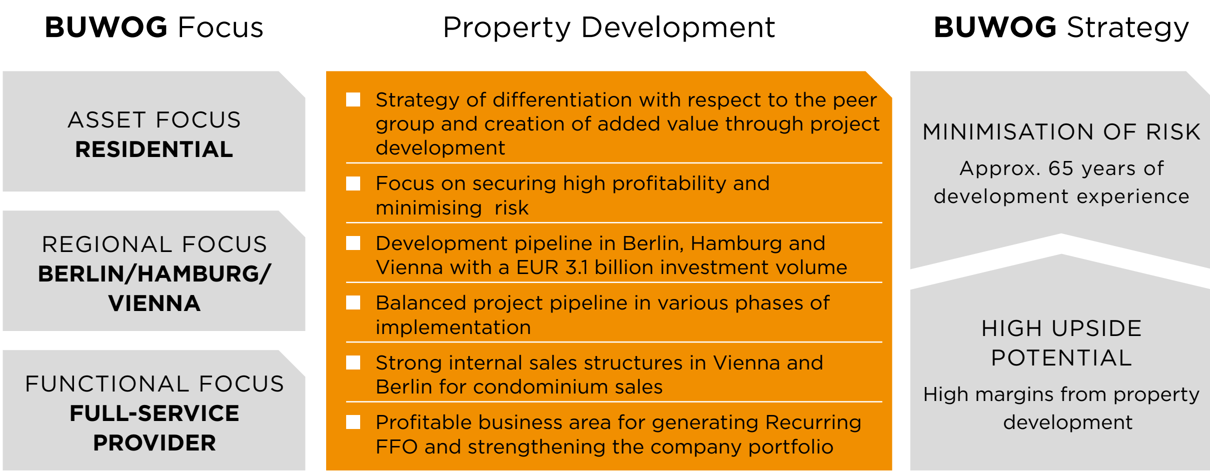
INNOVATIONS AND MARKET OPPORTUNITIES

IDENTIFYING AND SECURING MARKET OPPORTUNITIES

The BUWOG Group identifies and secures attractive development projects at an early stage on the basis of the BUWOG team's in-depth expertise in the core markets of Berlin, Hamburg and Vienna and a close-knit network of partners along the entire value chain. Potential project opportunities are analysed by internal procurement staff whose task is to actively evaluate land plots not yet on the market in order to ensure a competitive edge and, potentially, a lower purchase price. On the Viennese housing market, the BUWOG Group benefits in particular from its land reserves and from a well-developed and structured project pipeline which has been built up over the last few years and undergoes continuous expansion. The main areas of focus include primarily large-scale projects with district developments that can be carried out by just a few project developers with the necessary financial strength and experience.

INNOVATIONS IN PROPERTY DEVELOPMENT

Numerous innovative research and pilot projects are being carried out in connection with sustainability aspects in Berlin, Hamburg and Vienna. Details can be found on page 102 in the chapter *Innovations for the environment and society.*



INVESTOR RELATIONS

CAPITAL MARKET ENVIRONMENT

Development on the international stock markets remained positive during the reporting period, despite uncertainty over US economic policy, global conflicts and the outcome of European election campaigns. Positive momentum was provided by the economic development of relevant industrialised countries, the strong US labour market and favourable corporate results.

Although the market environment remained turbulent, the European stock markets performed well in the past financial year. Overall, the political uncertainty had little negative impact on the markets. The European stock markets benefited from the weak development of the euro, which improved the competitiveness specifically of export-oriented companies. The upward trend of the Dow Jones continued, reaching its peak in early 2018. The increase in the value of the US dollar weighed on most of the stock markets in the rest of the world, as did the development of the US bond market. Ten-year US government bonds were at their highest levels in the last seven years. Geopolitically, the increasingly sharper tone between the US and North Korea resulted in a sense of uncertainty, as did the escalation of the trade dispute between the US and China. The driving force behind the upturn was the continued expansive monetary and low interest-rate policy of the European Central Bank, which supports private consumption and investment in industry, as well as the abundance of cash in the central banks.

It is generally expected that the climate for the international stock market will continue to be constructive and that economic development will remain stable worldwide.

The ATX, the leading index of the Vienna Stock Exchange, rose by 15.1% in the reporting period, closing at 3,468.47 points as of the balance sheet date. Over the same period, the MDAX grew 4.6% from 24,823 points to 25,967 points. The Austrian real estate index IATX, which includes the five most important real estate companies in Austria, increased by 24.2% to 343.6 points. At the European level, the EPRA Developed Europe sector index posted growth of 5.29% from 2,127 points to 2,239 points. The GPR 250 global sector index reported an decrease of 6.63% over the reporting period. The GPR 50 Euro, which is limited to European shares, rose by 9.04%.

Following the successful takeover offer by Vonovia SE, the BUWOG share left the ATX, the key index of the Vienna Stock Exchange, as of the balance sheet date. The same applies to the IATX, which serves as the underlying value for options and futures contracts traded on the Vienna Stock Exchange and all real estate shares listed on the Vienna Prime Market*. Likewise, due to the takeover offer of Vonovia SE and its intention to implement a squeeze-out, the BUWOG share is currently no longer part of the industry-specific FTSE EPRA/NAREIT Developed Europe Index, which is a globally recognised benchmark and the most widely used index for listed real estate companies. In addition, the BUWOG share is no longer included in the VÖNIX Sustainability Index, which features listed companies that are leaders on the basis of their social and environmental performance. However, as of the date of this report, the BUWOG share is still part of the GPR 250 Index, which comprises the world's 250 largest and most liquid real estate companies.

BUWOG AG received the Grand Award in the category "Best of Financial Data" at the international ARC AWARDS, the world's biggest competition for annual reports, on 31 August 2017. The BUWOG team was also this year's shooting star at the "Trend Austria Financial Communications Award", which was presented at the annual meeting of the Cercle Investor Relations Austria (C.I.R.A.) on 17 October 2017, where it ranked first for its work in investor relations.

* stricter transparency requirements and minimum capitalisation

DEVELOPMENT OF THE BUWOG SHARE

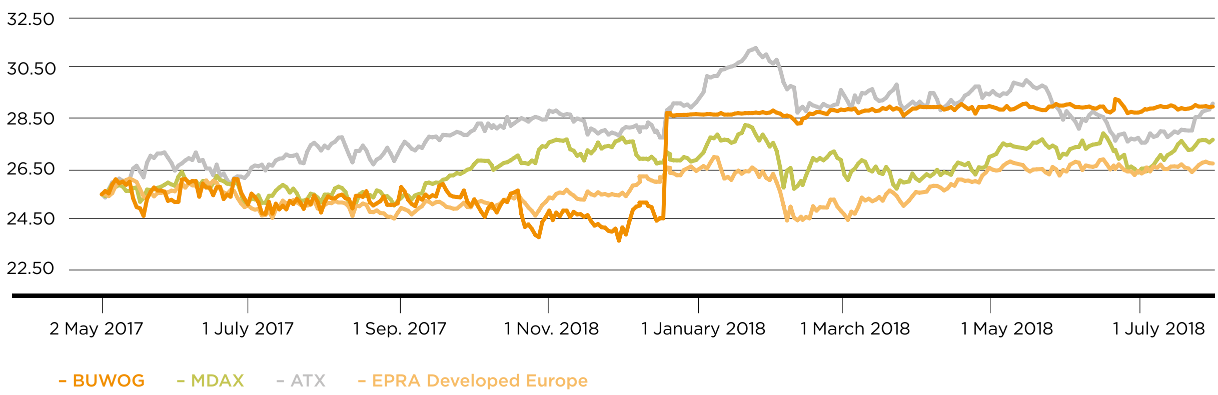
Since it was listed in April 2014 at an initial share price of EUR 13.00, the BUWOG share has traded consistently above this price with relatively low volatility and an appreciation in value since. Supported by the generally positive development of the real estate sector and significantly influenced by the successful takeover offer by Vonovia SE, with a closing price of EUR 29.04 as of 30 April 2018 the BUWOG share had risen by roughly 123% since its initial listing, significantly outperforming the relevant benchmark indices. From April 2014 to 30 April 2018, BUWOG AG's shareholders were able to participate in an increase in value totalling EUR 2.0 billion, or 184%, including the EUR 0.69 dividend per share distributed annually in October.

In the reporting period from 1 May 2017 to 30 April 2018, the BUWOG share price rose by 14%. Including the dividend of EUR 0.69 per share distributed in October 2017, this resulted in a return of 17%. With a share price of EUR 29.04, as of the balance sheet date on 30 April 2018 the BUWOG AG share listed slightly above the EPRA NAV per share of EUR 25.85. The share's performance benefited in the reporting period due in particular to the takeover offer by Vonovia SE with an offer price of EUR 29.05.

The share price of BUWOG AG developed largely sideways to slightly negative after the balance sheet date. The development can be explained by the expiry of the successful offer for takeover and uncertainty regarding the valuation and timing of the squeeze-out sought by Vonovia SE.

The BUWOG AG share has been listed on the stock exchanges in Frankfurt (Prime Standard), Vienna (Prime Market) and Warsaw (Main Market) since 28 April 2014.

COMPARATIVE PERFORMANCE OF THE BUWOG SHARE
(compared with opening prices on 2 May 2017), in EUR



SHARE DATA

		30 April 2018	30 April 2017	Change
Share price	in EUR	29.04	24.79	17.1%
Shares issued as of the balance sheet date (excl. treasury shares)	Number of shares	124,149,546	99,773,479	24.4%
Market capitalisation	in EUR million	3,605.3	2,473.4	45.8%
Free float[2]	in %	19%	95%	-76.2 PP
Earnings per share[1]	in EUR	2.46	3.59	-31.5%
EPRA Net Asset Value per share[1]	in EUR	25.85	23.90	8.2%

1) Base for earnings data: 111,574,193 shares; previous year 99,773,479 shares (both weighted). Base for asset data: 124,149,546 shares; previous year: 99,773,479 shares (both as of balance sheet date)
2) For more detail please go to chapter *Investor Relations*.

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)

The ratio of enterprise value/EBITDA reflects the company's value depending on its operating strength and is a standard indicator for company valuation in the financial industry. The enterprise value is calculated on the basis of the (weighted) market capitalisation plus the (average) net financial liabilities of the company.

ENTERPRISE VALUE/EBITDA ADJUSTED

	30 April 2018	30 April 2017	Change
Share price in EUR	29.04	24.79	17.1%
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
Market capitalisation in EUR million[1]	3,316.0	2,171.1	52.7%
Net financial liabilities in EUR million	1,855.2	2,005.2	-7.5%
Enterprise value in EUR million	**5,171.2**	**4,176.2**	**23.8%**
EBITDA adjusted in EUR million	170.6	188.1	-9.3%
Enterprise value/EBITDA adjusted	**30.3**	**22.2**	**36.5%**

1) On the basis of VWAP (Volume Weighted Average Price) according to Bloomberg (1 May 2017 to 30 April 2018) = 26.71 (previous period: 21.76)

SHAREHOLDER STRUCTURE

At the beginning of the financial year, the shareholder structure was characterised by a free float of 95.3%. This included a reportable investment of four individual shareholders: FMR LLC at 5.9%, BlackRock Inc. at 5.1%, and JP Morgan Chase & Co at 4.9%. Moreover, IMMOFINANZ AG still held 4.7% of the shares. These approximately 4.7 million shares held by IMMOFINANZ AG corresponded to a stake of approximately 4.7% and were intended for servicing the convertible bonds issued by IMMOFINANZ AG.

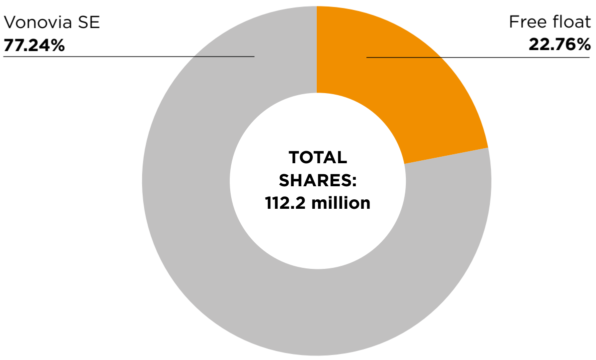
BUWOG placed 12,471,685 new shares in the scope of a capital increase totalling gross proceeds of EUR 305.6 million in the scope of a bookbuilding process, resulting in an increase in free float to 95.8%. The majority of the shares in free float are owned by a highly diversified range of international and national institutional investors, investment funds and mainly private European investors. By 31 October 2017, 100% of the 112.2 million BUWOG shares were in free float.

On 18 December, Vonovia SE announced a cash offer to BUWOG shareholders to acquire their shares. On 5 February 2018, Vonovia SE published an offer document for the voluntary public takeover offer for the purchase of all outstanding shares and convertible bonds of BUWOG AG. The BUWOG shareholders who accepted the offer received EUR 20.05 in cash per share. During the legally stipulated initial acceptance period, Vonovia SE also offered a cash payment of EUR 115,753,65 for each convertible bond with a nominal value of EUR 100,000. On 15 March 2018, Vonovia SE successfully ended the original acceptance period for the takeover offer to BUWOG AG shareholders. The statutory minimum acceptance threshold of 50% plus one share required to complete the takeover offer was exceeded on 12 March 2018. On 26 March 2018, Vonovia SE held a total of 83,279,967 of BUWOG AG's shares; this was equivalent to 74.19% of the votes. BUWOG shareholders who had not yet accepted the offer could tender their remaining shares during the statutory extension period, which ended on 18 June 2018.

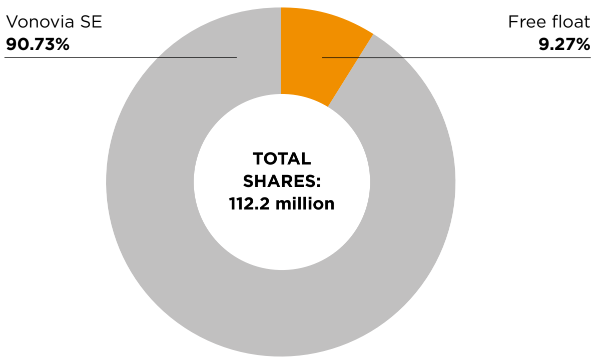
Through acquisitions on the market of a total of 703,127 BUWOG AG shares and the exercise of the conversion option for the 2,988 convertible bonds delivered into the takeover offer at a total nominal value of EUR 298,800,000, Vonovia SE also acquired an additional 11,904,382 no-par-value bearer shares at a pro rata amount of the share capital of EUR 1.00. As Vonovia SE held 77.24% of the voting rights as of the balance sheet date, Vonovia now holds approximately 90.73% of the shares in BUWOG AG as evidenced by the last announcement of voting rights dated 3 July 2018. The remaining shares are in free float. All announcements relating to voting rights are published promptly under www.buwog.com.

On 12 August 2018, BUWOG AG announced that, together with BUWOG's primary shareholder Vonovia SE, BUWOG's Executive Board had determined the appropriate cash compensation of EUR 29.05 per share for the minority shareholders of BUWOG to be excluded as part of the initiated squeeze-out proceedings.

SHAREHOLDER STRUCTURE AS OF 30 APRIL 2018



SHAREHOLDER STRUCTURE AS OF 3 JULY 2018



BUWOG CONVERTIBLE BOND 2016 (ISIN AT0000A1NQH2)

The conversion price of the subordinated, unsecured convertible bond issued in September 2016 with a total nominal value of EUR 300 million and maturity in September 2021 was adjusted in the reporting period on 16 May 2017 to EUR 31.22 in order to reflect the capital increase that took place on 2 June 2017, effective in accordance with Section 11 (b) of the convertible bond terms.

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

After the reporting date, BUWOG AG cancelled the remaining convertible bond with a nominal value of EUR 100,000 with effect from 10 August 2018.

CAPITAL INCREASE JUNE 2017

A cash capital increase with subscription rights was carried out on 2 June 2017, resulting in the successful placement of 12,471,685 new shares at a subscription price of EUR 24.50 per share determined in a bookbuilding process. The proceeds from the capital increase totalled EUR 305.6 million, boosting the total number of shares 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 measure. The proceeds will be used primarily to purchase additional land for the rapidly growing develop-to-hold business, in which the existing pipeline is to be expanded to around 5,500 units, and the development-to-sell business (planned pipeline expansion of around 1,300 units) at the established locations in Berlin, Hamburg and Vienna.

COMPANY RATING BBB+ (INVESTMENT GRADE)

In the reporting year, BUWOG AG underwent a corporate credit rating procedure for the first time and was rated BBB+ with a stable outlook by the leading international rating agency S&P. In its justification, S&P cited, among other things, the regional distribution, quality and low vacancy level in BUWOG's standing investment portfolio. With regard to development activity, S&P highlighted the flexibility of BUWOG's business model, which offers the chance to shift from development-to-sell to development-to-hold when market conditions change. The very positive rating secured for BUWOG a greater level of independence in financing at favourable conditions. At the same time, S&P's ratings reaffirmed BUWOG in the pursuit of its business model.

INVESTOR RELATIONS ACTIVITIES

The intensive and transparent communication with existing and potential shareholders, investors, analysts and numerous other stakeholders continue to be top priority for BUWOG AG. In addition to the further development of the company in the Vonovia Group, the content is defined by the current business development and the company's strategic orientation. As a member of the European Public Real Estate Association (EPRA), the leading European association of listed property companies, BUWOG is committed to that organisation's standards governing the transparency of accounts. This underscores BUWOG's credibility in its standard of professionalism and excellence.

To enhance the perception of BUWOG AG on the capital markets, particularly in light of the capital increase successfully carried out in the financial year as well as the successful takeover offer of Vonovia SE, the members of the Executive Board and employees from the Investor Relations & Corporate Finance departments took advantage of countless meetings with investors and stakeholders for presentation of the company, explanation of its value drivers and to answer specific questions from investors. The discussions and exchange of information took place in institutionalised formats such as one-on-ones, small group meetings or at roadshows and conferences as well as investor calls and, at an individual level, in telephone calls, emails, letters and personal meetings. Moreover, in the scope of an information event, private investors were given the opportunity to ask questions about the takeover offer by Vonovia SE. As in past years, BUWOG AG also appeared at investor events in the important financial centres of Europe and North America including Amsterdam, Berlin, Boston, Chicago, Frankfurt, London, New York, Paris, Stegersbach, Vienna and Zürs. Numerous analysts and investment fund managers also took advantage of the opportunity to find out more about the company at BUWOG AG's headquarters in Vienna as well as at the subsidiaries in Berlin and Hamburg.

Communication with private investors is also highly important for BUWOG AG. BUWOG's employees and the members of the Executive Board regularly publish up-to-date background articles on the company's own blog. The latest news about BUWOG and its activities on the capital market are available on the BUWOG Group website in the section "Investor Relations".

In the past, analyses by renowned financial institutions and research specialists were important sources of information and formed a basis for decision-making, particularly for institutional investors. BUWOG AG was in regular contact with these experts. With the decrease in the liquidity of the share on the stock exchanges due to the considerable shareholding of Vonovia SE, the coverage of the institutions analysing BUWOG AG's business development is expected to be largely cease and the informative value of the published reports will decline. For the sake of clarity, here is an overview of the latest research reports available about the company:

ANALYSTS' RECOMMENDATIONS

Institution	Date	Target share price	Recommendation
Baader Bank	21 December 2017	EUR 29.00	Hold
Bank of America Merrill Lynch	5 February 2018	EUR 26.50	Neutral
Barclays	11 December 2017	EUR 26.70	Neutral
Berenberg	22 December 2017	EUR 30.50	Hold
Commerzbank	22 December 2017	EUR 29.00	Hold
Deutsche Bank	19 December 2017	EUR 29.50	Hold
Erste Bank	22 December 2017	EUR 29.10	Hold
HSBC	8 January 2018	EUR 34.00	Hold
Kepler Cheuvreux	31 May 2017	EUR 26.50	Hold
M.M. Warburg Bank	23 May 2018	–	Discontinued
Raiffeisen Centrobank	8 January 2018	EUR 29.05	Hold
Societe Generale	21 December 2017	EUR 30.00	Buy
Victoria Partners	22 May 2018	–	Restricted

The average target share price in the published research reports is EUR 29.08 and therefore just marginally above the share price on 31 July 2018 (EUR 29.00).

DIVIDEND POLICY

The Executive Board of BUWOG AG continues to view its commitment as the interest of its shareholders. This also includes providing a reasonable interest rate on the capital employed. Based on the dividend policy of previous years, the Executive Board plans to recommend to the Annual General Meeting of BUWOG AG the payment of dividends equalling approximately 65% of Recurring FFO, but at least EUR 0.69 per share. A dividend of EUR 0.69 per share represents a return of 2.7% of the company's EPRA NAV as of the reporting date on 30 April 2018 and a return of 2.4% on the closing price of EUR 29.00 on 31 July 2018. This is equivalent to 2.8% of the volume-weighted average price (VWAP) of the financial year.

FINANCIAL CALENDAR

31 August 2018	Publication of the Annual Report 2017/18
22 September 2018	Record date for the Annual General Meeting
25 September 2017	Publication of the Q1 Report 2018A
02 October 2018	Annual General Meeting of BUWOG AG, Stadthalle Vienna
05 October 2018	Ex-dividend day
08 October 2018	Record date for dividend
09 October 2018	Dividend payment date
20 December 2018	Publication of the H1 Report 2018A
21 March 2019	Publication of the results of the shortened financial year 2018

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NON-FINANCIAL REPORT ON SUSTAINABLE CORPORATE MANAGEMENT

The core business of the BUWOG Group is the construction, rental, management and sale of apartments. These activities touch fundamental human needs and therefore have a significant impact on the environment and society. BUWOG is well aware of the related profound responsibility and not only views residential properties as an economic asset, but also places a special focus on ecological and social factors. This fundamental belief is based on a deep-seated commitment as well as respect for mankind and the environment. It influences the corporate culture and its implementation in all areas of business. GRI 102-2

The following sustainability report is directed to all stakeholders and other persons who have an interest in the ecological, social and economic performance of the BUWOG Group. The sustainability report for 2017/18 was integrated in the various chapters of the annual report. A comprehensive presentation was again selected this year to avoid repetition, sustainability content is therefore also provided in the corporate governance report and the management report. This non-financial statement was prepared in accordance with the GRI Standards: Core Option, based on the goal to create transparency and allow for a comparison of BUWOG's sustainability activities with other market participants. In addition, this non-financial statement meets the legal and reporting requirements of the Austrian Sustainability and Diversity Improvement Act (*Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG*). GRI 102-12

The BUWOG Group continued the comprehensive development of its sustainability strategy in 2017/18 based on the stakeholder and expert dialogue that was carried out during the previous financial year. The following sections provide a transparent overview, among others, of the most important sustainability issues and related management approaches based on quantitative indicators.

"The further development of BUWOG's sustainability strategy has again paid off. in addition to the certified energy management system that now applies to our property development business area and all our activities in Austria, the steady expansion of our indicator systems represents an important milestone for the further improvement of internal management and external transparency." GRI 102-14

Daniel Riedl, CEO BUWOG Group

A major change for the company was the successful takeover offer by Vonovia SE, the leading German real estate company. As of the last voting rights announcement on 3 July 2018, Vonovia SE held 90.73% of BUWOG's shares and is now BUWOG's parent company (see the details on page 166). Sustainability has also been an increasingly important issue for Vonovia in recent years and is presented in extensive sustainability reports. The last version, the Vonovia sustainability report for 2017, was published in June 2018. GRI 102-10

MATERIALITY ANALYSIS & STAKEHOLDER DIALOGUE

Sustainable development is a complex process that is influenced by a multitude of issues in the areas of economy, the environment and society. The potential impact of entrepreneurial actions on these areas is determined by the specific core business, the branch and the operating environment.

Knowledge of the relevant stakeholder groups and their interests, their systematic inclusion to identify the most important sustainability issues along the value chain, the management of these key issues by the company and transparent external communications form the cornerstones for responsibility, reliability, trust and risk management in the BUWOG Group.

GRI 102-46

To identify the major sustainability issues for the BUWOG Group, an extensive materiality analysis was carried out in 2017. This process, as well as the related reporting, is based on the GRI principles. The viewpoints of BUWOG's internal and external stakeholder groups, among other factors, were systematically surveyed for the first time. They provided a sound foundation for the design of BUWOG's sustainability strategy and operating management approaches.

GRI 102-42
GRI 102-43

PROCESS DESCRIPTION AND STRATEGIC INTEGRATION

The most important issues for the BUWOG Group were identified and ranked in a multi-stage process as part of a materiality analysis, which included interactive expert groups comprising management, department heads and the sustainability team. Their goal was to jointly identify and classify general and specific sustainability issues (based on the general and branch-specific GRI issues) and stakeholder groups along BUWOG's value chain in Germany and Austria. These expert groups identified 34 preliminary sustainability issues and the following internal and external stakeholders: investors, shareholders, analysts, banks, employees, suppliers, service providers, tenants, owners, neighbouring residents, peer group companies, the media, politics, public administration and interest groups.

GRI 102-40

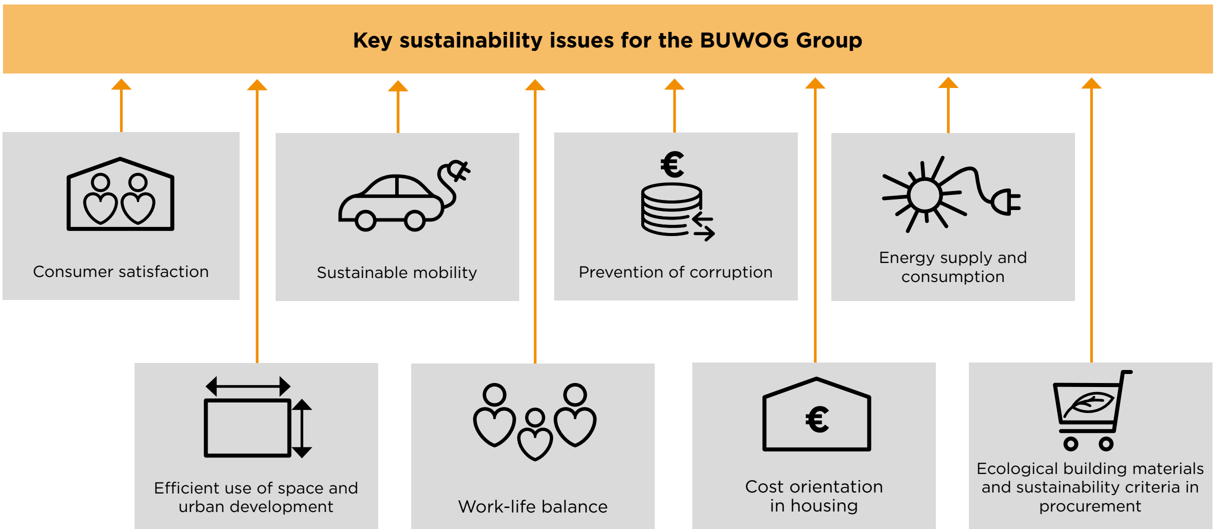
Feedback was then collected from internal and external BUWOG stakeholders and external experts to develop an objective estimate of the importance of the identified preliminary sustainability issues. This extensive survey covered two main areas:

- The viewpoints of key internal and external stakeholders (investors, shareholders, analysts, banks, employees, suppliers, service providers, tenants, owners, politics, public administration and interest groups) were collected through an online survey. The central question to the stakeholders was: How important for you is BUWOG's commitment to the respective sustainability issue?
- Various experts from Germany and Austria were interviewed with regard to their knowledge and experience with sustainability issues in the construction and real estate branches. These discussions focused on an assessment of the effects of BUWOG's activities on the environment and society. The central question was: Which of the sustainability issues identified for the BUWOG Group can be expected to have the greatest impact on the environment and society?

The results of the two survey areas with stakeholders and experts were then objectified and transparently aggregated in a materiality matrix. The y-axis shows the ranking of the surveyed issues from the viewpoint of stakeholders, while the x-axis shows the experts' ranking of the resulting effects (see the graph on page 78). A classification close to zero on both axes represents low materiality.

The survey results formed the basis for further reflection and the aggregation of content on sustainability issues by internal expert groups comprising BUWOG management, the responsible department heads and the sustainability team. Among others, these groups analysed the relevance for BUWOG's core business, the related ecological, social and economic effects as well as current performance and BUWOG's opportunities in these areas. The following eight points represent the key sustainability issues for the BUWOG Group. Corporate management approaches were developed for these issue areas and coordinated with BUWOG's Executive Board. These management approaches were expanded in 2017/18 to include monitoring structures and indicator systems.

GRI 102-47



The BUWOG Group has already defined ambitious management elements for many of these issues. The goal for the coming financial years is to further expand sustainability management in line with the corporate strategy.

GRI 102-43

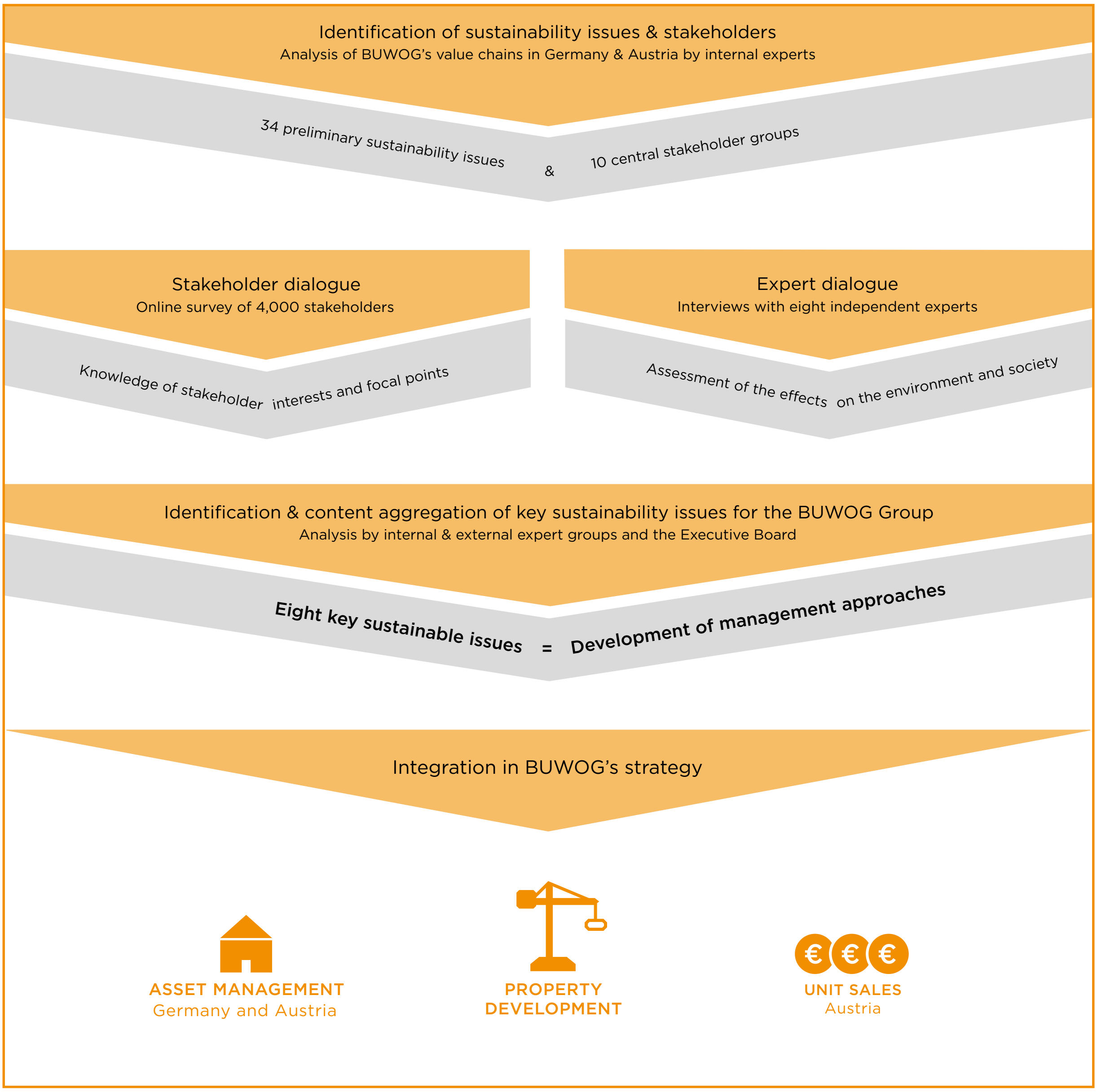
In addition to the stakeholder dialogue, the BUWOG Group remains in continuous direct and indirect contact with its stakeholders to provide them with information on the latest developments and support the exchange of ideas. The concrete communication channels and content are adapted as required and regularly adjusted to meet the needs and interests of the respective stakeholder groups. Conventional communication paths like public relations, conferences, trade fairs, websites, employee events, customer service centres and blogs are complemented by special interactive formats that include the capital markets day, property tours, professional associations, neighbourhood and tenant meetings and "open apartment days". Through cooperative research and development projects, the BUWOG Group tests innovative solutions for the environment and society (see page 102 for details). BUWOG is also a member of the following branch and interest-based associations and networks: EPRA, Research Society for Housing, Building & Planning (fgw), Friends of the Berlin School of Economics and Law in Berlin, Society of Property Researchers Germany (GiF), HR Circle, klimaaktiv pakt 2020, Austrian Sustainable Building Council (ÖGNI), Austrian Society for Process Management, respACT – austrian business council for sustainable development, Association to Promote Quality in the Real Estate Sector, GRI Global Club Real Estate Association, IVD, Real Estate Brand Club, ZIA German Property Federation.

GRI 102-13

The following graph illustrates the materiality analysis process and the strategic integration of the key sustainability issues in BUWOG's strategy.

GRI 102-43

MATERIALITY ANALYSIS PROCESS & INTEGRATION IN BUWOG'S STRATEGY

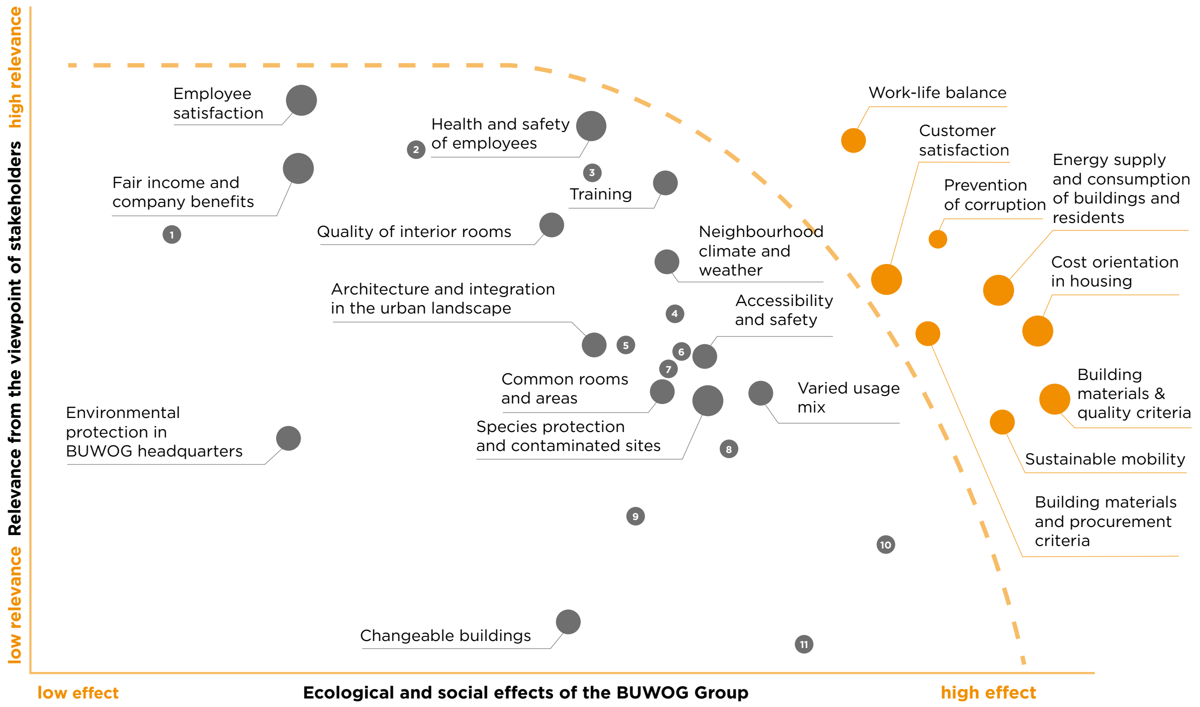


The BUWOG Group's materiality matrix is presented in the following illustration, with the key sustainability issues shown above the line in orange. Structured GRI-based management approaches were developed for these issues to ensure efficient and effective management and are explained in detail on the following pages.

GRI 102-44

GRI 102-47

THE BUWOG GROUP'S MATERIALITY MATRIX



1 Equal opportunity and diversity management
2 Compliance with labour regulations and company agreements
3 Data protection and security
4 Waste separation by residents
5 Dialogue politics/neighbouring residents → satisfactory environment
6 Environmental protection and construction site safety
8 Ecologically compatible cleaning and maintenance
9 Social diversity and conflict avoidance
10 Building certification
11 Room for participation

GRI 102-11

GRI 102-15

SUSTAINABILITY OPPORTUNITIES & RISKS

Risk management takes place at all levels in the BUWOG Group. The year's activities also included the analysis of sustainability-related opportunities and risks, in particular the aspects of BUWOG's business activities which have a positive and negative effect on the environment and society. The following table summarises the results of this analysis and shows BUWOG's appreciation of the problem and precautionary approach in addressing risks for the environment and society with appropriate measures and, where possible, turning these risks into opportunities.

KEY FIGURES RISKS AND OPPORTUNITIES FOR THE ENVIRONMENT AND SOCIETY

Risks for the environment and society	BUWOG measures to minimise risks and realise opportunities
Climate change through the use of fossil energy carriers to generate heat and electricity	BUWOG implements extensive and continuous measures to protect and improve energy efficiency in its standing investments through regular renovation and modernisation projects. For development projects, energy efficiency and supplies are integrated as early as the initial planning phases. The goals are to create the conditions for low energy consumption and to increase the use of renewable energy carriers.
Climate change through the use of fossil energy carriers for mobility	Even though sustainable mobility concepts are connected with uncertainty (e.g. development of e-mobility and the public transportation network), BUWOG creates the conditions for sustainable mobility solutions in its quarters. The related activities include – where possible – the reduction of automobile parking spaces, connections to the public transportation network, bicycle parking areas, e-mobility infrastructure and pilot projects with car & bike sharing offers.
Climate and environmental changes through land sealing in population centres	BUWOG is well aware that urban areas are an increasingly rare good and that housing, business, traffic and green areas are in competition with each other. Location-specific land use concepts are therefore developed which also include roof and facade space, among others for common and green areas. BUWOG's sites include a high percentage (at present, approx. 30%) of green areas.
Shortage of resources, climate change and human rights risks through activities along the supply chain	BUWOG selects its suppliers carefully and with a view to compliance with its sustainability strategy. Materials are used carefully in development and renovation projects and in line with demands on efficiency and quality. Increasingly important issues include the recycling capability of building materials, urban mining and the reduction of construction waste. In these areas, BUWOG is involved in pilot projects for large-scale, sustainable dismantling.
Introduction of stricter regulations and escalation of political dialogue	BUWOG routinely monitors the development of regulations for the construction and real estate sectors as well as various sustainability issues. The company also prepares to meet future legal framework conditions by voluntarily solving problems and maintaining a dialogue with policymakers.
Reduction of social diversity in a quarter	The BUWOG quarters consciously include various types of housing to prevent the reduction of social diversity and the formation of ghettos. The goal is to attract a diverse mix of tenants with smaller to larger apartments and condominiums as well as rental units and, in this way, create a high-quality living environment for families, pairs and singles, for the young and the old, and for various income levels.
Reduction of health, motivation and development of employees	BUWOG works to support the health, motivation and development of its employees. Extensive measures are implemented by the Human Resources Department, management and the employee representatives and increased during particularly intensive phases (e.g. SAP introduction, merger with Vonovia). Numerous examples can be found in the section on employees beginning on page 94.

ENVIRONMENTAL ISSUES

SUSTAINABLE ENERGY SUPPLY AND CONSUMPTION BY BUILDINGS AND RESIDENTS

GRI 103-1 GRI 103-3 GRI 103-2

Energy supply, consumption and energetic building technology are key issues for the construction and real estate branches. Energy supplies in the form of electricity and heat form the basis for comfortable living. At the same time, energy carriers and consumption in housing have a significant impact on climate change. The BUWOG Group is well aware of its energetic influence on the environment and society – prudence and foresight therefore represent important factors for its actions related to the ecological and economic demands for energy supply and consumption as well as the creation and maintenance of value in the portfolio buildings.

The contribution by the BUWOG Group. The BUWOG Group's direct influence lies in the energetic design of new buildings, modernisation measures in the standing investments and the energetic performance of the company's offices and motor vehicle fleet. In addition, the selection of the energy carrier can also have a positive influence on the energy balance of a property.

The central responsibility of the BUWOG Group is to create the framework for low energy consumption in its buildings. This involves the energy-efficient design of new properties as well as the gradual energetic modernisation of suitable standing investments.

Goals, measures and monitoring. The BUWOG Group continued its extensive modernisation programme for the standing investments in Germany (CAPEX programme) in 2017/18. In Austria, the maintenance and contributions collected in accordance with the Austrian Non-Profit Housing Act were used for modernisation to safeguard the good technical and energetic condition of the buildings and apartments. These activities have already led to a substantial improvement in energy efficiency for roughly 1,500 units in Germany and Austria. The modernisation measures include, for example, the replacement of windows, the installation of thermal insulation systems on facades and energetic improvements to roofs and cellars. These projects not only increase the value of the properties, they also reduce energy consumption and CO_2 emissions.

Modernisation project in Hütteldorfer Strasse, Vienna

Pilot projects and research assignments are in progress at selected new construction projects to test renewable energy supplies and other energy-based innovations – they have a high potential for wide-ranging use if the applications are successful and the future prospects are promising (see *Innovations for the environment and society* beginning on page 102).

However, energy efficiency is not only dependent on the building. The efficient use of energy by residents is also decisive and can make an important contribution to climate protection. The behaviour of the individual residents is a factor that can only be influenced to a limited extent by the BUWOG Group. Measures in this area are concentrated on targeted and clear communications, e.g. notices in the property, information on the website and the BUWOG blog as well as tenant manuals. These activities have been steadily expanded since 2017/18 to create a greater awareness among BUWOG's tenants for the importance of energy conservation.

GRI 102-12

Energy as a central sustainability issue has a long tradition in the BUWOG Group. In Austria, the company has been a long-standing partner of the ambitious “klimaaktiv pakt2020” established by the Austrian Federal Ministry for Sustainability and Tourism. BUWOG’s energy management system has been certified since 2013/14 under ISO 50001, which requires substantiated anchoring in processes as well as a formally defined energy policy (see page 89 for details). This tool for the professional management of energy-related issues was rolled out to the Property Development business area in Germany during 2017/18 (see page 84 for details). This energy management system now covers all energy-related issues in BUWOG’s new construction portfolio as well as the standing investments in Austria. The central topics include, among others, the improvement of energy efficiency and reduction of energy costs, energy consumption and CO_2 emissions.* The system covers energetic data management, the implementation of technical measures, strategic and organisational management approaches as well as internal and external audits. The basis for the analysis and planning of these types of measures are the extensive energy data which is regularly collected by the BUWOG Group.

A wide-ranging survey was conducted in 2017/18 to determine the status quo for sustainable energy supplies and consumption in the buildings, whereby the results could form the basis for the further development of Group-wide goals and measures. The evaluation was based, among others, on the following indicators. The overview is focused, in particular, on energy consumption, energy intensity and energetic renovation in BUWOG’s standing investments and the energy carriers in BUWOG’s development projects.

KEY FIGURES ENERGY INDICATORS

GRI 102-7

GRI 302-1

GRI 302-3

GRI Indicator	Indicator description	Unit	2017/18	Comment (GRI 302-1-f)
Overview of building portfolio				
302-3 b	Standing investments	Number	4,275	The energy indicators cover all properties which were under the full ownership or majority ownership of the BUWOG Group as of 30 April 2018 and which therefore have a significant influence on the energetic performance; the residential units in mixed-use properties were included, but commercial properties were excluded.
	Germany	Number	3,494	
	Austria	Number	781	
	Floor space	sqm	3,427,933	
	Germany	sqm	1,637,704	
	Austria	sqm	1,790,229	
	Units	Unit	47,358	
	Germany	Unit	26,879	
	Austria	Unit	20,479	
Heating requirements for room heat & warm water				
302-1 e	Heating requirements for room heat & warm water absolute	MWh	498,296	The data were based primarily on energy certificate calculations (see *energy certificates* below) and supplemented by experience-based estimates.
	Germany	MWh	283,814	
	Austria	MWh	214,481	
302-3 a 302-3 c	Heating requirements for room heat & warm water per sqm of floor space	kWh/sqm	145	
	Germany	kWh/sqm	173	
	Austria	kWh/sqm	120	
	Heating requirements for room heat & warm water per residential unit	kWh/unit	10,522	
	Germany	kWh/unit	10,559	
	Austria	kWh/unit	10,473	

* Carbon dioxide equivalent (CO_2e) is a standardised unit for the measurement of the relative contribution of various gases to the greenhouse effect. Climate-damaging emissions not only occur in the form of carbon dioxide (CO_2), the best known component. Other gases like methane (CH_4) and nitrous oxide (N_2O) are included in the CO_2 equivalent through a conversion factor and, in this way, facilitate comparability with regard to their negative effects on the climate.

* Kohlendioxid-Äquivalent (CO_2e) ist eine standardisierte Einheit zur Bewertung des relativen Beitrags zum Treibhauseffekt verschiedener Gase. Klimaschädliche Emissionen treten nicht nur in Form des bekanntesten Vertreters Kohlendioxid (CO_2) auf. Weitere Gase, wie beispielsweise Methan (CH_4) oder Distickstoffmonoxid (N_2O), werden mithilfe eines Umrechnungsfaktors in CO_2-Äquivalente übertragen und erleichtern so die Vergleichbarkeit in Hinblick auf ihre Klimaschädlichkeit.

GRI 302-1

GRI Indicator	Indicator description	Unit	2017/18	Comment (GRI 302-1-f)
Renewable and fossil energy carriers				
302-1 b	Renewable energy carriers	MWh	5,387	
		%	1	
	Germany	MWh	–	Renewable energy carriers include biomass, biogas and heat pumps.
		%	0	
	Austria	MWh	5,387	
		%	3	
	District heating	MWh	225,011	A clear distinction between renewable and fossil energy carriers is not possible due to the different fuels used by the various district heating suppliers. This indicator is therefore presented separately.
		%	45	
	Germany	MWh	118,186	
		%	42	
	Austria	MWh	106,825	
		%	50	
302-1 a	Fossil energy carriers	MWh	232,982	
		%	47	
	Germany	MWh	159,813	Fossil energy carriers include natural gas and crude oil.
		%	56	
	Austria	MWh	73,169	
		%	34	
Heating requirements by energy carrier				
302-1 e	Heating requirements district heating	%	45	The classification was based solely on primary energy carriers.
	District heating Germany	%	42	
	District heating Austria	%	50	
	Heating requirements natural gas	%	37	
	Natural gas Germany	%	45	
	Natural gas Austria	%	26	
	Heating requirements crude oil	%	10	
	Crude oil Germany	%	11	
	Crude oil Austria	%	8	
	Heating requirements electricity	%	6	
	Electricity Germany	%	1	
	Electricity Austria	%	13	
	Heating requirements other	%	2	
	Other Germany	%	1	
	Other Austria	%	3	
Emissions through heating requirements				
	Emissions through heating requirements	kg	126,820,303	CO_2-equivalents, incl. the upstream supply chain, were used. The direct emissions arising from the consumption of the energy carriers and indirect emissions from the generation, transmission and transport etc. of the energy carriers were included. Sources: Federal Environmental Ministries in Germany and Austria (GRI 302-1g)
	Germany	kg	80,301,717	
	Austria	kg	46,518,587	
	Emissions through heating requirements per sqm of floor space	kg/sqm	37	
	Germany	kg/sqm	49	
	Austria	kg/sqm	26	
	Emissions through heating requirements per residential unit	kg/Unit	2,678	
	Germany	kg/Unit	2,988	
	Austria	kg/Unit	2,272	
Emissions through heating requirements by energy carrier				
	Share of emissions from district heating	%	45	
	District heating Germany	%	46	
	District heating Austria	%	42	
	Share of emissions from natural gas	%	35	
	Natural gas Germany	%	38	
	Natural gas Austria	%	29	
	Share of emissions from crude oil	%	12	
	Crude oil Germany	%	12	
	Crude oil Austria	%	12	
	Share of emissions from electricity	%	7	
	Electricity Germany	%	2	
	Electricity Austria	%	17	
	Share of emissions from other	%	1	
	Other Germany	%	1	
	Other Austria	%	1	

GRI Indicator	Indicator description	Unit	2017/18	Comment (GRI 302-1-f)
Energy certificates				
	Demand-oriented energy certificates			
	Germany	%	17	
	Austria	%	91	
	Consumption-oriented energy certificates			
	Germany	%	82	
	Austria	%	n.a.	
Energy efficiency standards of buildings				
	A +			
	Germany	%	1	
	Austria	%	0	
	A			
	Germany	%	17	
	Austria	%	0	
	B			
	Germany	%	31	
	Austria	%	14	
	C			
	Germany	%	25	
	Austria	%	67	
	D			Energy efficiency standards are defined differently in Germany and Austria; a direct comparison is therefore only possible to a limited extent.
	Germany	%	15	
	Austria	%	15	
	E			
	Germany	%	9	
	Austria	%	3	
	F			
	Germany	%	3	
	Austria	%	0	
	G			
	Germany	%	0	
	Austria	%	0	
	H			
	Germany	%	0	
	Austria	%	n.a.	
Thermal energy efficiency measures				
	Thermally renovated residential units	Unit	1,428	Excluding measures for individual units; only measures for the entire property are included.[1)]
	Germany	Unit	1,223	
	Austria	Unit	205	
	Thermally renovated floor space	sqm	98,942	
	Germany	sqm	81,458	
	Austria	sqm	17,484	
	Share of comprehensive thermal renovation	%	24	Comprehensive thermal renovation includes the realisation of three of the five thermal renovation measures.[2)]
	Germany	%	23	
	Austria	%	31	
	Renovation rate	%	2.89	
	Germany	%	4.97	
	Austria	%	0.98	The renovation rate represents the ratio of floor space to thermally renovated space.
	Renovation rate comprehensive thermal renovation	%	0.70	
	Germany	%	1.14	
	Austria	%	0.30	

1) Included here are the following measures: the replacement of windows and doors, thermal facade renovation, the installation of thermal insulation at the lowest ceiling and cellar levels as well as the replacement of heat supplies e.g. boiler (definition as per Climate and Energy Fund of the Austrian Federal Ministry for Sustainability and Tourism and the Austrian Federal Ministry for Transport, Innovation and Technology)

2) Definition as per Climate and Energy Fund of the Austrian Federal Ministry for Sustainability and Tourism and the Austrian Federal Ministry for Transport, Innovation and Technology

KEY FIGURES ENERGY INDICATORS PROPERTY DEVELOPMENT

Indicator description	Unit	2017/18	Comment
Renewable and fossil energy carriers for heat			
Renewable energy carriers	%	11.7	Renewable energy carriers include biomass, biogas and heat pumps.
Germany	%	20.4	
Austria	%	0.0	
District heating	%	39.4	A clear distinction between renewable and fossil energy carriers is not possible due to the different fuels used by the various district heating suppliers. This indicator is therefore presented separately.
Germany	%	42.7	
Austria	%	35.0	
Fossil energy carriers	%	48.9	Fossil energy carriers include natural gas and crude oil.
Germany	%	36.9	
Austria	%	65.0	
Heat supplies by energy carrier			
Share of biogas	%	11.7	
Share of biogas Germany	%	20.4	
Share of biogas Austria	%	0.0	
Share of heat pump	%	0.0	
Share of pellets/biomass	%	0.0	
Share of district heating	%	48.9	
Share of district heating Germany	%	36.9	
Share of district heating Austria	%	65.0	
Share of natural gas	%	39.4	
Share of natural gas Germany	%	42.7	
Share of natural gas Austria	%	35.0	
Share of crude oil	%	0.0	
Share of other	%	0.0	

EFFICIENT USE OF SPACE & URBAN DEVELOPMENT

GRI 103-1 GRI 103-3 GRI 103-2

The residential markets in Berlin, Hamburg and Vienna have been characterised for many years by continuous population growth and a related increase in the demand for housing. The resulting expansion of built-up areas is steadily reducing the natural urban recreation areas. In addition, these sealed areas no longer contribute to regulating the microclimate or the production of food. As seen from the viewpoint of sustainability, there is not only a need for additional housing but also for more green areas in cities.

The contribution by the BUWOG Group. The BUWOG Group addresses this supposed goal conflict in line with the principle of so-called "fully loaded space", under which space- and resource-efficient construction creates high-quality space for people and nature at the same time. The alternative would be a further reduction in the average apartment size to accommodate the growing urbanisation, which would shift housing to increasingly smaller units and spread the overdevelopment into the urban surroundings. This trend is already visible in the suburbs of Berlin, Hamburg and Vienna. Increasing demands for individual living space and traffic areas as well as larger floor areas have been reflected in the comparatively higher per capita sealing of space. Structural extensions in cities are substantially more resource- and space-efficient because the construction of multi-storey buildings is possible and the space-saving infrastructure, such as road and sewage networks, is already available.

Goals, measures and monitoring. In 2017/18 the BUWOG Group moved closer to developing a practical definition of "fully loaded space", i.e. space-efficient construction which reflects high-quality demands for the long-term satisfaction of human and ecological needs. The related activities included the development of special monitoring indicators for the new construction process (see page 85). This initial presentation of BUWOG's performance in various areas related to positive urban development in the form of quantitative indicators is designed to present a detailed overview. BUWOG also maintains regular contacts with local authorities to establish a common understanding and to coordinate ecological and social issues for the respective projects on site. This respect for the specific characteristics of each construction site is important for the positive integration of BUWOG's projects and quarters in the local environment – examples are provided on page 103. Most of BUWOG's construction already takes place on "compensation space", i.e. areas with structures built prior to their purchase by the BUWOG Group which can no longer be used for their original purpose due to the urban structural shift ("brownfields"). Projects at these locations often include the decontamination of the ground water and soil on former commercial sites by the BUWOG Group and the transformation of these areas into attractive living areas that increase the value of the space. High-quality, spatially efficient development plans are prepared for each project in accordance with legal requirements, urban development plans, zoning plans and other regional factors and in dialogue with local authorities and governments. Numerous issues like floor height, green areas, activation of roof areas, tree preservation, rain-water retention, parking spaces etc. are integrated in the project development.

GRI 103-3
BUWOG KPI

KEY FIGURES SPACE EFFICIENCY PROPERTY DEVELOPMENT

Indicator description	Unit	BUWOG Group
Green areas		
Share of green areas (ground level) in relation to total site area	%	31
Germany	%	32
Austria	%	27

SUSTAINABLE MOBILITY

GRI 103-1
GRI 103-3
GRI 103-2

Mobility with regard to climate change covers a large number of current and future challenges, above all in urban areas. These challenges include, for example, the local air pollution caused by the carbon dioxide (CO_2) and nitrogen dioxide (NO_x) emissions from motor vehicle traffic as well as energy consumption. Future-oriented intelligent mobility and traffic concepts represent the solutions for these problems. They involve, among others, the greater use of public transportation and car sharing offers as well as the increasing electrification of mobility in urban areas. In connection with the sustainable use of the limited space in urban areas (also see the *Efficient use of space & urban development* on page 84) it is important to understand that the areas required for mobility are generally not available for housing or nature and recreational areas.

The contribution by the BUWOG Group. As one of the largest residential project developers in Berlin, Hamburg and Vienna and a leading property manager in the German-speaking countries, the subject of sustainable mobility has been a focus of BUWOG's work for many years. Integrated mobility concepts are becoming increasingly important, especially in project development.

E-mobility, in particular, represents an important future-oriented subject for the BUWOG Group. The design and planning of new properties – at least three years before completion – must also include the future requirements for parking spaces and e-charging stations as well as empty ducts for subsequent upgrading. The analysis of these future requirements, the regulatory framework and intelligent mobility solutions is an important factor for the BUWOG Group to avoid added costs in the future. It can also make a positive contribution to urban transport development.

Mobility issues are addressed by the regional governments, for example in urban development contracts or by the so-called “parking space regulation” in Vienna. This latter requires the creation of at least one parking space at the building site for each 100 sqm of living space. The cities of Berlin and Hamburg eliminated the regulations for the mandatory creation of parking spaces by residential construction companies in 2014, respectively 2013. The mobility decisions of individual residents also make an important contribution to environmentally compatible urban development.

Goals, measures and monitoring. An overriding goal is to define and anchor sustainable mobility concepts in the planning guidelines for project development, including individual opportunities for design by residents and the inclusion of local infrastructure requirements.

In addition to e-mobility, the integration of all-weather bicycle parking areas with workshops in the properties as well as cooperation with mobility service providers (e-vehicle and car sharing firms) are currently in planning or realisation. Mobility advising and additional information on sustainable mobility will be included in advertising for the units and their transfer to tenants or owners. BUWOG's long-term goal is to create a standardised mobility offering for new construction and standing investments which, where possible, covers several properties and is based on cooperation with mobility service providers.

Another important goal for the BUWOG Group in the area of mobility is to make a positive contribution to the development of sustainable mobility with modern and efficient vehicle fleet management. BUWOG's employees have electrically powered pool vehicles and bicycles at their disposal for business-related travel. Internal mobility in the BUWOG Group is related to business travel that is generally connected with the management of BUWOG's properties and meetings with colleagues at various locations. A company vehicle guideline regulates, among others, the procurement criteria for pool and company cars. In accordance with this guideline, only electrically powered cars or petrol-driven cars have been purchased since May 2017 and diesel-powered vehicles will be gradually eliminated. The pool vehicles, which are available to all employees, will be gradually replaced with hybrid vehicles. As a means of reducing business travel and the related CO_2 emissions, meetings in this German-Austrian company increasingly take place via video and telephone conferences. Employees are also encouraged to use bicycles for their trips to and from work and for business travel. A suggestion by the Works Council in Austria led to the installation of rental bicycles and helmets at a number of BUWOG locations. Electric bicycles were also added to the cycle pool in 2017. The BUWOG Group is a member of the campaign "Vienna cycles to work", a programme started by a bicycle interest group.


E-car from the BUWOG fleet

The BUWOG Group's sustainability performance in the area of internal and external mobility is measured on the basis of the following indicators:

BUWOG KPI

KEY FIGURES MOBILITY PROPERTY DEVELOPMENT

Indicator description	Unit	BUWOG Group
Electro-mobility		
Buildings with empty ducts	%	43.8
Germany	%	41.2
Austria	%	46.7
Buildings with central e-charging station for autos	%	21.9
Germany	%	11.8
Austria	%	33.3
Share with central e-charging stations in relation to total parking spaces	%	0.5
Germany	%	0.0
Austria	%	1.0
Share of e-charging parking spaces to total parking spaces	%	5.1
Germany	%	9.8
Austria	%	0.7
Share with no e-charging stations in relation to total parking spaces	%	94.4
Germany	%	90.2
Austria	%	98.3
Other sustainable mobility offerings		
Bicycle parking spaces per residential unit	per unit	2.0
Germany	per unit	1.8
Austria	per unit	2.1
Total parking spaces per residential unit	per unit	0.7
Germany	per unit	0.6
Austria	per unit	0.9
Average distance to next public transport	Minutes	3.0
Germany	Minutes	4.0
Austria	Minutes	2.5

BUWOG KPI

KEY FIGURES MOBILITY INDICATORS

Indicator description	Unit	2017/18	Germany	Austria
Overview motor vehicles				
Total number of vehicles	Auto	190	–	–
Share of alternative fuel vehicles[1]	%	12	–	–
Share of company vehicles	Auto	144	114	30
Share of alternative fuel company vehicles[1]	%	6	5	10
Share of pool vehicles	Auto	46	29	17
Share of alternative fuel pool vehicles[1]	%	28	10	59
Mobility services total motor vehicle pool				
Mileage	km	3,799,296	3,143,756	655,541
Fuel consumption total	Litre	191,839	156,492	35,348
Fuel consumption specific	Litre/100km	5.05	4.98	5.39
Electricity consumption total	kWh	21,768	4,834	16,933
CO_2-emissions total[2]	kg	564,339	459,186	105,153
CO_2-emissions specific	g/km	148,54	146.06	160.41
Energy consumption[3]	kWh	1,825,745	1,474,500	351,245
Energy consumption specific	kWh/km	0.48	0.47	0.54
Mobility services company vehicles				
Mileage	km	3,067,283	2,664,426	402,857
Fuel consumption total	Litre	153,556	133,302	20,254
Fuel consumption specific	Litre/100km	5.01	5.00	5.03
Electricity consumption total	kWh	3,526	2,027	1,499
CO_2-emissions total[2]	kg	449,341	388,599	60,742
CO_2-emissions specific	g/km	147,65	145.85	150.78
Energy consumption[3]	kWh	1,446,198	1,243,520	202,678
Energy consumption specific	kWh/km	0.47	0.47	0.50
Mobility services pool vehicles				
Mileage	km	732,013	479,329	252,684
Fuel consumption total	Litre	38,284	23,190	15,094
Fuel consumption specific	Litre/100km	5.23	4.84	5.97
Electricity consumption total	kWh	18,242	2,807	15,434
CO_2-emissions total[2]	kg	114,998	70,587	44,411
CO_2-emissions specific	g/km	157,10	147.26	175.76
Energy consumption[3]	kWh	379,548	230,980	148,568
Energy consumption specific	kWh/km	0.52	0.48	0.59

1) Alternatively-powered vehicles have electric or electric-hybrid engines.
2) CO_2 emissions are calculated on the basis of fuel consumption and emission-related factors (diesel and petrol), including emissions from the entire supply chain. (Source: Environment Agency Austria)
3) Energy consumption is calculated on the basis of the quantities of fuel determined and relevant calculation factors depending on the type of fuel, or on the basis of power consumption. (Source: Environment Agency Austria)

ECOLOGICAL BUILDING MATERIALS & SUSTAINABILITY CRITERIA IN PROCUREMENT

GRI 103-1 GRI 103-3 GRI 103-2

Sustainability criteria in procurement play an important role with regard to the environmental compatibility of the resources used and the production process and conditions. The life cycle of a building begins with the raw materials and their sourcing. It is followed by in part multi-stage processing and/or refining steps before these materials are used in construction and – after completion – the decade-long usage phase by residents begins. The end of the life cycle, i.e. when the building is demolished, marks the start of the dismantling, recycling and disposal processes. Consequently, the effects of the construction and real estate branches on the environment and society during this life cycle range from the use of renewable and finite resources to working conditions, transport routes and healthy living space to deposits in landfills and the recycling of the used materials. Specific statements and assessments of these effects can only be made on an individual project basis. The BUWOG Group plans to implement a structured process to identify and evaluate these individual project effects over the coming years.

The contribution by the BUWOG Group. As the leading German-Austrian full-service provider in the residential property sector, the BUWOG Group is well aware of its ecological and social responsibility along the entire value chain. Supplier relationships based on sustainability and economic efficiency are therefore a central goal. An important task in this context involves the identification and best possible reduction of potential sustainability risks in the supply chain and is reflected in the careful selection and evaluation of current and potential suppliers and service providers by the Technical Procurement Department. Activities in this area also include the development of long-standing relationships with suppliers which are based on mutual trust and include compliance with legal and contractual requirements. In this way, sustainability and efficiency improvements help to identify and utilise positive multiplier effects along the value chain. This process requires, above all, a transparent overview of the individual supplier's ecological performance and labour policies.

In Germany, the BUWOG Group works primarily together with its direct upstream construction companies. General contractors are responsible for detailed coordination and construction services in Austria, which are then delegated in full or in part to subcontractors. Cooperation with dismantling and disposal companies takes place primarily in connection with the purchase of land which includes buildings that do not fit with BUWOG's portfolio for various reasons and must therefore make way for new construction projects. GRI 102-9

Goals, measures and monitoring. The medium-term goal is to anchor the use of ecological building materials in new construction, renovation and structural extensions and include social and ecological sustainability aspects in the supply chain and contract management. The BUWOG Group is convinced that sustainability and cost efficiency must not be mutually exclusive. Efficient procurement processes and cooperative supplier relationships can lead to cost-neutral procurement for the company as well as its tenants (also see *Cost orientation in housing* on page 91). In order to realise this potential, the multi-stage optimisation of procurement processes in the BUWOG Group is planned. Communications with relevant business partners were strengthened in 2017/18. Compliance with all human rights and applicable labour regulations has top priority – they represent the basic requirements for business relations with the BUWOG Group. In its cooperation with business partners, the BUWOG Group is working on measures in the following areas:

- Human rights, labour practices, occupational safety, diversity
- Energy efficiency, renewable energies
- Ecological materials, reduction of resource consumption
- Data protection
- Management systems, monitoring, external reporting on sustainability issues

The implementation of BUWOG's sustainability criteria by suppliers and service providers started with communications and the announcement of further steps. The focus was placed on business partners with whom the BUWOG Group placed at least three orders during the period from May 2017 to February 2018.

KEY FIGURES ECOLOGICAL BUILDING MATERIALS & SUSTAINABILITY CRITERIA IN PROCUREMENT

BUWOG KPI

Indicator description	BUWOG Group
Communication of sustainability and anti-corruption principles to current external partners in Germany and Austria[1)]	45%

1) Current was defined to include all external partners with whom BUWOG Group placed at least one order during the period from 1 May 2017 to 28 February 2018.

OTHER ECOLOGICAL ACTIVITIES

The importance of the ecological aspect of sustainability for the construction and real estate branches is demonstrated by the strong focus on this area. The BUWOG Group is convinced that activities and investments in the environment are not only crucial for the ecosystem and, in turn, also for society, but also create economic benefits – for customers and for the BUWOG Group.

“klimaaktiv pakt2020” in Austria. In addition to the environmental activities in the areas of energy, mobility, space and building materials which were discussed in connection with the key sustainability issues, the BUWOG Group engages in other ecological activities. The company is a member of the “klimaaktiv pakt2020” initiated by the Austrian Federal Ministry for Sustainability and Tourism. BUWOG, as one of 12 major Austrian companies and the only construction and real estate company in the “klimaaktiv pakt2020”, has made a voluntary (but binding) commitment to meet the Austrian climate goals by 2020 (basis 2005). In close cooperation with the Austrian Federal Ministry for Sustainability and Tourism and the Austrian Energy Agency, the BUWOG Group, as a founding member and long-standing project partner (since 2007) is one of the ambitious pioneers for climate-compatible business operations in Austria and clearly exceeds legal requirements and specifications. The following table shows the specific goals for renewable energy, energy efficiency, CO_2e emissions and mobility as well as the status of implementation:

“KLIMAAKTIV PAKT2020” GOALS FOR THE BUWOG GROUP IN AUSTRIA

	Goals 2020	Goals 2016*	Status 2016*
Energy efficiency (kWh/sqm)	107.7	112.2	105.9
Share of renewable energy carriers total (%)	34	32.5	38.1%
Share of renewable energy carriers – traffic (%)	10	8.4	5.9
CO_2e-emissions (t)	43.8	45.1	33.1

*) For practical purposes, data collection for the “klimaaktiv Pakt2020” is based on the utility companies' accounting period and not on the financial year. As a result, energy data for the reporting year is not yet available and the “klimaaktiv” data are based on the 2015 accounting period.

Protection and support of biodiversity. The preservation of habitats and biodiversity is an important aspect for the planning and operation of BUWOG's new construction projects. The goal is to prevent any negative impact on nature conservation areas or endangered species – and at best, create new urban areas for animals and plants.

For example: the BUWOG Group has created urban breeding areas and habitats for small animals at its new construction project in Vienna's Triester Strasse. Stone materials and scrap wood are collected at the site and converted into hiding spaces and nesting aids with hollow spaces for lizards and other smaller animals. The creation of habitats for pollinating insects – in particular wild bees – with the help of special wood blocks was also an objective for the properties in the Meischelgasse and Vorgartenstrasse in Vienna.

SOCIAL ISSUES

CUSTOMER SATISFACTION

GRI 103-1 GRI 103-3 GRI 103-2

Customer satisfaction is not only important from an economic viewpoint – it plays an important role in holding turnover and vacancies at a low level. High vacancies that are not caused by weak demand can, in turn, increase the upward price spiral in areas with a housing shortage. In addition, resources are not used efficiently or sustainably when vacancy rates are high.

The contribution by the BUWOG Group. Customer satisfaction clearly shows that the BUWOG Group can effectively address economic, social and ecological issues with its integrated goals. The central slogan of the BUWOG Group – "Happy Living" – involves a variety of measures to support, and where possible improve, the high level of customer satisfaction. Roughly 300 employees are directly involved in the day-to-day support of BUWOG's customers, whereby the key elements of their work are availability and reaction time, commitment, speedy handling and, of course, friendliness. These guiding principles are reflected in various qualitative and quantitative customer service measures. BUWOG's direct possibilities to influence customer satisfaction and vacancies are, however, influenced by larger regional factors, personal developments on the part of tenants and external services.

Goals, measures and monitoring. BUWOG's primary goal is to satisfy and retain tenants. In addition to extensive personal services, the Group's tenants also benefit from the expansion of digital communications. A specially designed BUWOG Tenant App was introduced for customers in the German properties during December 2016. The diverse functions in the Tenant App support the central services provided by the BUWOG Group and allow tenants to quickly and easily report damages via a photo upload, to arrange appointments for repairs and to evaluate the involved service providers. An integrated function for the comparison of energy providers, including green electricity suppliers, supports the conscious selection of utility companies. In Austria, the first version of the BUWOG Service App will be introduced in summer 2018. Further technology-based improvements in customer service will be made on a regular basis, whereby the goal is to improve process efficiency and the related fast response time from the viewpoint of customers.

Regular training for the service staff is important for strengthening customer ties. Training on the mechanisms of a customer-oriented service culture and related communications was provided for 80 employees in 2017/18, and a further 80 will attend these courses during the abbreviated 2018 financial year.

The BUWOG Group also reacts to developments in tenants' personal situations which result, for example, from family or job changes and is generally open to requests by long-term tenants for relocation within the same property. A written guideline defines the requirements and framework for BUWOG's internal relocations.

Tenants' concerns are not always directly related to BUWOG services, but the company nevertheless takes them seriously and supports their handling through its internal services. For example: professional services are generally billed directly by the service provider and not through the BUWOG Group. Above all in these types of cases, BUWOG plans to further expand its proactive communications.

A survey coordinated by the Quality Assurance & Complaint Management Department is carried out each year to measure customer satisfaction. The results are reported to the Executive Board and the involved departments and are also presented in the following table:

BUWOG KPI

KEY FIGURES CUSTOMER SATISFACTION

Indicator description	2016/17	2017/18
Housing satisfaction total (rating 1-2)[1)]	74%	75%
Housing satisfaction total (rating 4-5)[1)]	11%	10%
Satisfaction with property management (rating 1-2)[1)]	49%	51%
Satisfaction with property management (rating 4-5)[1)]	15%	16%
Satisfaction with response (time) (rating 1-2)[1)]	44%	49%
Satisfaction with response (time) (rating 4-5)[1)]	24%	22%
Satisfaction with accessibility (rating 1-2)[1)]	44%	47%
Satisfaction with accessibility (rating 4-5)[1)]	20%	24%
Average duration of rental agreement	12.5 years	13.4 years

1) Source: annual BUWOG customer quality assurance survey. A total of 2,391 households in 43 properties were surveyed during the period from May 2017 to April 2018 (a total of 2,829 households in 50 properties were surveyed during the period from May 2016 to April 2017), roughly 50% each in Austria and Germany in both years. The average response rate equalled 40% in 2017/18 and 40% in 2016/17. For better comparability with the previous year, the key figures for the surveys are summarised with 1 and 2 (school grading system) and 4 and 5.

COST ORIENTATION IN HOUSING

GRI 103-1
GRI 103-3
GRI 103-2

The current tense supply and demand situation on the rental markets in major cities and the fluctuations in energy and operating costs represent important socio-economic factors and increase the need for cost orientation by tenants. The BUWOG Group cannot deal with these aspects alone, but can work within the available range of possibilities to optimise costs for tenants wherever possible.

The contribution by the BUWOG Group. Through new construction, structural extensions and loft conversion, the BUWOG Group creates additional living space in Berlin, Hamburg and Vienna – three cities which are particularly affected by current demographic trends – and thereby helps to address the housing shortage. BUWOG's diverse property portfolio serves a very broad customer base and is focused, in particular, on middle-income persons and families.

BUWOG's portfolio combines regulated housing with unregulated rental apartments. The standing investment portfolio had an average monthly net cold rent of EUR 5.34 per sqm as of 30 April 2018 (2016/17: EUR 5.18 per sqm), based on an apartment size of 40 sqm to 100 sqm (see page 24 for details on the structure of the standing investment portfolio). Most of the rented standing investment units owned by the BUWOG Group in Austria are covered by regulated leases which are based on the provisions of the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*) and are therefore subject to cost coverage and re-letting fees. This legal regulation, with its framework for the development of rental prices, places a priority on the creation of affordable housing. Rental increases are only implemented by the BUWOG Group within the scope of the Austrian Non-Profit Housing Act. In Germany, roughly one-third of the rented standing investment units owned by the BUWOG Group are regulated properties. These apartments represent social housing that is subject to strict rent control. The BUWOG Group complies with all rules for the allocation of these apartments and only lets them to tenants who meet the related requirements. The rental prices in the unregulated standing investments in Germany are subject to laws and regulations as well as a rental price cap. In these properties, rental increases are also only implemented by the BUWOG Group within the legally defined framework.

Additional charges such as utilities represent an essential component of many tenants' household budgets. The BUWOG Group regularly evaluates the operating and administrative costs for each property to identify opportunities for optimisation.

Goals, measures and monitoring. In order to reduce costs for tenants, BUWOG's Technical Procurement Department works to realise economies of scale and synergy effects with activities like multi-year planning and the bundling of orders. These activities can involve a wide range of procurement processes for services such as snow removal or garden maintenance as well as contracts with energy providers. Since the energy efficiency investments listed on page 80 have an effect on the total amount of cost covering rents, they are only made when they contribute to an improvement in economic efficiency. The focus for these projects is on cost effectiveness and compliance with legal regulations. The BUWOG Group works together with local politics and tenant associations to develop suitable solutions for tenants.

PREVENTION OF CORRUPTION AND BRIBERY

GRI 103-1 GRI 103-3 GRI 103-2

Bribery and corruption make investments more difficult throughout the world and distort international competition. The redirection of funds as a result of corrupt practices also endangers society's economic, social and ecological well-being. Companies play an important role in combatting these practices because corruption is harmful not only to democratic institutions, but also to good corporate governance.

The contribution by the BUWOG Group. The fundamental importance of honesty, integrity and transparency in both the public and the private sector is firmly anchored in the BUWOG Group. It forms the basis for the creation of measures to prevent corruption and improve transparency in order to strengthen the awareness of corruption. The implementation of effective corporate governance practices therefore represents a key sustainability issue to develop and maintain a responsible corporate culture, an aspect which is also important to the stakeholders of the BUWOG Group.

Measures, goals and monitoring. As a listed company, the BUWOG Group complies with the rules defined by the Austria Corporate Governance Code (January 2018). The code is a voluntary framework for good corporate management and control, which is designed to ensure the responsible, sustainable and long-term creation of value. These goals are intended to serve the interests of all stakeholders whose well-being is connected with the success of the company and to ensure a high degree of transparency.

GRI 102-12 GRI 102-16

The Corporate Governance Code is based on the requirements of Austrian stock corporation, stock exchange and capital market laws as well as the EU recommendations for the duties of supervisory board members and the remuneration of directors. The underlying principles comply with the OECD guidelines for corporate governance, which are also designed to support a positive contribution by the global economy to economic, social and ecological progress. The OECD principles create a greater awareness among companies and the general public for the fight against corruption.

The measures implemented by the BUWOG Group to prevent corruption include the establishment of a Group-wide anti-corruption and compliance guideline as well as an e-learning tool for employee training. The content of the online tool is based on the principles of the UN Global Compact, the largest global initiative for corporate responsibility and sustainability, and requires completion by all employees.

The BUWOG Group has appointed a compliance officer and deputy who report directly to the Executive Board and have a wide range of duties which cover, among others, the constant observance of the compliance guideline. The compliance officers report regularly, at least four times each year, to the Executive Board and at least once each year to the Supervisory Board on the observance of the compliance guideline and measures to prevent corruption in the company. The central evaluation criteria are confirmed allegations of corruption, none of which occurred during the 2017/18 financial year. Additional details can be found in the *Consolidated Corporate Governance Report* beginning on page 108.

GRI 105-1
GRI 105-3
GRI 105-2

KEY FIGURES PREVENTION OF CORRUPTION

GRI Indicator	Indicator description	BUWOG Group
205-1 a	Per cent of business locations which were audited concerning corruption risks	100%
205-1 b	Significant corruption risks identified during the risk assessment	No material risks of corruption were identified by the Group-wide risk surveys conducted in 2017/18, which analysed both internal and external risks. In addition, no ad-hoc reports of a material corruption risk were required during the reporting year.
205-2 a	Per cent of members of control bodies who have received information on the organisation's strategies and measures to fight corruption, classified by region	100%
205-2 b	Per cent of staff members who have received information on the organisation's strategies and measures to fight corruption, classified by region	98%
205-2 c	Total number and per cent of business partners who have received information on the organisation's strategies and measures to fight corruption, classified by region	Communication of sustainability and anti-corruption principles to 1,683 current external business partners in Germany and Austria (844 in Germany and 839 in Austria). That represents 45% of the external partners with whom the BUWOG Group placed at least one order during the period from 1.5.2017 to 28.2.2018. The focus was placed on business partners with whom the BUWOG Group placed at least three orders during that period.
205-2 e	Per cent of staff members who have received training on the fight against corruption	98%
205-3 a	Total number of confirmed corruption incidents	None
205-3 b	Total number of confirmed incidents in which staff members were terminated or reprimanded based on corruption	None
205-3 c	Total number of confirmed incidents in which contracts with business partners were terminated or not renewed due to violations relating to corruption	None
205-3 d	Public lawsuits in connection with corruption, which were filed against the organisation or its staff members during the reporting period as well as the results of these lawsuits	None

EMPLOYEE ISSUES

WORK-LIFE BALANCE

GRI 103-1 GRI 103-3 GRI 103-2

The working world is in a continuous state of flux as a result of accelerating momentum and increasing demands on flexibility. That creates a growing number of challenges for establishing a balance between employees' jobs, families and private lives.

The contribution by the BUWOG Group. Effective and targeted personnel development measures have been implemented in the BUWOG Group to support employees in these areas. The company also participates in the "*berufundfamilie*" audit carried out by the Austrian Federal Ministry of Families and Youth. It represents a voluntary state seal of approval that recognises improvements in family awareness and is awarded in connection with a structured review process. The audit is also intended to strengthen employer attractiveness, employee ties, motivation and identification and thereby reduce turnover and absence times. A three-year improvement process started in 2017 and involves workshops as well an extensive employee survey. The results also include the following BUWOG definition of family, which covers the greatest possible number of employees: "Family in the BUWOG Group covers the people who currently live, or previously lived, together in a common household, regardless of their sexual orientation or specific constellation. Consequently, family not only refers to the direct core family (mother-father-child) but also includes, for example, patchwork families, life partnerships and homosexual couples."

Goals, measures and monitoring. Specific goals and measures cover, among others, the following areas: The gradual expansion of individual part-time working agreements, e.g. also for nursing cases, a meeting policy coordinated with part-time employees, continued contacts with employees on parental leave and the creation of a parent-child office at BUWOG's headquarters Berlin and Vienna for parents who must bring their children to work for a short period due to a gap in childcare. A central measure during the 2017/18 financial year was the approval of a company agreement on teleworking. Internal communications were also strengthened, among others with the publication of brochures on teleworking (*Teleworking Leitfaden*) and parental leave (*BUWOG Baby Einmaleins*). Job-sharing is an innovative model which was implemented for the first time by BUWOG and will be extended in the future. This involves the division of a position between two persons, e.g. during the return to work after parental leave or before retirement.

The "berufundfamilie" audit will be continued in Austria and the first recertification was successfully completed. This review is the responsibility of two employees in the Human Resources & Organisation Department, who are assisted by the employee representatives in Austria. Since 2015, the BUWOG Group has also been a member of the "*Unternehmen für Familien*" network created by the Austrian Federal Ministry of Families and Youth to further strengthen the exchange of information and increase support for the work-life balance.

The effectiveness of the management approach in this area is measured through regular focus groups and an employee survey that is carried out every two to three years. HR controlling also conducts annual reviews, among others based on the following GRI indicators. Audit reports and information in the annual report illustrate the year-to-year development of parental leave in the BUWOG Group.

GRI 401-3

KEY FIGURES EMPLOYEE INDICATORS

GRI Indicator	Indicator description	Unit	2017/18	Austria	Germany
Number of employees who were entitled to various forms of parental leave during the reporting period					
GRI 401-3 a	Total	Headcount	832	337	495
	Female	Headcount	491	232	259
	Male	Headcount	341	105	236
Total number of employees on parental leave					
GRI 401-3 b	Total[1)]	Headcount	36	24	12
	Female	Headcount	32	22	10
	Male	Headcount	4	2	2
Total number of employees who returned from parental leave during the reporting period					
GRI 401-3 c	Total	Headcount	14	9	5
	Female	Headcount	11	8	3
	Male	Headcount	3	1	2
Total number of employees who were still employed 12 months after returning from parental leave					
GRI 401-3 d	Total	Headcount	9	7	2
	Female	Headcount	6	5	1
	Male	Headcount	3	2	1
Return rate of employees from parental leave					
GRI 401-3 e	Total	%	73.7	75	71.4
	Female	%	73.3	80	60
	Male	%	75	50	100
Retention rate of employees who took parental leave					
GRI 401-3 e	Total	%	64.3	100	28.6
	Female	%	54.5	100	16.7
	Male	%	100	100	100

1) Comparative values from 2016 and 2017 are also available for these indicators; see the table "Employee Indicators Previous Years".

ADDITIONAL EMPLOYEE-RELATED ISSUES

For the BUWOG Group, the qualifications, motivation and participation of its employees represent an essential success factor. Responsibility for employees and society is seen as a crucial element of future-oriented management.

GRI 102-16

Basic principles and key skills. In addition to company agreements and mission statements, the BUWOG Group – through cooperation between the Executive Board and managers and with the support of the Human Resources Management & Organisation Department – defined the following strategic skills which reflect the corporate culture: entrepreneurship, foresight, cost consciousness, feedback, continuous development, solution orientation, customer orientation, cooperation, creative power and commitment. In the sense of transparent communication, these skills are published under: www.buwog.com/en/career.

Human rights. The BUWOG Group endeavours to conduct its business with respect for the rights and dignity of all human beings and through correct and considerate cooperation. This applies to BUWOG's employees as well as customers and business partners along the value chain. Active management is concentrated, above all, on BUWOG's employees; among others, they are entitled to the right to privacy and data protection (Article 12 of the Universal Declaration of Human Rights), the right to equal pay for equal work (Article 23) and the right to rest and leisure (Article 24). As a company which is active exclusively in Germany and Austria, all business activities are subject to German or Austrian law – including all fundamental constitutional rights granted. BUWOG also supports employee campaigns which are not required by law.

Training. The BUWOG team is characterised by a high level of personal responsibility, motivation, flexibility and professionalism. Appraisal interviews are carried out each year to support the improvement of employees' skills and their personal development. These discussions include the joint definition of goals as well as training requests and general opportunities for advancement within the BUWOG Group. The offering of individual training measures – in the form of individual modules or group courses – covers technical subjects like non-profit housing and rental laws as well as personal development seminars in line with the Process Communication Model®.

Management training in 2017/18 was focused, above all, on accompanying support measures for the change process to integrate BUWOG into the new parent company, Vonovia SE. Practical workshops for the reciprocal coaching of managers were supplemented by refresher courses on staff appraisals and feedback culture. The efforts undertaken in earlier years to prepare selected BUWOG employees for management positions paid off during the past year: nearly all new team and department heads were recruited internally.

Integration of new employees. Regular "welcome days" are organised to give new colleagues an overview of the BUWOG Group. These events also provide an opportunity to meet managers from different areas and departments, who introduce their various activities and engage in an initial dialogue with the employees. The integration of new staff was improved by the introduction of a "buddy system", which involves the assignment of a so-called "buddy" to each new employee. The "buddies" are experienced employees from different departments who can facilitate integration into the BUWOG Group and create a good foundation for inter-departmental networking.

Equal opportunity. Ensuring equal opportunity between women and men is an important priority for the BUWOG Group. The share of women in the total workforce equalled 56.6% as of 30 April 2018 (2016/17: 55%). In addition, 25% (2016/17: 18%) of the management positions are held by women. The measures introduced to support women are listed on page 122.

The BUWOG Group does not differentiate between full-time and part-time employees. All employees are entitled to the same benefits, which include training allowances, health examinations, allowances for computer glasses and massages during working hours (the BUWOG Group contributes a quarter hour of working time).

As of 30 April 2018, the Executive Board of the BUWOG Group consisted of two men between the ages of 30 and 50. Additional details on the structure of the workforce are provided on page 98.

Work-life balance, health and occupational safety. Strict adherence to the principle of equal opportunity, flexible working hours and teleworking options represent the key elements of the work-life balance for employees in the BUWOG Group. The company also offers attractive benefits and a pension fund scheme as well as retirement and other employee benefits. Additional details are provided under the management approach: *Work-life balance* on page 94.

Employees' health is another important priority for management. Workplace health promotion includes a company doctor, industrial psychologist and safety officer as well as a biannual health day with information from specialists on subjects like exercise and ergonomics, nutrition and psychology. The BUWOG Group also gives employees opportunities for a medical check-up or biofeedback training. Workshops on stress, conflict management, communications, teambuilding and relaxation are developed and offered together with industrial psychologists.

BUWOG's safety committee in Austria comprised 11 company employees and three external experts (an occupational physician and psychologist plus a safety officer) in 2017/18. The committee's responsibilities are regulated by the Austrian Employee Protection Act and include, among others, the provision of information on the status of employee protection in the BUWOG offices and, in particular, on the development of the accident rate and occupational illnesses. In Austria, the BUWOG Group had four safety representatives, two fire prevention officers and 30 first aid and evacuation helpers at its largest location in Vienna during the reporting year. The high priority given to occupational and general safety is also reflected in close cooperation with an external consulting firm (B.A.D.), which accompanies and monitors all necessary safety and protection measures at BUWOG's locations in Germany.

Vonovia integration process. During the 2017/18 financial year Vonovia SE, the leading real estate corporation in Germany, issued a takeover offer to the shareholders of BUWOG AG. The two companies, BUWOG AG and Vonovia SE, concluded a management agreement at the beginning of the takeover process which defined, among others, the framework conditions for personnel changes. The integration plan for Germany is based, in particular, on activities related to the management of the standing assets, which will be integrated in the Vonovia platform. Discussions between the BUWOG Group's employer in Germany and the German Works Council were in progress as of the publication date for this report. The synergy plan for Austria is based primarily on the capital market-oriented functions which will no longer be required for Austria after BUWOG is delisted. In addition, the former conwert employees will be integrated in BUWOG. BUWOG is working to give employees a perspective.

Employee representatives. The BUWOG Group has a Works Council in both Germany and Austria, which communicates on an equal basis with the Executive Board and department heads, negotiates company agreements and represents the interests of employees. Both countries have legal regulations that define the timing of and information to be provided to the Works Council (in Germany: the Works Council Constitution Act; *Betriebsverfassungsgesetz*). In Austria, the Works Council must be informed of any plans for restructuring measures in advance and on a timely basis (Section 109 of the Austrian Labour Constitutional Act; *Arbeitsverfassungsgesetz*). In cases where employment in Germany is terminated by the employer, the Works Council must be informed seven days in advance and heard in Germany to allow for the preparation of an opinion (objection) within the seven-day period defined by law (Section 105 of the Austrian Labour Constitutional Act, resp. Section 99 (3) of the German Works Council Constitution Act). The Works Councils in Germany and Austria organise annual employee meetings and information events and present information and news in the intranet and an own newsletter (BetriebsTAT).

Remuneration and company agreements. The minimum wage in Germany equalled EUR 8.84 per hour in 2018. Austria does not have a minimum wage at the present time, and important rules are therefore defined in various branch-specific collective agreements. These collective agreements are developed in annual negotiations between employers and employees ("social partnership"). The salaries of nearly all employees working for the BUWOG Group in Austria exceed the amounts defined by the collective agreements (property manager) and reflect the market level in the construction and real estate branches. The collective agreement regulates, among others, the continuation of salary or wage payments in the event of incapacitation and special payments such as vacation and Christmas bonuses. The company agreement also regulates issues like the 38-hour week, flexible working times, teleworking and contributions to the voluntary pension fund.

External and internal benchmarks were used for the income budgeting process and the existing bonus system was simplified. All of the guidelines and company agreements in Germany were updated and adapted to meet contemporary requirements.

Internal communication & teambuilding. Communications between management and employees are supported by regular department and business area meetings as well as general information events like the "BUWOG Orangerie" and "BUWOG Café". This framework is used by the Executive Board and managing directors as well as the Human Resources Management & Organisation Department and other specialist areas to provide regular information on important company decisions, personnel issues, new guidelines, the latest projects, occupational safety, sustainability and other topics. Current information is also sent to employees via email and published in the BUWOG intranet.

The third general event for all BUWOG employees was held in Vienna during May 2017. The goals of this two-day get-together were to personally meet colleagues from other BUWOG locations, promote internal networking and exchange know-how. Employees were given an opportunity to meet the Executive Board during lectures and personal discussions. An extensive information offering was created to present, for example, the current status of development projects and major corporate assignments like the Group-wide SAP implementation. These activities were accompanied by an interesting supporting programme that included excursions and sport elements. Combined with a common celebration, these events, among others, reward employees for their performance.

Employee event: May 2017

Team spirit in the BUWOG Group is supported by activities that include a business run, dragon boat race and property tours to the standing investments and new construction projects.

FACTS & FIGURES

A total of 993 employees, or 831 full-time equivalents, worked in the fully consolidated companies of the BUWOG Group as of 30 April 2018. The workforce consists of 96% salaried employees and 4% wage employees. Additional human resources indicators are provided in the following table.

KEY FIGURES PERSONNEL

GRI 102-7
GRI 102-8
GRI 405-1

GRI Indicator	Indicator description	Unit	2017/18	Austria	Germany
Total number of employees					
GRI 102-7 a i	Total number of employees[1]	Headcount	933	438	495
		FTE	831	366	465
Total number of employees by gender					
GRI 102-8	Female	Headcount	528	269	259
		%	56.6	61.4	52.3
	Male	Headcount	405	169	236
		%	43.4	38.6	47.7
Total number of employees by region					
GRI 102-8	Austria	Headcount	438	438	–
		%	46.9	100	–
	Germany	Headcount	495	–	495
		%	53.1	–	100
Total number of employees by age					
GRI 405-1 b	Average age[1]	Years	41.3	39.2	43.2
	Under 30 years total	Headcount	166	88	78
	Under 30 years female	Headcount	104	50	54
	Under 30 years male	Headcount	62	38	24
	Between 30-50 years total	Headcount	538	283	255
	Between 30-50 years female	Headcount	313	181	132
	Between 30-50 years male	Headcount	225	102	123
	Over 50 years total	Headcount	229	67	162
	Over 50 years female	Headcount	113	40	73
	Over 50 years male	Headcount	116	27	89
Share of wage employees in total number of employees					
	Total[1]	%	4.0	8.4	0.0
	Female	%	2.4	5.0	0.0
	Male	%	1.6	3.4	0,0
Share of salaried employees in total number of employees					
	Total[1]	%	96.0	91.6	100.0
	Female	%	54.2	56.4	52.3
	Male	%	41.8	35.2	47.7
Distribution of employees by area of activity					
	Asset & Property Management	Headcount	553	227	326
		%	59.3	51.8	65.9
	Property Development	Headcount	108	47	61
		%	11.6	10.7	12.3
	Property Sales	Headcount	21	19	2
		%	2.3	4.3	0.4
	Accounting, Controlling & Finance	Headcount	135	86	49
		%	14.5	19.6	9.9
	Support functions	Headcount	116	59	57
		%	12.4	13.5	11.5

GRI 102-41
GRI 401-1

GRI Indicator	Indicator description	Unit	2017/18	Austria	Germany
Total number of employees by contract type and gender – open-ended contract					
GRI 102-8 a	Total	Headcount	873	426	447
		%	93.6	97.3	90.3
	Female	Headcount	494	266	228
		%	52.9	60.7	46.1
	Male	Headcount	379	160	219
		%	40.6	36.5	44.2
Total number of employees by contract type and gender – fixed-term contract					
GRI 102-8 a	Total	Headcount	60	12	48
		%	6.4	2.7	9.7
	Female	Headcount	34	3	31
		%	3.6	0.7	6.3
	Male	Headcount	26	9	17
		%	2.8	2.1	3.4
Total number of employees by type of employment and gender – full-time					
GRI 102-8 c	Total	Headcount	733	313	420
	Share of total headcount	%	78.6	71.5	84.8
	Female	Headcount	365	175	190
	Share of total headcount – female	%	39.1	40.0	38.4
	Male	Headcount	368	138	230
	Share of total headcount – male	%	39.4	31.5	46.5
Total number of employees by type of employment and gender – part-time					
GRI 102-8 c	Total	Headcount	163	88	75
	Share of total headcount	%	17.5	20.1	15.1
	Female	Headcount	141	72	69
	Share of total headcount – female	%	15.1	16.4	13.9
	Male	Headcount	22	16	6
	Share of total headcount – male	%	2.4	3.6	1.2
Total number of employees with other types of employment					
	Total	Headcount	37	37	0
	Share of total headcount	%	4.0	8.4	0.0
	Female	Headcount	22	22	0
	Share of total headcount – female	%	2.4	5.0	0.0
	Male	Headcount	15	15	0
	Share of total headcount – male	%	1.6	3.4	0.0
Information as to whether a significant part of the organisation's activities are performed by neither salaried or wage employees (e.g. temporary employees)					
GRI 102-8 d	Total	Number	166	166	0
	166 freelancers in BUWOG Süd and Nord				
Per cent of total employees covered by collective negotiations					
GRI 102-41	Total	%	52.7	91.5	18.4
Total number and rate of new employees during the reporting period, by age group, gender and region					
GRI 401-1 a	Total [1)]	Headcount	210	114	96
		%	22.5	26.0	19.4
	Female	Headcount	111	60	51
	Male	Headcount	99	54	45
	Under 30 years	Headcount	79	47	32
		%	37.6	41.2	33.3
	Between 30-50 years	Headcount	107	60	47
		%	51.0	52.6	49.0
	Over 50 years	Headcount	24	7	17
		%	11.4	6.1	17.7

GRI Indicator	Indicator description	Unit	2017/18	Austria	Germany
Total number and rate of employee turnover during the reporting period, by age group, gender and region					
GRI 401-1 b	Total[1)]	Headcount	138	69	69
	Turnover rate[1)]	%	14.8	15.8	13.9
	Female	Headcount	79	37	42
	Male	Headcount	59	32	27
	Under 30 years	Headcount	45	25	20
		%	32.6	36.2	29.0
	Between 30-50 years	Headcount	74	39	35
		%	53.6	56.5	50.7
	Over 50 years	Headcount	19	5	14
		%	13.8	7.2	20.3
Average number of training hours per year and employee					
GRI 404-1	Total	Hours	8.3	10.2	7.3
	Female	Hours	8.7	9.4	8.8
	Male	Hours	7.7	11.6	5.7
	With management function	Hours	17.0	19.4	14.0
	Without management function	Hours	7.6	8.9	6.7
Per cent of employees who receive a regular appraisal of their performance and career development					
GRI 404-3	Total	%	90.5	86.5	94.0
Accident rate[2)]					
GRI 403-2 a	Total	%	0.6	0.2	1.0
	Female	%	0.2	0.4	0.0
	Male	%	1.2	0.0	2.1
Type of injury					
	On way to or from work (meniscus rupture)				
Occupational disease rate[2)]					
GRI 403-2 a	Total	%	0.0	0.0	0.0
	Female	%	0.0	0.0	0.0
	Male	%	0.0	0.0	0.0
Rate of lost working days[2)]					
GRI 403-2 a	Total	%	12.6	9.9	15.0
	Female	%	14.1	12.2	16.1
	Male	%	10.6	6.1	13.8
Absence rate[2)]					
GRI 403-2 a	Total	%	27.2	28.6	25.6
	Female	%	28.0	31.8	24.0
	Male	%	26.1	23.9	27.6
Work-related fatal accidents[2)]					
GRI 403-2 a	Total	%	0.0	0.0	0.0
	Female	%	0.0	0.0	0.0
	Male	%	0.0	0.0	0.0
Diversity on management bodies and in workforce					
Persons on management bodies – Executive Board, Supervisory Board					
GRI 405-1 a	Total	Headcount	11	11	0
	Female	Headcount	2	2	0
		%	18.2	18.2	0.0
	Male	Headcount	9	9	0
Employees by category acc. to diversity indicators – employees with disability					
GRI 405-1 b	Total	Headcount	22	3	19
		%	2.4	0.7	3.8
	Female	Headcount	9	2	7
	Male	Headcount	13	1	12
	Asset & Property Management	%	3.3	1.3	4.6
	Property Development	%	0.9	0.0	1.6
	Property Sales	%	0.0	0.0	0.0
	Accounting, Controlling & Finance	%	0.7	0.0	2.0
	Support functions	%	1.7	0.0	3.5
Discrimination incidents and corrective measures taken					
GRI 406-1	Total	Number	0	0	0

GRI 401-1

GRI 404-1

GRI 404-3

GRI 403-2

GRI 406-1

1) Comparative values for 2016 and 2017 are available for these indicators (see the table on page 101).
2) These indicators apply to all employees

EMPLOYEE INDICATORS PREVIOUS YEARS

	30 April 2017	30 April 2016
Employees	781	753
Full-time equivalent	738	717
thereof salaried employees	96%	94%
thereof wage employees	4%	6%
Average age in years	42	42
Official leave	18	16
New hiring	153	146
thereof Germany	43%	34%
thereof Austria	57%	66%
thereof women	53%	55%
thereof men	47%	45%
Resignations	121	102
thereof Germany	43%	59%
thereof Austria	57%	41%
thereof women	52%	59%
thereof men	48%	41%
Turnover rate	13%	14%

INNOVATIONS FOR THE ENVIRONMENT AND SOCIETY

The BUWOG Group participates in research and pilot projects to develop innovations that promise added value for the environment and society. This increases internal know-how and experience and helps the BUWOG Group to prepare for future opportunities and risks. The related projects cover, among others, materials, renaturation, energy supplies, water areas and green areas as well as support for cultural diversity. The issues are addressed individually in various projects, in line with the specifics of the location and features of the property and its environment – and externally rated and certified in many cases.

SUSTAINABLE CONSTRUCTION MATERIALS

The use of building materials sourced from ecologically and socially compatible production is an important sustainability issue for the BUWOG Group. In addition to the Group-wide management approach (see page 87), innovative building materials are also used in pilot projects.

The “52 Grad Nord” new construction project in Berlin-Grünau includes a variety of sustainability elements. A number of research and pilot measures for subsequent scaled application were tested in theory and practice during the planning and development phase, which provided detailed information on the potential and limits of sustainable innovations in residential construction. On this large area in Berlin, the BUWOG Group is currently transforming a former industrial location into a sustainable showpiece property. The site was used by the chemical industry before World War II and up to only a few years ago, and the legacies in the ground water and soil included high-grade pollution. The city of Berlin felt compelled to develop a comprehensive restoration concept. The resulting general framework, which was expanded to include numerous additional sustainability elements, is now being realised as the “52 Grad Nord”, an ambitious model for future restoration and development areas.

Pilot project: thermal insulation with bricks and mineral wool. In its “52 Grad Nord” project in Berlin, the BUWOG Group constructed a building without conventional thermal insulation. It was built with an innovative building material made by Wienerberger, a listed Austrian company. The bricks include resource-conserving, crude-oil free insulating materials made of mineral wool, which eliminate the need for additional resources, added costs and time-consuming measures for the installation of exterior insulation. A longer service life and improved recycling capability are also expected. The extensive cooperation with Wienerberger continued throughout the planning process up to construction supervision and demonstrates the potential created by cooperative supplier relationships. The experience with this building material was so successful that the BUWOG Group is planning to use it in future projects.

Pilot project: wood-hybrid construction. The use of wood in construction at the “52 Grad Nord” development project was extended to other structures during the past year. The facade and roof of additional buildings will be made of pre-fabricated wooden panel elements, while the load-bearing components like the storey ceilings, stairwells and apartment partition walls will be made of concrete. The selection of the materials used, above all insulation, wood and paint, was based on sustainability criteria and certificates.

Wood-hybrid construction in the “52 Grad Nord” development project in Berlin

Pilot project: large-scale recycling of dismantled building materials. In 2017 the BUWOG Group joined Austria’s first large-scale pilot project to remove and recycle entire building components. The dismantling of the former “Coca Cola property” in Vienna’s 10th district prevented roughly 450 tonnes of waste, part of which was recycled (e.g. into roof boards). This work was carried out in cooperation with social-economic companies and recycling firms (e.g. WUK, Caritas, Wiener Volkshochschulen, RepaNet, österreichisches Ökologie-Institut), primarily by persons disadvantaged on the labour market. The BUWOG Group incurred no additional costs for this project. At BUWOG’s future customer and administrative centre on Vienna’s Rathausstrasse, the demolition and removal of the old building substance was also carried out with a focus on sustainability and in cooperation with social-economic companies. This led to a high volume of residual materials (urban mining), which can be returned to the raw material cycle (e.g. aluminium, copper, marble slabs).

SUSTAINABLE ENERGY SUPPLIES FOR BUILDINGS AND QUARTERS

As presented in the management approach to *sustainable energy supplies and consumption by building and residents* on page 80, the BUWOG Group is aware of its responsibility in this area. The following innovative energy concepts, among others, are used in the Group's projects at the building and quarter level.

Pilot project: cogeneration plant in the quarter. A central sustainability aspect in the "52 Grad Nord" new construction project in Berlin-Grünau is the independent supply of heat for the quarter. This heating has a primary energy factor of zero and is sourced chiefly from non-fossil bio-methane gas through a cogeneration plant built especially for this purpose – which also stands out with its green facade. The energy control centre is owned by the BUWOG Group and operated by a contract partner. The first buildings are already receiving heat and warm water supplies. In addition to the 1,000 residential units, the existing reserve capacity could also supply neighbouring buildings in the future.

Co-generation plant at the "52 Grad Nord" development project in Berlin

Research project: smart district with innovative quarter solution. The city of Hamburg has big plans. it wants to become one of the European beacon cities for "smart" urban development in the areas of energy, mobility and communications. Plans call for this goal to be reached with the help of the EU "mySMARTLife" project, which covers cross-border activities by numerous partners from research and municipal administration as well as the business sector to create a more sustainable and intelligent urban infrastructure. New city quarters are planned for the "Stadtquartier an den Stuhlrohrhallen" in the Bergedorf district, which will be used to develop and test innovative solutions for the Hamburg metropolitan region. The BUWOG Group maintains regular contact with the "mySMARTLife" managers, contributes its many years of experience to the project planning and benefits from the interactive exchange of knowledge on "smart" future topics.

WATER AREAS WITH ADDED VALUE

Water basin at the "52 Grad Nord" project in Berlin

In addition to the extensive ground water and soil restoration on the site of the "52 Grad Nord" new construction project in Berlin, the BUWOG Group has created roughly 6,000 sqm of water area at this former industrial location which is embedded harmoniously in the neighbouring landscape on the Dahme River. This water area not only has a positive influence on the microclimate in the residential area of the "52 Grad Nord", e.g. through its buffer and storage effects in the event of heavy rains and flooding, but also offers numerous functional benefits like a water playground for residents. The water flows and cleaning processes are purely biological and based on biotopes and substrate filters. The water supply is generally replenished through rainwater from the surrounding free areas and buildings. The overall water concept as well as the ongoing monitoring and follow-up support will be provided by TU Berlin (scientific aspects) and financed by the BUWOG Group. Green roof and garage areas also contribute to the ecological added value of this green residential complex.

THE GREENING OF THE CITY

The design of ecological open spaces is an important focal point for all BUWOG properties. Many of these properties include extensive green areas which serve as a natural habitat for plants and animals as well as recreational areas for residents. The greening takes place not only at the ground floor level, but increasingly also on roofs and facades. In addition to the optical effects, these areas also have practical functions: for example, they delay the run-off of rainwater into the, in part, congested urban sewage system and make an important contribution to the microclimate, above all by preventing heat island effects in densely built-up areas. Two-thirds of the new construction projects currently in the planning phase will include extensive roof greening. In addition, the BUWOG Group is testing other sustainable utilisation alternatives for roofs in various pilot and research projects.

Research project & cooperative planning: Biotope City. A cooperative planning process at a former industrial site, the "Coca Cola grounds" on Vienna's Triester Strasse, will create a classic example for inner city greening as part of the "Biotope City" joint project. In addition to the previously mentioned project for the large-scale recycling of building materials at this site – similar to recycling on the grounds of BUWOG's "Amelie" development project – the entire planning process for the "Biotope City" will be scientifically supported. The goal of this research project is to simulate microclimatic effects and then implement extensive greening measures across the entire construction site. Decisive for the success of the project is the creation and use of cross connections between the involved planning teams. The resulting GREENpass® tool will help to scale the positive effects developed by the project. The open space design in the "Biotope City" will include, among others, urban gardening beds on the ground floors, green roofs and facades and efficient water supplies for the vegetation.

Extensive greening at the "Amelie" in Vienna's "Biotope City"

Targeted DGNB certification for the “Neumarien” development project in Berlin

BUILDING CERTIFICATION

Various development projects in Germany and Austria are currently working to achieve building certification. This process allows for an external evaluation of the projects with regard to the sustainability of their planning, construction and operation and makes the results visible to investors, owners, tenants and the interested public – generally in the form of a quality seal which summarises the surveyed indicators. The following development projects are expected to receive certification over the coming years: “Neumarien” in Berlin under DGNB Gold, Pergolienviertel and Stellingen-Sportplatzring in Hamburg under NaWoh, BUWOG customer and administrative centre in Vienna under ÖGNI Gold and “SeeSee” in Vienna under TQB.

SUPPORT FOR SOCIAL DIVERSITY

Flat-sharing communities for social institutions. BUWOG’s development projects in Hamburg also include the creation of flat-sharing communities for people with special needs. These facilities will be managed by social institutions and foundations in the future. In addition to living areas, rooms for therapy, training and events are planned. In addition, flat-sharing communities will be created for students who support the social institutions. Ecological aspects also play an important role in the Pergolienviertel and Stellingen-Sportplatzring projects, which are in the initial planning phases: building certification under NaWoh is targeted, certified insulating materials are being used and car-sharing spaces will be included.

Mediation and conflict resolution. The perception of housing quality from the viewpoint of tenants is dependent, among others, on the social situation. Support in the event of conflicts is therefore extremely important, but only possible to a limited extent as part of facility management activities. In 2018 BUWOG and Volkshilfe Wien started a cooperation project “A G‘spia für’s Tier” which will provide BUWOG tenants with professional support from the experienced Volkshilfe staff as needed – during the pilot phase in the greater Vienna area. The goal is to take an individual and customer-oriented approach to tenant conflicts, among others with a focus on pets in the apartment complexes.

OTHER SOCIAL ACTIVITIES

SOCIAL COMMITMENT

The BUWOG Group continued its social commitment in many different ways during the 2017/18 financial year. Christmas gifts for business partners were again waived this year and, as an alternative, donations were made to social projects. The Christmas donation in Austria – similar to 2014 – went to the Amina Association and the project "A home for street children in Senegal". This latter project is developing a day centre in the north of Senegal where homeless children can receive meals, medical care and education. BUWOG's Christmas donation in Germany supported the initiative "Helping hands 4 Greece – bringing ideas to life", which is provides assistance to refugee minors.

SUPPORT FOR THE ARTS AND CULTURE

The BUWOG Group is a proud supporter of the Vienna State Opera and Theater an der Wien (incl. the young ensemble in the Kammeroper) as well as the Salzburg Festival and other concerts and festivals. As a long-standing partner of the Architekturzentrum Vienna (AzW), the BUWOG Group supports the Architecture Lounge and, in this way, contributes to the public discussion on architecture and the building culture. In 2017/18 the BUWOG Group also served as a sponsor of the 24th Life Balls in the Vienna City Hall.

SUSTAINABILITY MANAGEMENT & REPORTING

This report is directed to all stakeholders and other persons who are interested in the ecological, social and economic performance of the BUWOG Group. The management of and reporting on sustainability issues in the BUWOG Group is based on recognised international guidelines and national laws which provide focal points for content and processes and allow for comparability.

REPORTING FRAMEWORK & PUBLICATION SCHEDULE

GRI 102-52
GRI 102-54

This sustainability report represents an integral part of this year's annual report. A comprehensive presentation was also selected this year to avoid repetition: sustainability content is also provided, above all, in the corporate governance report. This non-financial statement was prepared in accordance with the GRI Standards: Core Option and based on the goal to create transparency and allow for a comparison of BUWOG's sustainability activities with other market participants. In addition, this non-financial statement meets the legal and reporting requirements of the Austrian Sustainability and Diversity Improvement Act (*Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG).* The non-financial statement was reviewed by the BUWOG Group's internal audit department.

GRI 102-45
GRI 102-50
GRI 102-51

Reporting is focused on the companies included in BUWOG's scope of consolidation, whereby the data in this report is based on the activities of all BUWOG Group companies in Germany and Austria during the 2017/18 financial year (reporting period: 1 May 2017 to 30 April 2018). Specific projects ("klimaaktiv pakt2020" and the "berufundfamilie audit") are only relevant for Austria. The last sustainability report was published as part of the BUWOG Group 2016/17 annual report on 31 August 2017 and also reflects the GRI G4 level. The GRI-Content Index, which is included at the end of the report (page 278), provides an overview of the GRI elements (including page numbers) addressed in the annual report.

GRI 102-18

ORGANISATIONAL ANCHORING & CONTACT PARTNER

The BUWOG Group has strengthened its efforts in support of sustainability since the previous year. In this connection, sustainability reporting and sustainability management were organisationally bundled in the Controlling Department to coordinate the cooperation across technical functions and departments. Several specialist departments also assumed operational responsibility for BUWOG's key sustainability issues through the integration in their daily activities.

GRI 102-53

CONTACT

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CONSOLIDATED CORPORATE GOVERNANCE REPORT

COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The Executive and Supervisory Boards of BUWOG AG are committed to compliance with the rules of the Austrian Corporate Governance Code, which is recognised on the Vienna Stock Exchange. BUWOG shares are admitted for trading on the Official Market of the Vienna Stock Exchange, the Regulated Market of the Frankfurt Stock Exchange and the Main Market (Rynek podstawowy) of the Warsaw Stock Exchange. The Austrian Corporate Governance Code is the applicable set of regulations because the company's registered office is located in Vienna.

The current version of the code was issued in January 2018 and can be accessed on the website of the Austrian Working Group for Corporate Governance under www.corporate-governance.at and under www.buwog.com (under investor relations). The code comprises a total of 83 rules which are classified under L, C and R categories. "L-Rules" (legal requirements) are based on mandatory statutory provisions. Deviation from the "C-Rules" (comply or explain) must be explained or justified to achieve compliance with the code. The "R-Rules" are recommendations and non-compliance does not require disclosure or justification.

BUWOG AG complied with all rules of the code in 2017/18. PwC Wirtschaftsprüfung GmbH, the auditor of the financial statements, evaluated the corporate governance report as part of its audit review and issued a report which is published on the company's website (www.buwog.com). This evaluation did not lead to any objections.

ANNUAL GENERAL MEETING

All decisions of fundamental importance are taken at the annual general meeting (AGM) of BUWOG AG and include, in particular, decisions on the use of profit, the release of the Executive and Supervisory Board from liability and the election of the auditor as well as decisions on capital measures. BUWOG arranges for a representative to assist shareholders in exercising their voting rights. In addition, shareholders may be represented by a proxy. Each share is entitled to one vote. In accordance with the Austrian Stock Corporation Act (Aktiengesetz) and the Austrian Corporate Governance Code, AGMs are convened at least 28 days before an ordinary annual general meeting and at least 21 days before an extraordinary general meeting. One AGM was held during the reporting year: this fourth ordinary AGM of BUWOG AG took place on 17 October 2017. Moreover, an extraordinary general meeting was held during the current abbreviated 2018 financial year on 4 May 2018. It involved elections to the Supervisory Board and a change in the financial year. The relevant documents for the annual general meetings are published on the company's website and are also available after each annual general meeting together with the voting results.

GRI 102-18

EXECUTIVE BOARD

The Executive Board of BUWOG AG had two members as of 30 April 2018.

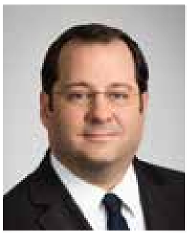
Daniel Riedl was appointed to the Executive Board on 27 November 2013 and has served as its chairman since April 2014. A resolution of the Supervisory Board on 28 April 2016 extended his appointment to 28 April 2021 and revised his contract

In July 2017 the Supervisory Board BUWOG AG appointed Herwig Teufelsdorfer to the Executive Board for a further period of five years, i.e. up to 30 June 2022. An agreement was reached after the balance sheet date on 30 April 2018 under which Herwig Teufelsdorfer will resign from the Executive Board at the latest as of 31 March 2019.

CFO Andreas Segal resigned from the Executive Board of BUWOG AG prematurely and by mutual agreement as of 26 March 2018.

The areas of responsibility of the individual Executive Board members are described below..

DANIEL RIEDL FRICS, CEO



Born on 7 September 1969, appointed Chairman of the Executive Board from 27 November 2013 to 28 April 2021, responsible for development, marketing & communications, human resources & organisation, legal, internal audit, accounting & tax, controlling & risk management, corporate finance & investor relations, technical procurement, IT and compliance, whereby the full Executive Board has functional responsibility for internal audit and compliance.

Daniel Riedl studied business administration in Vienna and is a Fellow of the Royal Institution of Chartered Surveyors. From 2004 to 2011 he headed BUWOG in its previous form. He served on the Executive Board of IMMOFINANZ AG from 2008 to 2014 and chaired the Supervisory Board of BUWOG GmbH from the beginning of 2012 to October 2013. Daniel Riedl does not serve on any supervisory boards or hold similar offices in any other Austrian or foreign company not included in the consolidated financial statements of BUWOG AG. Mr. Riedl was appointed to the Management Board of Vonovia SE on 10 May 2018, i.e. after the balance sheet date on 30 April 2018.

HERWIG TEUFELSDORFER MRICS, COO

Born on 17 March 1969, appointed from 1 July 2015 to 30 June 2022
Responsible for property management, transactions & portfolio management, quality assurance & complaint management

Herwig Teufelsdorfer studied industrial engineering in Graz and corporate real estate management at ebs Oestrich-Winkel. He can look back on a long and successful career in the real estate sector. After managing restructuring projects in the real estate industry for an international consulting company, he was appointed head of corporate and portfolio strategy for the Frankfurt-based Vivico. Other positions included management functions with Austria's Bundesimmobiliengesellschaft BIG, the Bank Austria Real Invest Group and the IVG Group. In March 2014, he joined the management of BUWOG Bauen und Wohnen GmbH and in June 2015 he was appointed to the Executive Board of BUWOG AG. Herwig Teufelsdorfer does not serve on any supervisory boards or hold similar offices in any other Austrian or foreign company not included in the consolidated financial statements of BUWOG AG.

INDEPENDENCE OF THE EXECUTIVE BOARD

The members of the Executive Board are required to take their decisions independent of any personal interests and the interests of controlling shareholders. Moreover, these decisions must be based on well-founded knowledge and comply with all applicable legal regulations. The members of the Executive Board must report any personal interests in the company's transactions or other conflicts of interest to the Supervisory Board without delay and also inform their Executive Board colleagues. Persons serving on the Executive Board may only accept appointments to the supervisory bodies of non-Group companies with the consent of the BUWOG Supervisory Board. The legal prohibition on competition was not revoked.

RESPONSIBILITIES OF THE EXECUTIVE BOARD

	Responsibilities	First elected/ appointed on	Appointed up to	Mandates/functions in other Austrian and foreign companies
Daniel Riedl, FRICS CEO	– Development – Marketing & Communication – Human Resources & Organisation – Legal – Internal Audit – Accounting & Tax – Controlling & Risk Management – Corporate Finance & Investor Relations – Technical Procurement – IT – Compliance	27 November 2013	28 April 2021	Member of the Management Board of Vonovia SE (since 10 May 2018)
Herwig Teufelsdorfer, MRICS COO	– Property Management – Transactions & Portfolio Management – Quality Assurance & Complaint Management	1 July 2015	31 March 2019 at the latest	None

Both members of the Executive Board are responsible for management duties in their functions as managing directors of the following major subsidiaries of BUWOG AG: BUWOG Bauen und Wohnen GmbH, BUWOG Süd GmbH, BUWOG Norddeutschland GmbH and GENA SECHS Immobilienholding GmbH.

GRI 102-18

SUPERVISORY BOARD

The Supervisory Board of BUWOG AG monitors the management of the company by the Executive Board and provides support, in particular, for decisions of fundamental importance. As of 30 April 2018, the Supervisory Board included the following persons: Vitus Eckert (Chairman), Klaus Hübner (Vice-Chairman), Jutta Dönges, Volker Riebel, Stavros Efremdis, Caroline Mocker, Markus Sperber (Works Council representative), Carina Eibl (Works Council representative) and Raphael Lygnos (Works Council representative).

The annual general meeting on 17 October 2017 elected Caroline Mocker to the Supervisory Board to fill the position vacated by the resignation of Oliver Schumy on 6 March 2017. Additional details on the composition of the Supervisory Board and its committees is provided below.

Ten meetings of the Supervisory Board and four meetings of the Audit Committee were held during the reporting year. At the meeting on 26 April 2018, the Supervisory Board discussed the questionnaire and the results of its self-evaluation.

RESPONSIBILITIES OF THE SUPERVISORY BOARD (AS OF 30 APRIL 2018)

	Responsibilities	First elected/ appointed on	Appointed up to	Mandates/functions in other Austrian and foreign companies
Vitus Eckert	– Chairman of the Supervisory Board – Chairman of the Audit Committee – Chairman of the Strategy Committee – Chairman of the Personnel and Nominating Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	27 November 2013	Resigned as of 4 May 2018	– Chairman of the supervisory board of STANDARD Medien AG – Chairman of the supervisory board of Vitalis Food-Vertriebs GmbH – Chairman of the supervisory board of Adolf Darbo AG – Vice-Chairman of the supervisory board of S. Spitz GmbH – Member of the management board of St. Ambrosius AG – Chairman of the Board of Directors, Serone International Ltd., Malta – Chairman of the Board of Directors, Continvest Holdings Ltd., Malta – Member of the executive board of Bronner Familien-Privatstiftung – Member of the executive board of Darbo Familien-Privatstiftung – Member of the executive board of Simacek Privatstiftung – Member of the executive board of NAOMI Privatstiftung – Member of the supervisory board of Vonovia SE (since 9 May 2018)
Klaus Hübner	– Vice-Chairman of the Supervisory Board – Vice-Chairman of the Audit Committee – Vice-Chairman of the Strategy Committee – Vice-Chairman of the Personnel and Nominating Committee – Financial expert – Independent as per C-Rules 53 and 54 Corp. Gov. Code	March 2014	AGM 2019	– Member of the supervisory board of Steuerberater und Wirtschaftsprüfer GmbH – Managing director of Klaus Hübner Steuerberatungs GmbH
Volker Riebel	– Member of the Supervisory Board – Member of the Personnel and Nominating Committee – Member of the Strategy Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	15 May 2014	Resigned as of 4 May 2018	– Vice-chairman of the supervisory board of ARBIREO Capital AG – Vice-chairman of the supervisory board of CD Deutsche Eigen-heim AG – Managing director and share-holder of Carpe Diem GmbH – Chairman of the advisory board of Netsec GmbH & Co KG

Jutta Dönges	– Member of the Supervisory Board – Member of the Audit Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	15 May 2014	Resigned as of 4 May 2018	– Vice-chairman of the administrative board of FMS Wertmanagement AöR – Member of the administrative board of Erste Abwicklungs-anstalt AöR
Stavros Efremidis	– Member of the Supervisory Board – Member of the Strategy Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	8 June 2015	Resigned as of 4 May 2018	– Management board of GODEWIND Immobilien AG
Carina Eibl	– Member of the Supervisory Board – Member of the Audit Committee	20 December 2016 Appointed by the Salaried Employees Works Council		None
Markus Sperber	– Member of the Supervisory Board – Member of the Audit Committee – Member of the Strategy Committee	2 June 2014 Appointed by the Salaried Employees Works Council		None
Raphael Lygnos	– Member of the Supervisory Board – Member of the Strategy Committee	2 June 2014 Appointed by the Salaried Employees Works Council		None

VITUS ECKERT

born on 14 July 1969, Chairman of the Supervisory Board from 27 November 2013 to 7 March 2014 and from 7 March 2014 to 15 May 2014; subsequently re-appointed on 15 May 2014.

KLAUS HÜBNER

born on 9 November 1952, appointed from 7 March 2014 to 15 May 2014; since 15 May 2014 appointed up to the annual general meeting that will pass resolutions on the 2018/19 financial year, Vice-Chairman of the Supervisory Board since 7 March 2017.

VOLKER RIEBEL

born on 15 October 1955, appointed on 15 May 2014.

JUTTA DÖNGES

born on 9 May 1973, appointed on 15 May 2014.

STAVROS EFREMIDIS

born on 27 September 1968, appointed on 8 June 2015.

CAROLINE MOCKER

born on 9 April 1971, appointed on 17 October 2017.

CARINA EIBL

born on 6 August 1989, appointed to the Supervisory Board by the Salaried Employees Works Council on 20 December 2016.

MARKUS SPERBER

born on 1 July 1985, appointed to the Supervisory Board by the Salaried Employees Works Council on 2 June 2014.

RAPHAEL LYGNOS

born on 31 July 1980, appointed to the Supervisory Board by the Salaried Employees Works Council on 2 June 2014.

Following the successful takeover offer by Vonovia SE (see the details under *Investor Relations* beginning on page 66 and *Ownership Structure* on page 166), the Supervisory Board members (shareholder representatives) elected by the annual general meeting resigned after the end of the reporting year on 30 April 2018: Vitus Eckert (Chairman of the Supervisory Board), Volker Riebel, Jutta A. Dönges, Stavros Efremidis and Caroline Mocker MRICS. These resignations took effect at the end of the extraordinary general meeting on 4 May 2018.

The extraordinary general meeting on 4 May 2018 elected the following persons to the Supervisory Board of BUWOG AG by a large majority. Their terms of office extend to the end of the annual general meeting which will vote on the 2022 financial year:

- Rolf Buch, born on 2 April 1965
- A. Stefan Kirsten, born on 22 February 1961
- Helene von Roeder, born on 5 June 1970
- Fabian Heß, born on 17 March 1974
- Sabine Gleiß, born on 20 August 1966

As a result of the changes in the composition of the Supervisory Board after 30 April 2018, the constituent meeting of the Supervisory Board on 4 May 2018 elected a new presidium and new members for the committees. The following table shows the current composition of the Supervisory Board and its committees:

RESPONSIBILITIES OF THE SUPERVISORY BOARD (SINCE 4 MAY 2018)

	Responsibilities	First elected/ appointed on	Appointed up to
Rolf Buch	– Chairman of the Supervisory Board – Chairman of the Strategy Committee – Chairman of the Personnel and Nominating Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	4 May 2018	AGM 2022
A. Stefan Kirsten	– Vice-Chairman of the Supervisory Board – Chairman of the Audit Committee – Vice-Chairman of the Strategy Committee – Vice-Chairman of the Personnel and Nominating Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	4 May 2018	AGM 2022
Klaus Hübner	– Member of the Supervisory Board – Member of the Audit Committee – Member of the Strategy Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	7 March 2014	AGM 2019
Helene von Roeder	– Member of the Supervisory Board – Vice-Chairman of the Audit Committee – Member of the Strategy Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	4 May 2018	AGM 2022
Fabian Heß	– Member of the Supervisory Board – Independent as per C-Rules 53 and 54 Corp. Gov. Code	4 May 2018	AGM 2022
Sabine Gleiß	– Member of the Supervisory Board – Member of the Personnel and Nominating Committee – Independent as per C-Rules 53 and 54 Corp. Gov. Code	4 May 2018	AGM 2022
Carina Eibl	– Member of the Supervisory Board – Member of the Audit Committee	20 December 2016 Appointed by the Salaried Employees Works Council	
Markus Sperber	– Member of the Supervisory Board – Member of the Audit Committee – Member of the Strategy Committee	2 June 2014 Appointed by the Salaried Employees Works Council	
Raphael Lygnos	– Member of the Supervisory Board – Member of the Strategy Committee	2 June 2014 Appointed by the Salaried Employees Works Council	

SUPERVISORY BOARD COMMITTEES

The Supervisory Board had three committees as of 30 April 2018:

AUDIT COMMITTEE

– Vitus Eckert, Chairman
– Klaus Hübner, Vice-Chairman
– Jutta Dönges, Member
– Carina Eibl, Member
– Markus Sperber, Member

The Audit Committee deals with accounting issues. It is responsible for examining and preparing the approval of the annual financial statements and the management report, the consolidated financial statements and the group management report, the recommendation for the distribution of profit and the consolidated corporate governance report. Other duties include the following: the monitoring of accounting, the effectiveness of the internal control system and the audit of the annual and consolidated financial statements; the procedure for selecting an auditing firm and a subsequent recommendation for this appointment to the Supervisory Board; reporting on the results of the audit to the Supervisory Board; and verification and control of the auditor's independence. The Audit Committee met four times during the 2017/18 financial year which ended on 30 April 2018. The main topic of the meeting on 9 May 2017 was the selection of an auditor for the 2017/18 financial year. Discussions in the meeting on 24 August 2017 concentrated primarily on the audit of the annual and consolidated financial statements, the consolidated corporate governance report and the use of profit for 2016/17. The meeting on 17 October 2017 dealt, among others, with the internal audit department's activity report for the first half-year. The fourth meeting took place on 26 April 2018, whereby the agenda included the audit schedule for 2017/18, the internal audit activity report and planning for the internal audit reviews in 2018/19.

Legal regulations and the Austrian Corporate Governance Code require the Audit Committee to have at least one financial expert. This expert is Klaus Hübner. Two Works' Council members were also appointed to the Audit Committee. All members of the Audit Committee are well-acquainted with the area of business (sector) in which BUWOG operates.

STRATEGY COMMITTEE

– Vitus Eckert, Chairman
– Klaus Hübner, Vice-Chairman
– Volker Riebel, Member
– Stavros Efremidis, Member
– Raphael Lygnos, Member
– Markus Sperber, Member

The Strategy Committee is responsible for regularly evaluating the Group's strategy and advising the Executive Board on related issues. It assesses strategic opportunities for development, with the aim of improving the BUWOG Group's long-term competitive position and increasing the sustainable creation of value for shareholders. Accordingly, this committee monitors relevant market events, reviews opportunities for future development and monitors the growth of the BUWOG Group with regard to decisions on investments, disinvestments and restructuring measures. The Strategy Committee is also authorised to take decisions in urgent cases. In 2017/18 the full Supervisory Board dealt with the above issues and focal points during its regular meetings.

PERSONNEL AND NOMINATING COMMITTEE

– Vitus Eckert, Chairman
– Klaus Hübner, Vice-Chairman
– Volker Riebel, Member

The Personnel and Nominating Committee submits proposals to the full Supervisory Board for the appointment of members to vacant positions on the Executive and Supervisory Boards and deals with succession planning. It also addresses the remuneration of the Executive Board members and the terms of their employment contracts. In 2017/18 the Personnel and Nominating Committee took its decisions at three meetings and through circular resolutions. The resolutions passed on 4 July 2017 defined the target-based annual variable bonuses (STI) for the Executive Board in 2017/18 and set the long-term targets for the LTIP 2017. Decisions were also taken on the nomination of new Supervisory Board members and the extension of the employment contract for Herwig Teufelsdorfer as a member of the Executive Board. The target attainment for the Executive Board's annual variable bonus (STI) for the 2016/17 financial year was approved through a circular resolution. In accordance with C-Rule 43 of the Austrian Corporate Governance Code, the Personnel and Nominating Committee – which also carries out the functions of a remuneration committee – must include at least one member who has knowledge and experience in the area of remuneration policies; this member is Vitus Eckert.

SUPERVISORY BOARD COMMITTEES

Audit Committee	Strategy Committee	Personnel and Nominating Committee
Vitus Eckert, Chairman	Vitus Eckert, Chairman	Vitus Eckert, Chairman
Klaus Hübner, Vice-Chairman	Klaus Hübner, Vice-Chairman	Klaus Hübner, Vice-Chairman
Jutta Dönges	Volker Riebel	Volker Riebel
Carina Eibl	Stavros Efremidis	
Markus Sperber	Raphael Lygnos	

The Supervisory Board elections at the extraordinary general meeting on 4 May 2018 were followed by a constituent meeting of the Supervisory Board on 4 May 2018 which also included the election of new members for the committees.

As of 4 May 2018, the members of the Supervisory Board committees are as follows:

Audit Committee	Strategy Committee	Personnel and Nominating Committee
A. Stefan Kirsten, Chairman	Rolf Buch, Chairman	Rolf Buch, Chairman
Helene von Roeder, Vice-Chairman	A. Stefan Kirsten, Vice-Chairman	A. Stefan Kirsten, Vice-Chairman
Klaus Hübner	Klaus Hübner	Sabine Gleiß
Carina Eibl	Helene von Roeder	
Markus Sperber	Markus Sperber	
	Raphael Lygnos	

INDEPENDENCE OF THE SUPERVISORY BOARD

The members of the Supervisory Board are required to represent the interests of the company and must disclose any conflicts of interest. They may not accept positions on the corporate bodies of any companies that compete with BUWOG AG.

The Chairman of the Supervisory Board, Vitus Eckert, is a partner in Eckert Fries Prokopp Rechtsanwälte GmbH, based in Baden bei Wien. This law firm charged fees of EUR 4,141.20 for legal advice to BUWOG Group companies in 2017/18. The terms of these fees, above all the hourly rates, reflect standard market conditions. BUWOG provides property management services for Serone International Ltd., a company in which Mr. Eckert serves on a corporate body.

One Supervisory Board member is a tenant in a BUWOG apartment, and a close family member of a Supervisory Board member purchased two newly built apartments from the BUWOG Group in 2017/18. One of the Executive Board members submitted a purchase offer for a newly built BUWOG apartment.

There are no other contracts within the scope of L-Rule 48 between members of the Supervisory Board and BUWOG AG or its subsidiaries in which a member of the Supervisory Board holds a significant economic interest. The members of the Supervisory Board have defined C-Rule 53 of the Austrian Corporate Governance Code and the guidelines included in Annex 1 of the code as the criteria for their independence. All members declared their independence in accordance with these criteria in 2017/18. They also meet the additional independence criteria defined in C-Rule 54 of the code in that they do not represent any shareholders with holdings of more than 10% or the interests of such shareholders within the meaning of this rule.

CRITERIA FOR THE INDEPENDENCE OF THE SUPERVISORY BOARD

In accordance with C-Rule 53 of the Austrian Corporate Governance Code, a Supervisory Board member is considered to be independent if he/she has no professional or personal relationships with the company or its Executive Board that could constitute a material conflict of interest and therefore be likely to influence the member's behaviour. The Supervisory Board of BUWOG AG has adopted the following guidelines, which are defined in Annex 1 to the Austrian Corporate Governance Code, as the criteria for evaluating the independence of its members:

- The Supervisory Board member may not have been a member of the Executive Board or a key employee of the company or a subsidiary of the company during the past five years.
- The Supervisory Board member may not presently have/or, in the previous year, had any business relations with the company or a subsidiary of the company of a scope material for that Supervisory Board member. This also applies to business relationships with companies in which the Supervisory Board member holds a significant financial interest, but does not include positions on Group corporate bodies. The approval of individual transactions by the Supervisory Board in accordance with L-Rule 48 does not automatically result in qualification as not independent.
- The Supervisory Board member may not have been an auditor of the company or a shareholder or employee of the examining audit company during the previous three years.
- The Supervisory Board member may not be an executive board member in another company in which an Executive Board member serves on the supervisory board.
- The Supervisory Board member may not serve on this body for more than 15 years. This criterion does not apply to Supervisory Board members who are shareholders with an entrepreneurial interest or who represent the interests of such shareholders.
- The Supervisory Board member may not be a close family member (direct descendant, spouse, life partner, parent, uncle/aunt, brother/sister, nephew/niece) of an Executive Board member or a person in one of the positions described above.

COOPERATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The members of the Executive Board and Supervisory Board work closely together to meet their obligations for the benefit of the company. They support each other as best as possible and in accordance with the principles of good corporate governance. The Executive Board prepares the documents for the meetings of and resolutions by the Supervisory Board and submits these documents on a timely basis. Its members conduct open discussions with the Supervisory Board, consult with the latter on the company's strategic direction and report on the implementation of the corporate strategy. The Executive Board informs the Supervisory Board immediately of any significant events that are of particular importance for the company's profitability or liquidity.

REMUNERATION OF THE EXECUTIVE BOARD

The remuneration of the Executive Board members includes a fixed component and an annual, target-based, variable bonus (STI). The bonus is based on pre-defined targets, whereby qualitative and quantitative categories are linked to appropriate indicators. The LTIP 2014, a long-term incentive programme under which the CEO was granted options to purchase BUWOG shares, and the LTIP 2017, a long-term incentive programme which granted the Executive Board members options to be settled in cash, were paid out in cash in connection with the takeover offer by Vonovia SE.

FIXED REMUNERATION COMPONENT

The members of the Executive Board receive a fixed gross annual salary, which is paid in 14 equal instalments on the customary payment dates. In addition to this fixed remuneration, the Executive Board members receive non-cash compensation in the form of a company car and Andreas Segal also received housing during his term on the Executive Board. A payment equal to 10% of the respective fixed salary each year is transferred to a defined contribution pension plan on behalf of each Executive Board member. Details on this plan are provided in the notes to the consolidated financial statements. Directors' and officers' liability (D&O) insurance with coverage of EUR 30 million has been arranged for the management bodies of BUWOG AG. This insurance does not include any deductible for the involved managers.

TARGET-BASED ANNUAL VARIABLE BONUS (STI)

The STI ranges from 37.5% to 100% of the fixed salary depending on the Executive Board member and is calculated in accordance with following stipulations: An annual target is set in advance in agreement with the Personnel and Remuneration Committee of the Supervisory Board, with goals defined in both qualitative and quantitative categories. These goals include Recurring FFO and earnings before tax at a weighting of 40% each, while other individual goals comprise 20% of the STI. A component equal to 80% of the target-based bonus is accounted for by including 1/14 with each regular salary payment. The final amount of the STI is set by the Supervisory Board or the Remuneration Committee after the approval of the annual financial statements. It is communicated in writing no later than four weeks after receipt of the audited annual financial statements and distributed, after the deduction of the advance payments, with the next salary instalment. Any excess must be repaid by the Executive Board member, and the payments on account for the following financial year are reduced accordingly. In accordance with Section 77 of the Austrian Stock Corporation Act, the variable remuneration approved by the Supervisory Board may not exceed the annual net profit recorded by the company. The Supervisory Board may also grant the members of the Executive Board a special bonus for exceptional performance during a financial year. The contracts with all members of the Executive Board include a change of control clause that defines their entitlements in the event of premature termination. Depending on the remaining term of the Executive Board member, the respective contract entitlement will equal one or two years at most. In 2016/17 Recurring FFO was higher than the target and profit before tax clearly exceeded the target. The individual targets were met to different degrees by the Executive Board members. The total attainment equals 100%, and the STI is payable in full after deduction of the advance payments.

EXECUTIVE BOARD REMUNERATION

	Daniel Riedl				Andreas Segal			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	720.0	720.0	720.0	720.0	450.0	450.0	450.0	450.0
Remuneration in kind	11.5	11.5	11.5	11.5	23.8	23.8	23.8	32.3
Pension fund contributions	72.0	72.0	72.0	72.0	45.0	45.0	45.0	45.0
Total fixed remuneration	**803.5**	**803.5**	**803.5**	**803.5**	**518.8**	**518.8**	**518.8**	**527.3**
Short-term incentive	300.0	0.0	300.0	300.0	250.0	0.0	250.0	250.0
Total variable remuneration	**300.0**	**0.0**	**300.0**	**300.0**	**250.0**	**0.0**	**250.0**	**250.0**
Total remuneration	**1,103.5**	**803.5**	**1,103.5**	**1,103.5**	**768.8**	**518.8**	**768.8**	**777.3**

	Herwig Teufelsdorfer			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	289.3	289.3	289.3	250.0
Remuneration in kind	11.5	11.5	11.5	11.5
Pension fund contributions	25.0	25.0	25.0	25.0
Total fixed remuneration	**325.8**	**325.8**	**325.8**	**286.5**
Short-term incentive	291.7	0.0	291.7	250.0
Total variable remuneration	**291.7**	**0.0**	**291.7**	**250.0**
Total remuneration	**617.5**	**325.8**	**617.5**	**536.5**

A provision of TEUR 2,520.0 was recognised for a severance payment to Andreas Segal as settlement for the remaining term of his employment contract and in exchange for his agreement to waive the special termination right.

LONG-TERM INCENTIVE PROGRAMME (LTIP)

In addition to the STI, a long-term incentive programme was implemented for the members of the Executive Board to support target-based performance and strengthen ties with the company. This programme links part of the variable remuneration to the development of the BUWOG share price in line with long-term corporate goals, strengthens the motivation of the Executive Board members and their ties to BUWOG AG and further synchronises the interests of the Executive Board members with the interests of BUWOG's shareholders.

Long-Term Incentive Programme 2014 (LTIP 2014)
The AGM on 14 October 2014 approved a conditional capital increase to grant stock options to CEO Daniel Riedl and former Executive Board member Ronald Roos as part of the long-term incentive programme 2014. The LTIP 2014 covered a total of 720,000 options for the purchase of BUWOG shares at an exercise price of EUR 13.00 per share. The granted stock options were divided into basic options and three tranches of bonus options, whereby the vesting period depended on the attainment of performance targets for the respective financial year based on the applicable stock exchange price in relation to the EPRA NAV per share.

Ronald Roos utilised this right after his resignation from Executive Board to prematurely exercise all eligible options and subsequently purchased 160,000 BUWOG shares. Since the performance targets for the bonus option tranches had been met, Executive Board member Daniel Riedl was entitled to exercise options for the purchase of 480,000 BUWOG shares during the period from 1 May 2018 to 30 April 2019. In connection with the takeover by Vonovia SE (see the details under *Investor Relations* beginning on page 66 and *Ownership Structure* on page 166), the value of these options (i.e. EUR 16.05/option representing the difference between Vonovia's offer price and the defined purchase price) was paid out to Mr. Riedl in cash without the delivery of shares.

LTIP 2014 – OPTIONS AND PERFORMANCE TARGETS

Type	Basic options	Bonus options Tranche 1	Bonus options Tranche 2	Bonus options Tranche 3	Total
Period	Start	1st year FY 2014/15	2nd year FY 2015/16	3rd year FY 2016/17	–
NAV target[1)]		85.0%	92.5%	100.0%	–
Daniel Joachim Riedl (CEO)	75,000	100,000	130,000	175,000	480,000
% rate	16%	21%	27%	36%	100%
Target share price	achieved	achieved	achieved	achieved	–

1) Share price over the NAV on five trading days as of the preceding balance sheet date.

Long-Term Incentive Programme 2017 (LTIP 2017)
In March 2017 the Supervisory Board approved a long-term incentive programme (LTIP 2017) for Daniel Riedl, Andreas Segal and Herwig Teufelsdorfer. The LTIP 2017 comprised variable remuneration with cash settlement options equalling up to 40% of total remuneration.

The LTIP 2017 involved the granting of options to the Executive Board members on the basis of defined allocation and exercise conditions, whereby the number of options to be granted for a specific financial year was dependent on the attainment of agreed performance targets. These performance targets were met for the 2015/16, 2016/17 and 2017/18 financial years and entitled the Executive Board members to the following stock options with cash settlement ("synthetic options"): Daniel Riedl: 35,915 options, Andreas Segal: 62,985 options and Herwig Teufelsdorfer: 54,368 options. In connection with the takeover by Vonovia SE (see details under Investor Relations beginning on page 66 and Ownership Structure on page 166), the synthetic options contractually attributable to each of the Executive Board members were settled prematurely as of 30 April 2018 through a cash payment which was based on the share price in the takeover offer. Mr. Riedl received EUR 1,043,330.75 and Mr. Segal EUR 1,923,047.58 (in each case, excl. related payroll costs). A provision of EUR 1,784,432.42 was recognised for the obligation to Mr Teufelsdorfer.

REMUNERATION OF THE SUPERVISORY BOARD

In accordance with a resolution of the AGM on 17 October 2017, the members of the Supervisory Board received remuneration of EUR 309,450.00 for the 2016/17 financial year in addition to the reimbursement of their expenses.

The Supervisory Board discussed and approved the following remuneration system:

REMUNERATION OF THE SUPERVISORY BOARD – BASIC
per year in EUR

Function	Fixed remuneration	Remuneration per committee membership
Chairman	80,000	13,300
Vice-Chairman	60,000	10,000
Member	40,000	6,700

This resulted in the following distribution for the 2016/17 financial year:

REMUNERATION OF THE SUPERVISORY BOARD 2016/17

Remuneration in EUR	Chairman Vitus Eckert	Vice-Chairman Oliver Schumy	Member Jutta Dönges	Member Klaus Hübner	Member Volker Riebel	Member Stavros Efremidis
Fixed remuneration	80.000		40,000	43,333	40,000	40,000
Audit committee	13,300		1,117	7,250		
Strategy committee	13,300			1,667	6,700	1,117
Personnel committee	13,300			7,250	1,117	
Total	**119,900**	1)	**41,117**	**59,500**	**47,817**	**41,117**
Total FY 2016/17						**309,450**

1) Oliver Schumy waived payment of this remuneration due to his position as CEO of IMMOFINANZ AG.

The above amounts for the 2016/17 financial year were paid out in 2017/18. The members of the Supervisory Board have not yet received any remuneration for the 2017/18 financial year. The AGM on 2 October 2018 will decide on the remuneration of the Supervisory Board for this financial year. The consolidated financial statements include provisions of TEUR 397.0 for this remuneration (see the consolidated financial statements, note 7.7.2 *Information on corporate bodies and remuneration*).

COMPLIANCE

The Executive Board of BUWOG AG has issued a compliance guideline that is directed to preventing the misuse and dissemination of insider and compliance-relevant information. This guideline is based on Regulation (EU) 596/2014 of the European Parliament and the Council dated 16 April 2014 (on market abuse), the Austrian Stock Exchange Act and the Austrian Issuer Compliance Directive. The rules of the compliance guideline apply to all employees of the BUWOG Group and to the members of the Supervisory Board. The Executive Board views this guideline as a way to ensure equal treatment for all shareholders, to prevent conflicts of interest and to represent the interests of all stakeholder groups.

BUWOG organises regular training courses to familiarise managers, people working in confidentiality areas and all other employees with the provisions of this compliance guideline and to create a greater awareness for the need to treat confidential information responsibly. Blackout periods and trading bans are implemented before sensitive company events, such as the publication of quarterly and annual results. BUWOG has also appointed a compliance officer and deputy who report directly to the Executive Board. Adherence to the compliance guideline is confirmed by continuous monitoring.

In addition, BUWOG has issued an anti-corruption guideline as well as an e-learning tool for anti-corruption training which is based on the UN Global Compact's online e-learning tool. This anti-corruption guideline also requires mandatory compliance by all employees of the BUWOG Group. Business partners were actively informed of the BUWOG Group's principles and expectations regarding the prevention of and fight against corruption. The compliance officers report regularly, at least four times each year, to the Executive Board and at least once each year to the Supervisory Board on the observance of the compliance guideline and measures to prevent corruption in the company.

MEASURES TO SUPPORT WOMEN

BUWOG AG offers equal compensation, equal opportunities for promotion and equal working conditions to male and female employees. As of 30 April 2018, women held 33.3% of all management positions. The Supervisory Board of BUWOG AG included three women during the 2017/18 financial year: Jutta Dönges, Caroline Mocker and Carina Eibl (Works Council representative). The new members of the Supervisory Board who were elected by the extraordinary general meeting on 4 May 2018 also include two women: Helene von Roeder and Sabine Gleiß (shareholder representatives).

Women accounted for 56.47% of the BUWOG Group's workforce as of 30 April 2018.

In order to create even better conditions for working women with families, BUWOG AG actively supports the work-life balance. The company's efforts in this area were audited in 2017/18 and, in autumn 2017, BUWOG was awarded the Austrian "berufundfamilie" quality label. This audit created a greater awareness for work, family and private life in the BUWOG Group and has led to the implementation of additional family-friendly measures that are coordinated to meet the needs of everyone involved.

BUWOG's previously available part-time working options were expanded to include a company agreement for teleworking, and the meeting policy was revised to guarantee even easier participation by part-time staff. A video conference system has been installed in one meeting room and will be extended to other conference areas if the feedback is positive. A family officer was designated, among others, to increase the awareness for this issue at Executive Board and department head meetings. The current management training programme was also enlarged to include a module on "family-friendly management".

A folder was prepared with useful tips for pregnancy, parental leave and part-time work for parents, which also explains measures for more extensive contact with men and women on leave. BUWOG AG invites these parents to a breakfast meeting every six months to maintain contact and facilitate the return to work.

DIVERSITY CONCEPT

BUWOG AG does not follow a clearly defined diversity concept in the sense of Section 243c (2) no. 2a of the Austrian Commercial Code as regards appointments to the Executive Board and Supervisory Board. The Supervisory Board is responsible for making recommendations to the annual general meeting for elections to the Supervisory Board and for appointments to the Executive Board. The diversity aspects listed in Section 243c (2) no. 2a of the Austrian Commercial Code (age, gender, education and professional experience) and the international aspects for supervisory board members which are discussed in L-Rule 52 of the Austrian Corporate Governance Code are acknowledged and reflected in connection with specific appointment decisions or recommendations. Additional aspects like technical qualifications, (international) experience, expertise, specific requirements, availability etc. are also taken into account. The Supervisory Board considers it essential to maintain flexibility in weighting these diverse factors in appointment decisions for the Executive Board and recommendations for election to the Supervisory Board. Therefore, the definition of a binding diversity concept with abstract goals in connection with the composition of the company's Executive and Supervisory Board is not considered expedient or practicable.

DIRECTORS' DEALINGS

In accordance with Article 19 Section 1 of Regulation (EU) 596/2014 of the European Parliament and the Council dated 16 April 2014 (on market abuse), members of management and persons closely related to these mangers are required to report all purchases and sales of BUWOG shares and financial instruments to the company and the Financial Market Authority. These transaction reports are disclosed on the BUWOG website.

The shares held by the individual members of the Executive Board and Supervisory Board were tendered to Vonovia SE in connection with the takeover offer. Consequently, there were no holdings in financial instruments of BUWOG AG – direct or indirect – by members of the Executive Board or Supervisory Board as of 30 April 2018.

INTERNAL AUDIT

In accordance with C-Rule 18 of the Austrian Corporate Governance Code, an internal audit function was installed as a separate staff department reporting to the Executive Board. The Audit Committee of the Supervisory Board receives at least one report each year on the audit schedule and the results of these reviews. The Audit Committee meeting on 26 April 2018 unanimously acknowledged and approved the audit plan for 2018/19.

EXTERNAL EVALUATION

BUWOG AG arranged for an external audit of its compliance with the provisions of the Austrian Corporate Governance Code in 2017/18 by PwC Wirtschaftsprüfung GmbH. The report on the external evaluation of this compliance is available for download at www.buwog.com under "Investor Relations/Corporate Governance/Reports".

DEAR SHAREHOLDERS

BUWOG AG can once again look back on an extremely successful financial year in which the development business, above all, was expanded according to plan and the company strategy was also successfully implemented in the other divisions. This business development was accompanied by further optimisation in financing. In the 2017/18 financial year, Vonovia SE's successful takeover offer to BUWOG AG's shareholders was a defining one for the entire BUWOG Group team. In addition to the Executive Board, the Supervisory Board of BUWOG AG also supported the offer.

In the 2017/18 financial year, the work of the Supervisory Board was not carried out in the current composition, which has only been in place since 4 May 2018. I would therefore like to begin the report of the Supervisory Board by extending my sincere thank you to the members of the Supervisory Board who resigned as of 4 May 2018, Dr. Volker Riebl, Dr. Jutta A. Dönges, Mr. Stavros Efremidis, Ms. Caroline Mocker, and my predecessor in the position of chairman of the Supervisory Board, Mr. Vitus Eckert. They have played a significant role in shaping the successful path of BUWOG AG in recent years.

In order to optimise the financing structure, a capital increase from authorised capital with shareholder subscription rights was successfully concluded in June 2017. This capital measure was received very positively on the market and carried out under very favourable terms. A total of 12,471,685 BUWOG shares were placed at an issue price of EUR 24.50, which was above the last published EPRA-NAV per share at the time of EUR 22.86. Gross proceeds of EUR 305.6 million were generated from the issue.

SHARE

From the beginning of the financial year on 1 May 2017 until the reporting date on 30 April 2018, the BUWOG share reported growth in value of 13% to EUR 29.04. Thus as of 30 April 2018, the BUWOG share listed at a premium of approximately 12.3% on EPRA NAV. This development in share price is largely attributable to the fact that Vonovia SE carried out a successful takeover bid to gain control.

COMPOSITION OF THE SUPERVISORY BOARD

After Dr. Oliver Schumy resigned his mandate on 6 March 2017, to attain the number of six Supervisory Board members (shareholder representatives) again, Ms. Caroline Mocker, MSc MRICS was elected a member of the Supervisory Board at the 4th Ordinary Annual General Meeting of the company held on 17 October 2017, effective as of the end of the meeting.

As a result of the successful takeover offer by Vonovia SE and in line with the Business Combination Agreement concluded between BUWOG and Vonovia SE, Supervisory Board members (shareholder representatives) Mr. Vitus Eckert, Dr. Volker Riebl, Dr. Jutta A. Dönges, Mr. Stavros Efremidis and Ms. Caroline Mocker MSc MRICS resigned their mandates after the balance sheet date, effective as of the end of the Extraordinary General Meeting held on 4 May 2018. At this Extraordinary General Meeting on 4 May 2018, Mr. Rolf Buch, Mr. A. Stefan Kirsten, Ms. Helene von Roeder, Ms. Sabine Gleiß and Dr. Fabian Heß were elected to the Supervisory Board of BUWOG, each until the end of General Meeting resolving on the 2022 financial year. At the inaugural meeting of the Supervisory Board on 4 May 2018, Rolf Buch was elected chairman, Dr. A. Stefan Kirsten was elected vice chairman, and the committees were newly appointed. The details of the composition, activity and remuneration of the Supervisory Board and its committees are presented in the consolidated corporate governance report on page 111ff, where the corporate governance instruments of BUWOG AG are also extensively explained.

CHANGES ON THE EXECUTIVE BOARD

In the course of Vonovia SE's successful offer for takeover, Deputy CEO and CFO Andreas Segal resigned from the Executive Board by mutual agreement with the Supervisory Board, effective at the end of 26 March 2018. Andreas Segal's areas of responsibility will be handled by Mr. Daniel Riedl until further notice. The areas of competence are detailed in the consolidated corporate governance report on page 109ff.

The mandate of Executive Board member Herwig Teufelsdorfer was extended from 4 July 2017 to 30 June 2022 in the first quarter of the 2017/18 financial year by resolution of the Personnel and Nominating Committee of the Supervisory Board. After the balance sheet date of the 2017/18 financial year, it was agreed with the Supervisory Board that Herwig Teufelsdorfer would prematurely resign after the after the shareholders' exclusion demanded by Vonovia SE became effective, but no later than 31 March 2019.

SHAREHOLDER STRUCTURE

The shareholder structure of the company changed significantly in the past 2017/18 financial year. Vonovia SE acquired around 73.8% of the BUWOG shares during the offer period from 5 February 2018 to 12 March 2018, following a successful public takeover bid to gain control. By the time of the reporting date, this shareholding was increased to more than 90% within the legally extended offer period and through the conversion of convertible bonds due in 2021 and through parallel acquisitions.

The free float is therefore below 10% as of the reporting date. On 20 June 2018, Vonovia SE demanded the exclusion of minority shareholders ("squeeze-out"). On 2 October 2018 in accordance with Section 1 (1) of the Austrian Squeeze-Out Act, the ordinary General Meeting is to resolve the transfer of the shares of the minority shareholders to Vonovia in exchange for reasonable cash compensation.

DETAILED INFORMATION FROM THE EXECUTIVE BOARD

The Supervisory Board works closely with the Executive Board and supports its plans. The entire Supervisory Board carried out its responsibilities under the law and Articles of Association with utmost diligence.

The Executive Board continually, promptly and comprehensively informed the Supervisory Board about significant business matters in reports and in meetings of the Supervisory Board. On this basis of this, the Supervisory Board was also able to perform its monitoring function and to examine whether executive management operated in an orderly manner. These examinations did not result in any objections.

COMPANY

A capital increase with shareholder subscription rights was successfully carried out in June 2017. Around 12.5 million new BUWOG shares were issued at a price of EUR 24.50, thus at a premium above the last published EPRA-NAV per share of EUR 22.86 at the time.

At the Annual General Meeting on 4 May 2018, the election of five new members of the Supervisory Board and the conversion of the financial year to the calendar year were approved.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR 2017/18

The Executive Board presented the Supervisory Board with the following documents: the annual financial statements for 2017/18, which were prepared in accordance with the Austrian Commercial Code *(Unternehmensgesetzbuch)*, along with the management report; the consolidated financial statements for 2017/18, which were prepared in accordance with the International Financial Reporting Standards (IFRS), along with the group management report; the Executive Board's recommendation for the distribution of profit; and the consolidated corporate governance report for 2017/18. The annual financial statements for 2017/18 and the management report as well as the consolidated financial statements for 2017/18 and group management report were audited

Rolf Buch
Chairman of the Supervisory Board

by PwC Wirtschaftsprüfung GmbH, an auditing firm for financial and consolidated financial statements, and each awarded an unqualified opinion.

The annual financial statements and the consolidated financial statements as well as the auditor's reports were discussed in detail by the Audit Committee in the presence of the auditor's representatives and the Executive Board and reviewed in accordance with Section 96 of the Austrian Stock Corporation Act *(Aktiengesetz)*. Following this examination and discussion, the members of the Audit Committee unanimously agreed to recommend the unqualified acceptance of these documents to the Supervisory Board. The Supervisory Board accepted the annual financial statements on 30 April 2018 in the meeting on 23 August 2018 and thereby approved them in accordance with Section 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also supports the Executive Board's proposal to the annual general meeting for the distribution of a dividend in the amount of EUR 0.69 per share, or a total of around EUR 85.7 million. This corresponds to a return of 2.4% per share based on the closing price of the share on 30 April 2018 and around EUR 2.7% of EPRA Net Asset Value.

The consolidated corporate governance report was evaluated by PwC Wirtschaftsprüfung GmbH for compliance with the provisions of the Austrian Corporate Governance Code and was audited and approved, as was the non-financial report specially prepared by the Supervisory Board. Neither the consolidated corporate governance report nor the non-financial report provided cause for objection.

On behalf of the entire Supervisory Board, I would like to thank the members of the Executive Board and all employees of the BUWOG Group for their outstanding commitment, which not only contributed to the success of the company, but played an essential role in the successful conclusion of the takeover by Vonovia SE.

Vienna, 23 August 2018

For the Supervisory Board

Rolf Buch
Chairman

GROUP MANAGEMENT REPORT

GENERAL ECONOMIC ENVIRONMENT

STEADY GROWTH IN THE GLOBAL ECONOMY

The global economy continued its steady expansion in 2017 but, according to an estimate by the World Bank, will also be faced with fundamental challenges in 2018. The recent introduction of reciprocal tariffs by the USA and China, and the USA and the EU, are generally viewed as a danger for the economic outlook with a significant inherent potential for weakening growth. Other negative factors include the still unclear terms for Great Britain's exit from the EU, which would only have an adverse effect over the medium-term, as well as the uncertainty over the positions of the EU member states with regard to refugees.

Estimates by the World Bank indicate that the worldwide growth of 3.1% in 2017 should be followed by a generally stable trend with a plus of 3.1% in 2018 and 3.0% in 2019. In the USA, the economic upturn is continuing with forecasts pointing to a GDP increase of 2.7% in 2018 and 2.5% in 2019. The European Central Bank (ECB) has held its key interest rate at 0.0% since the current record low was reached in March 2016 – and at least up to the publication date for this report – in order to stimulate the economy and raise annual inflation to the targeted 2.0% over the medium-term. The European Commission is projecting growth of 2.1% for the EU and the Eurozone in 2018, with a slight decline to 2.0% in 2019.

ECONOMIC INDICATORS AT A GLANCE

	GDP growth 2017 in %	Forecasted growth rate 2018 in %	Forecasted growth rate 2019 in %	Unemployment rate May 2018 in %	Annual inflation rate May 2018 in %	Gross national debt to GDP 2017 in %	Change in gross national debt from previous year in PP
EU-28	2.4	2.1	2.0	7.0	2.0	81.6	-1.6
Eurozone (19 member countries)	2.4	2.1	2.0	8.4	1.9	86.7	-2.3
Germany	2.2	1.9	1.9	3.4	2.2	64.1	-4.1
Austria	3.0	2.8	2.1	4.6	2.1	78.3	-5.3

Source: European Commission, Eurostatt

GROWTH IN EUROPE EXCEEDS EXPECTATIONS

GDP growth rates surpassed all expectations in 2017 and, at 2.4%, reached the highest level in 10 years. Calculations by the European Commission in spring 2018 show a quarter-on-quarter increase of 2.7% on average for the 28 EU member states in the fourth quarter of 2017, which represents a continuation of the current growth course in spite of the regional differences. The positive trend on the Eurozone labour market is continuing: the unemployment rate in the EU-28 equalled 7.0% in May 2018, for a decline from 7.7% in the previous year. The number of unemployed persons in the EU-28 fell to 1.8 million in year-on-year comparison, which represents the highest level of employment since August 2008.

This sound development is supporting the reduction of government deficits and public sector debt and also improving conditions on the labour market. The overall budget deficit in the Eurozone currently equals less than one per cent of GDP and, according to expectations by the European Commission, should fall below three per cent in all Eurozone countries this year. The main drivers for this growth include a high degree of confidence on the part of consumers and companies, a stronger global economy, low financing costs, healthier finances in the private sector and better conditions on the employment market.

The Eurozone economy was stronger than expected at 2.4% in 2017 and should remain stable based on steady consumption and sound export and investment activity. Growth in both the EU and Eurozone states is projected to reach 2.3% this year, but the European Commission is expecting a slight decline to 2.0% in both areas for 2019. The labour market should show further improvement, supported by the favourable economic climate, rising domestic demand, structural reforms and public sector measures. The reforms and fiscal policies implemented by a number of member states are playing an important role in job creation and led to a decline in the unemployment rate in the Eurozone (EU 19) from 9.2% in the previous year to 8.4%. Consumer price inflation weakened during the first quarter of this year but, according to the European Commission, should rise slightly over the coming quarters as a result of the latest oil price increase. In total, the European Commission expects inflation in the Eurozone will reflect the 2017 level at 1.5% in 2018 before increasing slightly to 1.6% in 2019.

STABLE GROWTH IN GERMANY

The stable trend that took hold in Germany at year-end 2016 should continue during 2018, according to the European Commission. The German economy generated the strongest growth since 2011 with a sound plus of 2.2% in 2017, whereby dynamic private household consumption, favourable financing conditions, a stable employment market, construction investments and other public spending measures served as the main drivers. In its spring forecast, the German federal government is projecting real GDP growth of 2.3% in 2018 and 2.1% in 2019 (2017: 2.2%). The IfW Kiel issued a GDP estimate for 2018 at mid-year which reduced its forecast to 2.0%; in 2019 growth should return to 2.3%.

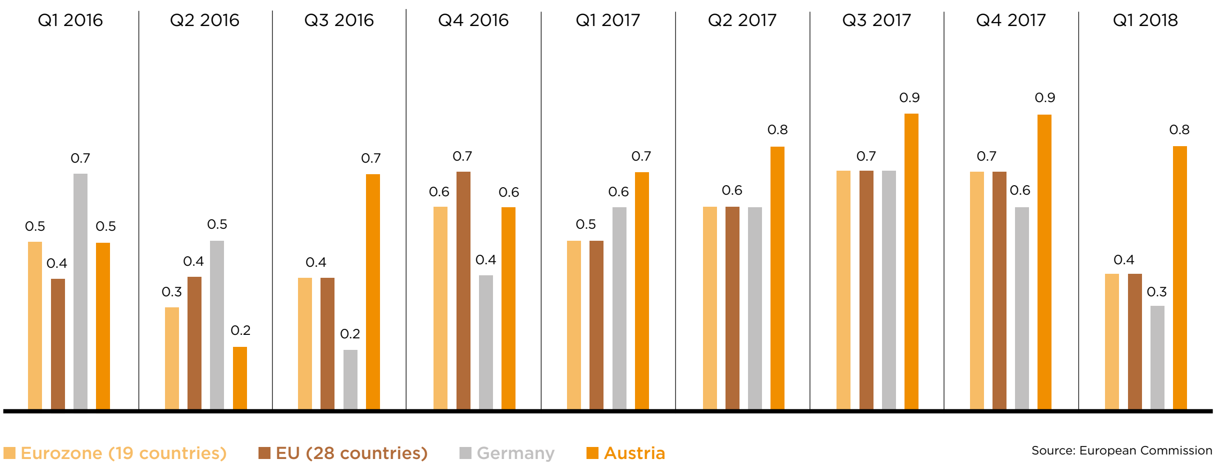
Developments on the German labour market were positive during the 2017/18 financial year. The working population grew by 638,000 year-on-year in 2017 according to the Federal Statistical Office and has now reached the highest level since reunification. In May 2018, the domestic economy presented a solid picture with stable unemployment of only 3.4% and low inflation of 0.6%. The seasonally adjusted unemployment rate based on national calculations equalled 5.0% in June 2018.

Inflation rose above the 2017 average of 1.8% to 2.2% in spring 2018. Higher prices, above all for heating oil, fuel and foodstuffs, were responsible for this increase. The investment sentiment among German companies is also expected to play an important role in economic growth over the coming years. Gross investments have risen steadily since 2010. Of special note is the price-adjusted rise of 3.4% in construction investments (2016: 3.1%), which reflects the strong development in the residential sector.

STRONG GROWTH IN AUSTRIA

The solid 1.5% increase in 2016 was followed by a near doubling of real GDP growth to 2.9% in 2017 and also led to an upward revision in the European Commission's forecasts for 2018 and 2019 to 2.8% and 2.1%. In its mid-year forecast, the economic research institute WIFO is projecting GDP growth of 3.2% in 2018, with weaker momentum for 2019. The positive development of the Austrian economy in 2017 was supported, above all, by public and private sector spending. Investment activity, rising public (+1.4%) and private (+1.6%) consumption, not least due to the additional expenditures for refugees, and the 2015/16 wage tax reform will be the main drivers for the projected acceleration of growth over the coming years. The unemployment rate fell substantially to 4.6% at the end of May 2018 and, according to the Austrian calculation method, the seasonally adjusted unemployment rate equalled 7.7% in May 2018. The annual inflation rate, based on the consumer price index, is projected to remain relatively constant at 2.1% in 2018 (2017: 2.2%), before declining slightly to 1.9% in 2019. The investment sentiment in the Austrian economy improved year-on-year, with gross investment rising to 23.5% of GDP.

DEVELOPMENT OF REAL GDP
in comparison to the previous quarter, in %



Source: European Commission

DEVELOPMENT OF THE PROPERTY MARKETS

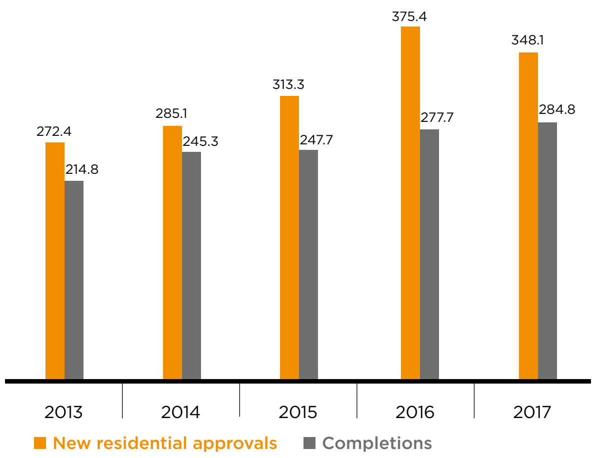
The BUWOG Group's strategic business model is focused on Asset Management (management of investment properties), Property Development (new construction projects) and Unit Sales (sale of individual apartments). These residential property markets in the BUWOG's two segments – Austria and Germany – are described more closely in the following section, whereby the main emphasis is on the core regions that are particularly important for the BUWOG Group's portfolio.

RESIDENTIAL MARKET – GERMANY

The interest of national and international investors in residential properties on the German market remained high during the 2017/18 financial year. A CBRE market study of the residential property investment market in Germany showed an increase in residential portfolio transactions (> 50 units) to the highest level since 2011 with a plus of 11% to EUR 15.2 billion in 2017 (2016: EUR 13.7 billion). The transaction volume was only higher in 2015, primarily due to a number of takeovers and the purchase of investments in larger housing corporations. Market developments in 2016 were influenced mainly by two multi-billion transactions, while the results for 2017 reflect a large number of transactions in the triple-digit million range. Berlin was again a key focal point for national and international investors, whereby rising interest was noted in properties under construction and in future development projects. A total of EUR 4.4 billion was invested in development projects in Germany during 2017 (2016: EUR 3.5 billion), including 50% or EUR 2.2 billion (2016: EUR 1.2 billion) in the growth and investment location Berlin.

For 2018, CBRE is expecting a transaction volume similar to 2017 based on individual takeovers and medium-sized portfolios that are current in the sale pipeline. Investments in residential property portfolios amounted to EUR 6.8 billion alone in the first quarter of 2018, with forward purchases and forward fundings of new construction projects responsible for EUR 1.8 billion of this total. Additionally, there is no end in sight to the upward trend in purchase prices for multi-family dwellings, residential property portfolios and residential development projects. The stable economic environment in Germany and the growing political uncertainty in other European countries will lead to a further influx of international investors on the German residential property market in the coming year. The current interest rate policies of the European Central Bank (ECB) are continuing to supply the financial markets with sufficient liquidity at historically low rates. The increase in real estate purchase prices has been substantially higher than the development of rental prices since 2015 and resulted in a yield compression combined with a sharp rise in purchase price multipliers and a decline in the purchase yields for residential portfolios. In particular, the low level of new construction and rising migration to most of the German cities has led to a continuation of the recent rental and purchase price trends at a high level.

NEW RESIDENTIAL APPROVALS AND COMPLETED APARTMENTS
in Germany, in 1,000



Source: Statistisches Bundesamt, Germany

Germany has been witnessing significant population growth since 2011 as a result of regular migration by workers, students and family members and an increased influx of refugees and asylum seekers. A total of 3.7 million persons relocated to Germany from 2011 to 2016, roughly 52% through regular migration. According to estimates by the Federal Statistical Office, the population totalled 82.8 million at year-end 2016 (no updates available; 2015: 82.2 million). The number of households has risen to roughly 41.0 million (2015: 40.8 million), which represents an average household size of two persons. The country had roughly 16.8 million single person households in 2016 (41%). Nearly 55% of all German households live in rented apartments, and the share of households in rented apartments is particularly high in the singles/ single parent plus children segment at over 70%.

Estimates by the Council of Real Estate Experts *(Rat der Immobilienweisen)* in their 2018 spring report show a year-on-year increase of 4.3% in rents across Germany during 2017 (2016: 2.6%) – which underscores the continuing, and stronger, growth in rents. Average rents equal roughly EUR 7.46 per sqm, which represents an increase of EUR 1.36 per sqm or 22% over the 2010 level. The top seven cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) have seen a further significant and strong upward trend in rental prices, which is the result of high immigration and internal migration to these popular cities as well as expectations of a further sharp rise in new contract rental prices, above all in Berlin, Hamburg and Munich. This development has been accompanied by a sharp drop in vacancies and rising demand for newly constructed buildings. Forecasts also point to a long-term increase in the prices for rental apartments and condominiums in Berlin and Munich.

The above report also shows a further year-on-year increase of 7.9% in real estate purchase prices during 2017 (2016: +8.8%) that exceeded the 4.3% growth in average rents. Nationwide purchase prices rose by 56% over the 2010 level in 2017, an increase which is explained by low interest rates or a catch-up effect and, according to the experts, not by a real estate bubble.

The Federal Statistical Office reported a reduction of 7.3% in the number of building permits to roughly 348,100 in 2017 (2016: 375,400). This decline was related, above all, to construction projects in existing buildings, residences, condominiums, single-family houses and multi-family dwellings. Completions in 2017 covered 284,800 apartments (2016: 277,700). In order to meet the current very strong demand, above all in the top cities, additional new construction of approx. 272,000 apartments per year up to 2020 is expected.

Berlin. With approx. 3,712,000 residents on over 892,000 sqm, Berlin is the largest city in Germany as well as the seat of the federal government and the country's capital. The Berlin-Brandenburg Statistical Office placed the growth in the city's population at nearly 41,000 in 2017, which represents the largest component of the country's migration surplus. The number of private households totalled nearly 2.0 million, including 1.1 million single person households and 0.6 million two person households. The average household currently has 1.8 persons. The latest demographic forecast for Berlin by the Berlin-Brandenburg Statistical Office projects a further, but slower increase in the population to approx. 3.9 million by 2030. Berlin is one of Europe's most important centres for politics, media, culture and science. With nearly 31.2 million overnight stays and over 13 million visitors in 2017, tourism is also a major factor and growth driver for the local economy. In addition to the high, attractive quality of life, Berlin's economic indicators – like the employment rate and income level – have improved substantially and explain the strong influx into the city.

The Berlin building supervisory authorities issued building permits for 24,473 apartments in 2017, which represents a slight decline of 1.3% compared with the previous year (2016: 25,063 apartments). The majority of 21,562 apartments represent new construction, while 3,181 apartments were created through construction in existing buildings (e.g. lofts). Most of the approved apartments are located in the Pankow, Berlin-Mitte and Lichtenberg districts. Building rights approvals are generally delayed by a lack of personnel resources in the city's planning agencies and the strict regulations defined by the Berlin model for cooperative site development. These regulations establish numerous requirements for investors which include the assumption of costs for site development, the creation of places in day care facilities and elementary schools as well as restrictions on rental prices and occupancy (approx. 30% of the living space). Further details are provided in the section on *Property Development.* In addition, the construction costs for new buildings and for maintenance and cosmetic repairs in existing buildings have risen significantly due to the high order levels in the involved companies. A total of 15,670 apartments were completed in Berlin during 2017 (+14.7% vs. 2016). However, the number of condominiums declined by 17.3% year-on-year to 4,785. Initial surveys by CBRE indicate that the rental market is continuing to gain momentum, following a longer focus of new construction in Berlin on condominiums. According to the 267 development projects analysed in the 2018 Berlin housing market report by CBRE and Berlin Hyp, more than half of the nearly 35,000 units planned for the coming years will be realised as rental apartments. This estimate is increased by the addition of the new condominiums which are purchased as investments and subsequently rented out. Another important trend is the growing involvement of public companies in new construction. For roughly 9,600 of the analysed apartments, these companies will develop projects internally or acquire properties from private sources after completion. Half of the planned apartments are under construction in the Berlin-Mitte, Lichtenberg and Friedrichshain-Kreuzberg districts. Neukölln, Steglitz-Zehlendorf and Reinickendorf together comprise less than 10% of the planned units.

The 2018 Berlin housing market report by CBRE and Berlin Hyp shows a continued increase in rents and prices on the Berlin housing market in 2017. The median level for quoted rents rose by 8.8%, compared with a plus of 5.6% in 2016. At the end of 2017, advertised rents in Berlin equalled EUR 9.79 per sqm on average. The median quoted rents in Friedrichshain-Kreuzberg, Berlin-Mitte and Charlottenburg-Wilmersdorf, the three districts with the largest city centres, exceeded EUR 11.00 per sqm, with Friedrichshain, Kreuzberg and the old Berlin-Mitte tending towards EUR 12 per sqm. Median rents below EUR 9.00 per sqm were only found in the four outlying districts, Marzahn-Hellersdorf, Reinickendorf, Spandau and Treptow-Köpenick. However, the general shortage is also driving quoted rents in these outlying areas.

Berlin's condominium market is also characterised by rising prices and a declining supply: the medium quoted prices per square metre were 12.7% higher year-on-year in the first three quarters of 2017 and last equalled over EUR 3,700 per sqm. The prices for newly built condominiums are increasing even stronger than rental prices.

A particularly high increase has been noted in quoted prices for the lower market segment: the median price rose by 17.2% and in individual districts by 25% or more due to the, in part, very low baseline; however in absolute numbers, the increase has remained below the market as a whole. Quoted prices in the top apartment segments of Berlin-Mitte and Friedrichshain-Kreuzberg rose by more than EUR 1,100 per sqm, but by a lower rate in other areas. Prices have also been influenced by the supply shortage. The number of advertised condominiums was 12.5% lower during the 2017 survey period than in the comparable months of 2016. Many owners are reluctant to sell due to a lack of investment alternatives and hopes of a further increase in value. In addition, many of the Berlin districts are attempting to limit the conversion from rental to condominium units with special regulations. New construction is seeing a clear shift from the condominium to the rental sector. The condominium market is concentrated in the inner city – from both quantity and price. More than 40% of the offering was recently focused on the three urbane districts of Charlottenburg-Wilmersdorf, Mitte and Friedrichshain-Kreuzberg. Charlottenburg-Wilmersdorf has the largest individual market by far with nearly one-fifth of all Berlin offers. The offer prices in these three districts plus Pankow are higher than the median level for the entire Berlin market. With the exception of Pankow, they amount to substantially more than EUR 4,000 per sqm.

In the upper segment of the most expensive one-tenth, the above districts (excl. Pankow) have median quoted prices over EUR 7,000 per sqm – as well as a peak value of over EUR 8,600 per sqm in Berlin-Mitte. Prices in the top areas of Pankow, Steglitz-Zehlendorf and Tempelhof-Schöneberg have risen to over EUR 6,000 per sqm. Average purchase prices on the market for apartment houses and single-family homes amounted to roughly EUR 2,800 per sqm in the first quarter of 2018 based on purchase price parameters of 28- to 30-times the annual net in-place rent.

Region Hamburg and Schleswig-Holstein. The Hanseatic city of Hamburg, the second largest city in Germany, had a population of 1,810,438 as of 31 December 2016 according to the Statistical Office North. Recent demographic developments indicate that the official city forecasts (Demografie-Konzept 2030) of 1,854,000 residents in 2030 will be reached in only a few years. The increase in the population and number of households reflects the city's stable and diverse economy as well as the high quality of life, which have led to a steadily expanding demand overhang on the housing market and a slight rise in rental prices in recent years.

The strong demand on the Hamburg housing market has led to a continuous increase in new development projects over recent years. The BUWOG Group entered this development market in April 2016 with the purchase of a 42,700 sqm site in Hamburg-Bergedorf to continue the expansion of its Property Development business area at a third location in line with the expected dynamic market trends and very robust socio-demographic framework. According to the Hamburg – Schleswig-Holstein Statistical Office, 7,920 new apartments were completed and building permits were issued for 12,465 new apartments in Hamburg during 2017. The CBRE-empirica vacancy index 2017 placed apartment vacancies in Hamburg at 0.6% at year-end 2016.

Quoted rents are rising due to the low level of vacancies and, according to CBRE, reached an average of EUR 11.00 per sqm at the end of 2017 (2016: EUR 10.50 per sqm). The quoted prices for condominiums are also increasing and averaged roughly EUR 4,140 per sqm (2016: EUR 3,915 per sqm). The demand for apartments remains focused on the central and inner city areas in popular residential districts. However, there is a growing interest in development areas with larger units at less central locations – which is also driving rental and purchase prices in these areas. At the present time there are no signs of a trend reversal in the strong demand for housing in Hamburg.

Surrounding areas of Hamburg. The tense situation on the housing market in Hamburg has also spread to the surrounding areas. The result has been further steady population growth and an increase in the number of households plus a rising demand for apartments and higher rental prices – and a trend that is expected to continue. The most important urban centres include Ahrensburg as well as the cities of Reinbek, Glinde, Norderstedt, Henstedt-Ulzburg and Kaltenkirchen, where the BUWOG Group holds standing investments. Average rents range from EUR 8.00 to 9.25 per sqm. In the Segeberg district, the average apartment rent equals EUR 8.50 per sqm, although higher rents can be realised depending on the proximity to Hamburg.

Kiel. This capital city and largest metropolitan area in the state of Schleswig-Holstein had a population of roughly 249,200 at the end of 2017. Kiel is a traditional commercial hub with a focus on engineering and shipping as well as an prominent university city with roughly 34,000 students. According to official forecasts (Statistik der Landeshauptstadt Kiel) the population is projected to rise to approx. 268,300 by 2030. The demand for housing will continue to increase, also due to the steady growth in the number of households. This development, in turn, will lead to an increase in rental prices because of the limited supply and the low level of vacancies and new completions.

According to CBRE, the average quoted monthly rent equalled EUR 7.76 per sqm in 2017 (2016: EUR 7.34 per sqm). The average quoted prices for condominiums have risen steadily for five years and reached a new record of nearly EUR 2,320 per sqm in 2017 (2016: EUR 2,160 per sqm). The CBRE-empirica vacancy index 2017 placed vacancies in Kiel at 1.5% at the end of 2016.

Lübeck. As the second largest city in Schleswig-Holstein, Lübeck is located in the direct catchment area of the Hamburg metropolitan region. The population has risen consistently in recent years and totalled 219,255 at the end of 2017. Lübeck has a number of attractive residential locations due to the expansive stretches of water and historic city centre. The economy is broadly diversified across sectors ranging from the food industry to trade, services and logistics. This solid economic foundation combined with four universities and the largest Baltic Sea port make Lübeck an interesting and stable growth location.

The average quoted rent equalled EUR 7.80 per sqm in 2017 according to CBRE (2016: EUR 7.29 per sqm). The average quoted prices for condominiums rose to a new high of nearly EUR 2,600 per sqm in 2017 (2016: EUR 2,080 per sqm), whereby the significant increase resulted in part from a higher volume of newly built apartments. The CBRE-empirica vacancy index 2017 reported a vacancy rate of 1.4% for Lübeck at the end of 2016.

Brunswick-Hannover region. The largest cities in this region are Hannover with approx. 532,900 residents and Brunswick with approx. 250,400 residents (each in 2017). Hannover, the capital city of Lower Saxony, is a very attractive and stable economic centre and the headquarters for numerous DAX- and MDAX-listed companies like Volkswagen, Continental, Talanx and TUI. It is also an important university city and the location of Hannover Medical School.

Quoted rents in Hannover averaged EUR 7.97 per sqm in 2017 (2016: EUR 7.67 per sqm). The average quoted prices for condominiums rose by almost 10% year-on-year to nearly EUR 2,690 per sqm in 2017 (2016: EUR 2,450 per sqm. According to the CBRE-empirica vacancy index 2017, the vacancy rate in Hannover equalled 1.6% at the end of 2016.

Brunswick is the economic and cultural centre of the south-eastern region of Lower Saxony. It is an administrative and service hub as well as a traditional university and research town which benefits, not least, from close proximity to the Volkswagen Group in Wolfsburg.

Quoted rents in Brunswick averaged EUR 7.78 per sqm in 2017 (2016: EUR 7.50 per sqm). The purchase prices for condominiums followed this development with a lag, but rose to an average of EUR 2,200 per sqm for new units in 2017 (2016: EUR 2,100 per sqm). The vacancy rate according to the CBRE-empirica vacancy index 2017 equalled 2.0% at the end of 2016.

RESIDENTIAL MARKET – AUSTRIA

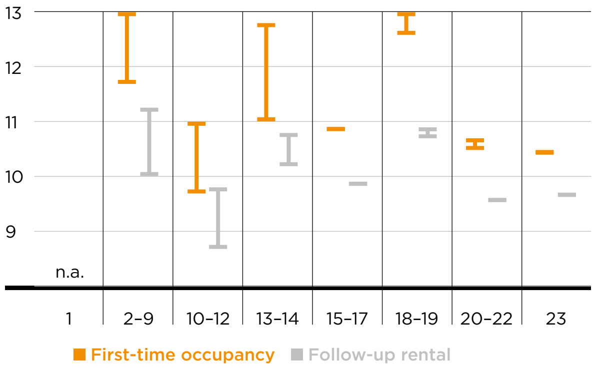
The CBRE investment market report shows a record transaction volume of nearly EUR 5.0 billion for the Austrian real estate market in 2017 – which represents a substantial increase over both the previous high of EUR 3.8 billion in 2015 and the more moderate volume of EUR 2.8 billion recorded in 2016. Investors' interest was focused primarily on the office sector in the second half of 2017 (approx. 69%), followed by retail properties (approx. 13%) and residential properties (approx. 10%). In contrast, hotels and mixed-use properties comprised a substantially lower component of the total investment volume at under 5% for each of these two asset classes. All of the transactions were characterised by higher prices and a related slight decline in yields to a maximum of less than 4.0%.

The residential market is still influenced by steady population growth, a continuous decline in the average household size and ongoing urbanisation. Statistik Austria reports an increase in the nation's population to 8,772,865 in 2017 (approx. 38% of this growth is attributable to the capital city of Vienna). The number of private households totalled 3.86 million, including 1.43 million single person households.

According to Statistik Austria, the average ownership rate on the Austrian housing market was comparatively low in international comparison at 57% in 2016. There is a substantial difference between regions: in rural areas (e.g. Burgenland) ownership ranges up to 80%, while in urban regions, especially Vienna, 79% of the population lives in rented housing. The high share of rentals in the metropolitan areas is explained, above all, by the high proportion of subsidised and social housing with low net cold rent, which is a result of the government's "affordable housing" policy. Roughly 60% of all households in rented properties live in subsidised council housing or cooperative apartments that are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz). The average rent (net cold rent plus operating costs) equalled EUR 7.70 per sqm in the fourth quarter of 2017 (Q4 2016: EUR 7.43 per sqm) or roughly EUR 510 per month. The increase in rental prices, especially in urban regions, is a direct result of the strong demand for housing that has resulted from migration, combined with an insufficient volume of completions (approx. 50,000 apartments per year in the entire country). This additional demand is developing primarily in the lower and middle price segments because the population growth is supported primarily by immigrants with low incomes and limited wealth. The extensive supply of subsidised, non-profit and municipally owned apartments in Vienna is also not large enough to satisfy the rising demand for affordable housing.

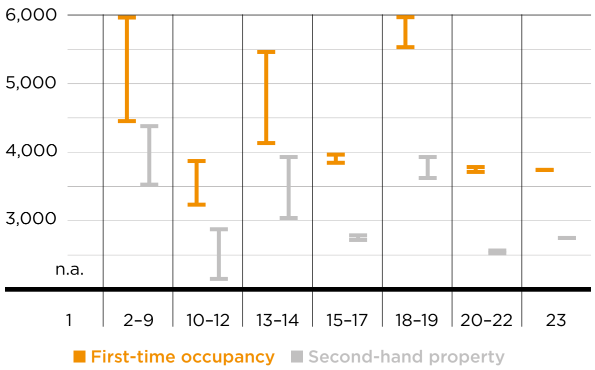
The amendment to the Austrian Non-Profit Housing Act passed by Austrian Parliament and enacted on 1 January and 1 July 2016 clarified several factors which are relevant for the rental market in this country – rental prices, the maintenance and improvement contribution and maintenance works. The most important effects of this amendment on the BUWOG Group are provided under *Asset Management.*

RENTAL PRICE LEVEL VIENNA
by district in EUR per sqm



Source: Erster Wiener Wohnungsmarktbericht 2017 by BUWOG Group/EHL

PURCHASE PRICE LEVEL VIENNA
by district in EUR per sqm



Source: Erster Wiener Wohnungsmarktbericht 2017 by BUWOG Group/EHL

Vienna. The population in Vienna rose to approx. 1.87 million at the beginning of 2017 as the result of immigration and an increase in the birth rate, and preliminary data published by Statistik Austria show further growth to roughly 1.89 million by the end of that year. Based on the number of residents, Vienna is now the sixth largest city in the EU and the second largest city in the German-speaking countries after Berlin. This population growth is creating new social and economic momentum. Vienna was recently rated the most liveable city in the world by the international "Quality of Living" study, the most thriving city in the world by the UN Habitat and one of the most innovative cities in the world by the "Innovation Cities Global Index". Robust economic development combined with a liveable environment lead to projections of continued growth in the city's population to two million by 2023. Statistics show roughly 905,000 private households at the end of 2017, with nearly 401,000 single person households, 504,000 multi-person households and an ownership rate of 19%. According to a joint study on the Vienna housing market by the BUWOG Group and EHL (Erster Wiener Wohnungsmarktbericht 2018), Vienna should have more than one million private households in 2030. The residential market in Vienna covers an area of approx. 415,000 sqm and is characterised by high building density in the inner city districts with few undeveloped areas for new construction projects. The steady population growth and resulting strong demand for housing led to a further increase in rental prices during the reporting year – also due to the still low level of new completions (2015: approx. 7,300).

There are still significant price differences in the condominium segment of the Vienna residential market which – similar to the rental segment – are dependent on the location of the property. The charts on the left show the price levels for rental and condominium apartments, aggregated by district and classified by rental units and condominiums.

GENERAL REFERENCES AND SOURCES

The data on Austria was obtained from Statistik Austria and a study published by the BUWOG Group in cooperation with EHL (Erste Wiener Wohnungsmarktberichts 2018), unless indicated otherwise. Information from the Federal Statistical Office and comparable state agencies was used to obtain consistent and comparable data on Germany. Property-specific data was taken from the CBRE market reports, unless indicated otherwise.

DEVELOPMENT OF THE FINANCIAL MARKETS

INTEREST RATES AND REFINANCING

The central banks have overshadowed the financial markets for a number of years. Their monetary policies – which, in some cases have included unconventional measures – have come to dictate the actions of the capital market players, while their decisions and, above all, their non-decisions have dominated market activities to a great extent.

Developments on the international stock, currency and financial markets during the 2017/18 financial year were influenced, among others, by the trade dispute with the USA, political tensions in Italy and the slow implementation of the results from the Brexit referendum as well as the continuing negative effects of migration on the political situation.

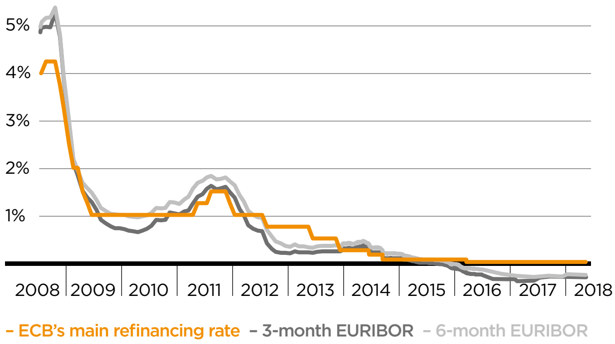
In the United States, the reporting year brought a further increase in stock prices and GDP growth as well as low unemployment. There is continuing uncertainty, however, over the effects of planned and partially implemented capital market measures and the gradual increase in interest rates by the US Federal Reserve. Three increases in 2017 raised the key interest rate to a range of 1.75% to 2.00% as of 13 June 2018, and further increases are expected to follow this year.

DEVELOPMENT OF KEY INTEREST RATES

The ECB's key interest rate remained unchanged at 0.00% during the 2017/18 financial year. The annual low was reached by the three-month EURIBOR at –0.332% on 19 July 2017 and by the six-month EURIBOR at –0.279% on 31 January 2018. Both rates also continued at a low level after the end of the reporting year on 30 April 2018.

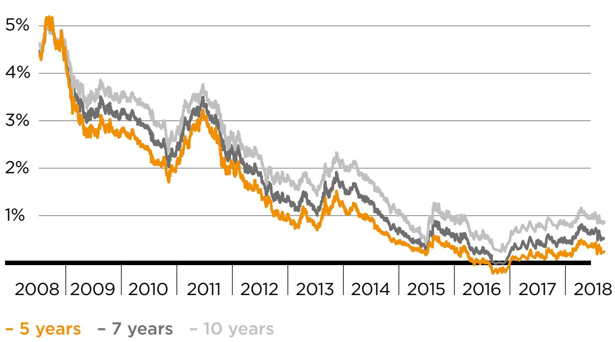
An upward trend in long-term swap rates was noted in 2017/18. The development of swap rates is particularly important for the BUWOG Group in the fair value measurement of financial liabilities and derivatives (non-cash effect) and for the hedging of interest rate risks (cash effect). Details of the effects on the BUWOG Group's financial results are provided in this management report under the sections on *Financing* and the *Asset, financial and earnings position*.

ECB MAIN REFINANCING RATE VS. EURIBOR
1 May 2008 to 30 April 2018



Source: Bloomberg

EUR SWAP RATES
1 May 2008 to 30 April 2018



Source: Bloomberg

THE ECB'S MONETARY MEASURES

On 14 June 2018, the ECB's Governing Council announced its intention to terminate, by the end of 2018, the quantitative easing (QE) programme which was introduced in early 2015 to stimulate the economy and raise inflation to the Maastricht target of "close to but below" 2%. Monthly bond purchases by the ECB are expected to remain constant at EUR 30 billion up through September and then decline by half by the end of the year. The termination of the QE programme will again move key interest rates into the foreground of monetary policy management.

DEVELOPMENT OF FINANCING PARAMETERS

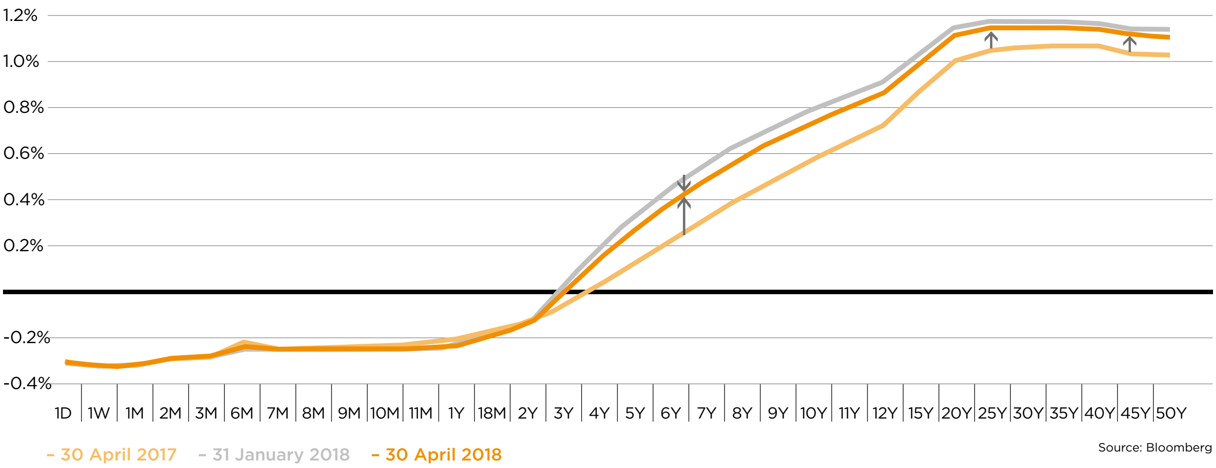
The BUWOG Group sees financing for the real estate industry in Germany and Austria as generally secure at the present time due to the strong demand for capital investments by the banking sector and the current low interest rate environment. The increased capital adequacy requirements for banks defined by Basel II and Basel III are reflected in lower loan-to-value ratios and, consequently, in higher capital requirements for borrowers looking to finance real estate investments. Sufficient financing is generally available for development projects, although lending conditions have tightened significantly in recent years through bank covenants and reporting requirements. The main determining factors for the lending process are location and cost security through the appointment of a general contractor with fixed price and completion guarantees as well as verifiable pre-letting. In summary, sufficient financing is available – but under stricter lending conditions.

DEVELOPMENT OF THE EUR-SWAP CURVE

The significance of the EUR swap curve for the BUWOG Group is reflected in cash interest expenses and, above all, in non-cash financial results. A substantial shift in this curve was visible during the reporting year, with an increase over the level on 30 April 2017. The BUWOG Group has a defensive risk profile with a long-term, balanced financing structure and an average term of 12 years for financial liabilities. The increase in the EUR swap curve had a positive effect on non-cash financial results in 2017/18 because the increasing market level moved closer to the Group's average financing conditions. Additional details are provided in the section *Asset, financial and earnings position* on page 147.

DEVELOPMENT EUR SWAP CURVE

Comparison 30 April 2017 to 31 January 2018 and 30 April 2018



Source: Bloomberg

PORTFOLIO REPORT

The BUWOG Group's core activities include the rental and management of a diversified, risk-optimised and sustainably oriented portfolio of standing investments (Asset Management), the development and construction of attractive and highly marketable projects 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 free cash flow to support the distribution of high dividends.

The following information is based on the values as of 30 April 2018, the balance sheet date for the 2017/18 financial year. The comparative figures in parentheses refer to the values as of 30 April 2017, unless indicated otherwise. Information on the carrying amounts is provided in the consolidated financial statements under note 2 *Accounting Policies*.

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 fair value of the BUWOG Group's portfolio totalled EUR 4,982.1 million as of 30 April 2018 (EUR 4,646.4 million). Standing investments and non-current assets held for sale represent the major component at EUR 4,206.6 million (EUR 3,942.1 million). The real estate inventories have a combined carrying amount of EUR 377.6 million (EUR 355.5 million). The long-term pipeline projects have a fair value of EUR 245.7 million (EUR 277.5 million). The carrying amount of the new buildings, which are reported as investment property under construction and are designated for BUWOG's portfolio, amounts to EUR 133.4 million (EUR 56.3 million). The other tangible assets, which include properties used directly by the BUWOG Group, total EUR 18.9 million (EUR 14.9 million).

The property portfolio of the BUWOG Group is classified under non-current and current assets on the balance sheet. The following charts reconcile the balance sheet values as of 30 April 2018 with the presentation in this portfolio report:

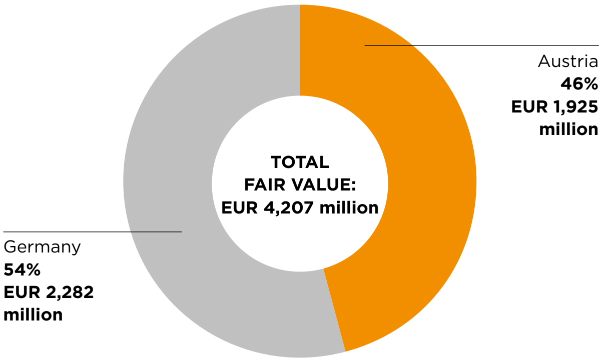
PROPERTY PORTFOLIO
as of 30 April 2018 in EUR million

Non-current assets	**4,604.5**	Investment properties	4,452.3	**Standing investments**	**4,206.6**
				Pipeline projects	245.7
		Other tangible assets	18.9	Properties used by the BUWOG Group[1)]	18.9
		Investment properties under construction	133.4	Construction for the BUWOG portfolio	133.4
Current assets	**377.6**	Non-current assets held for sale	0.0	**Standing investments**	**0.0**
		Real estate inventories	377.6	Pipeline projects	241.5
				Development projects	136.1
Total portfolio BUWOG Group	**4,982.1**		**4,982.1**		**4,982.1**

Data includes rounding differences
1) Incl. furniture, fixtures and office equipment

The following chart shows the regional distribution of the standing investment portfolio:

REGIONAL STRUCTURE OF THE PROPERTY PORTFOLIO BY FAIR VALUE
as of 30 April 2018



PROPERTY PORTFOLIO BY FAIR VALUE

as of 30 April 2018	Units	Standing investments in EUR million	Pipeline projects in EUR million	Properties used by the BUWOG Group in EUR million[1]	Construction for BUWOG portfolio in EUR million	Development projects in EUR million	Property portfolio in EUR million	Share
Germany	27,297	2,281.8	194.8	1.0	87.5	179.4	2,744.5	55.1%
Austria	21,531	1,924.7	50.9	17.9	45.8	198.2	2,237.5	44.9%
BUWOG Group	**48,828**	**4,206.5**	**245.7**	**18.9**	**133.4**	**377.6**	**4,982.0**	**100.0%**

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 steady rental income. The property portfolio in Germany and Austria included 48,828 standing investment units as of 30 April 2018 (49,597), which had a fair value of EUR 4,206.5 million (EUR 3,942.1 million) and represented 85% of the total property portfolio (incl. development projects). The standing investment portfolio is carried at fair value in accordance with IAS 40.

In 2017/18 the BUWOG Group acquired three property portfolios with 74 standing investment units and 5,446 sqm of floor space for a total purchase price of EUR 9.8 million or EUR 1,800 per sqm. The contract was also signed for the acquisition of a portfolio with 725 standing investment units in northern Germany. The purchase price amounts to EUR 73.0 million, and the transfer is expected to take place during the first quarter of the 2018/19 financial year.

The core regions of Berlin, Hamburg, Schleswig-Holstein and Brunswick/Hannover form the regional focus of investments to continue the sustainable expansion of the portfolio in Germany. The BUWOG Group's most important investment criteria are the appreciation potential of the respective property in these attractive socio-demographic and economically stable growth regions, a minimum gross rental yield of roughly 4.0% to 6.0% depending on the location, a positive contribution to the sustainable increase in Net Operating Income (NOI) and Recurring FFO, and the suitability for possible privatisation.

Vienna and Berlin together with the provincial and state capitals, major cities and related suburban regions represented the locations for 87% of the fair value of the BUWOG Group's standing investment portfolio and 77% of the standing investment units as of 30 April 2018.

The annualised contractual net in-place rent for the portfolio properties, including parking spaces, totalled EUR 208.4 million as of 30 April 2018 (EUR 205.1 million). That represents an average net in-place rent of EUR 5.34 per sqm (EUR 5.18 per sqm) and a gross rental yield (annualised net in-place rent in relation to fair value) of 5.0% (5.2%). The vacancy rate is based on the total floor space and equalled 3.3% as of 30 April 2018 (3.4%). The average size of the units in BUWOG's standing investment portfolio is roughly 69 sqm.

On a like-for-like basis – i.e. after the elimination of the effects from changes in the portfolio (excluding portfolio transactions) and the inclusion of changes in vacancies – the increase in rents totalled 2.8% in 2017/18 (4.5%). The like-for-like rental growth equalled 4.0% (3.2%) in the German portfolio and 0.7% (6.3%) in the Austrian portfolio.

A further year-on-year increase was recorded in the fair value of the BUWOG Group's standing investment portfolio during 2017/18, which resulted in fair value adjustments of EUR 238.1 million that were recognized in profit or loss. An overview of the fair value adjustments and additional information on the regional distribution are provided on page 143.

BUWOG invested EUR 77.6 million in its Austrian and German properties during 2017/18 (EUR 66.3 million) for 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. That corresponds to EUR 22.9 per sqm (EUR 18.9 per sqm). Investments in regular maintenance totalled EUR 25.8 million (EUR 27.0 million) or EUR 7.6 per sqm (EUR 7.7 per sqm), and capitalised investment costs amounted to EUR 51.8 million (EUR 39.3 million) or EUR 15.3 per sqm (EUR 11.2 per sqm). The capitalisation ratio for investment costs equalled 66.8% (59.2%) of total investments. As part of its active Asset Management approach, the BUWOG Group continues to focus on sustainable, yield-oriented property management and CAPEX measures to realise opportunities to increase value, improve the properties and boost rental income.

PORTFOLIO OVERVIEW STANDING INVESTMENTS BY LOCATION

as of 30 April 2018	Number of units	Total floor area in sqm	Annualised net in-place rent[1] in EUR million	Monthly net in-place rent[1] in EUR per sqm	Fair value[2] in EUR million	Fair value[2] in EUR per sqm	Gross rental yield[3]	Vacancy rate[4]
Federal capitals	11,479	902,751	62	5.90	1,756	1,945	3.5%	3.4%
Vienna	6,388	562,198	36	5.46	1,065	1,894	3.3%	3.6%
Berlin	5,091	340,553	26	6.61	691	2,030	3.8%	3.0%
State capitals and major cities[5]	18,829	1,206,423	77	5.46	1,351	1,120	5.7%	2.4%
Suburban regions[6]	7,522	521,904	31	5.16	544	1,041	5.7%	3.5%
Rural areas	10,998	733,418	38	4.57	555	757	6.9%	4.7%
Total BUWOG Group	**48,828**	**3,364,496**	**208**	**5.34**	**4,207**	**1,250**	**5.0%**	**3.3%**
thereof Germany	27,297	1,702,742	122	6.09	2,282	1,340	5.3%	2.2%
thereof Austria	21,531	1,661,755	87	4.56	1,925	1,158	4.5%	4.5%

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 2018
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

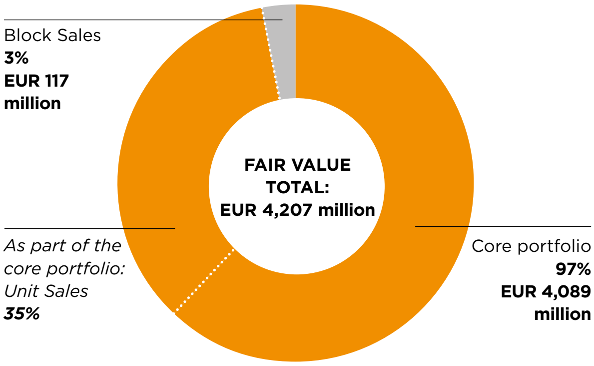
The BUWOG Group's standing investments are assigned to one of three clusters for portfolio management: (a) the core portfolio, (b) the Unit Sales portfolio (current and planned property sales) and (c) the Block Sales portfolio (individual properties and portfolios) where the sale of properties over the medium-term is part of an opportunistic approach to optimise and concentrate the portfolio. In accordance with the strategic portfolio cluster, the core holdings represent 97% of BUWOG's portfolio. The cluster allocation is shown in the following table:

PORTFOLIO SPLIT BY STRATEGIC CLUSTER

as of 30 April 2018		Core portfolio	Unit Sales	Block Sales	Total portfolio
Standing investments	Quantity	35,359	11,159	2,310	48,828
Total floor area	in sqm	2,295,378	892,752	176,365	3,364,496
Monthly net in-place rent[1]	in EUR per sqm	5.62	4.89	3.84	5.34
Fair value[2]	in EUR million	2,655	1,434	117	4,207
Fair value[2]	in EUR per sqm	1,157	1,606	665	1,250
Gross rental yield[3]	in %	5.7%	3.5%	6.5%	5.0%
Vacancy rate per cluster	by sqm	2.5%	4.9%	6.4%	3.3%

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 2018
3) 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

STRATEGIC PORTFOLIO CLUSTER SPLIT BY FAIR VALUE
as of 30 April 2018



SALE OF PORTFOLIO PROPERTIES (PROPERTY SALES BUSINESS AREA)

A total of 1,022 standing investment units were sold through Unit Sales and Block Sales in 2017/18 (1,731): 1,018 units (1,700) from the Austrian portfolio and 6 (31) units from the German portfolio. These sales generated Net Operating Income (NOI) of EUR 41.6 million (EUR 44.3 million).

Unit Sales are the main driver for sustainable revenues and contributions to Recurring FFO in the BUWOG Group's Property Sales business area. This process basically involves the sale of subdivided units (individual apartments) in two forms: rented units are sold to the current tenants and units vacant due to tenant turnover are sold to owner-occupiers. A total of 567 standing investment units were sold during 2017/18 (614), including 561 units from the Austrian portfolio and 6 units from the German portfolio. These sales contributed EUR 39.3 million (EUR 37.1 million) to Recurring FFO and had a margin on fair value of 62% (57%).

BUWOG's activities to further adjust and concentrate the portfolio were reflected in Block Sales of 455 standing investment units in 2017/18 (1,117 standing investment units), whereby 36 units were part of the Tyrolean portfolio. The earnings contribution from Block Sales is not part of Recurring FFO and is only included in Total FFO. It amounted to EUR 4.1 million (EUR 5.4 million) with a margin on fair value of 17% (5%).

INVESTMENT PROPERTY – PIPELINE PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)

The balance sheet position "investment property" covers standing investments and 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 decision parameters include the availability of building permits, the progress of construction, the legal situation, the amount of equity previously invested by the BUWOG Group, the availability of bank financing, the level of pre-letting or sales, the expected margin, the margins achievable on alternative projects, project-specific factors and, not least, the macroeconomic environment.

The pipeline projects recognised on BUWOG's balance sheet had a carrying amount of EUR 245.7 million as of 30 April 2018 (EUR 277.5 million).

PIPELINE PROJECTS FAIR VALUE

as of 30 April 2018	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	194.7	0.0	0.0	0.1	194.8	79.3%
Austria	46.9	2.2	0.0	1.7	50.9	20.7%
Total	**241.6**	**2.2**	**0.0**	**1.8**	**245.7**	**100.0%**

OTHER TANGIBLE ASSETS

The other tangible assets had a combined carrying amount of EUR 18.9 million as of 30 April 2018 (EUR 14.9 million). These assets consist primarily of office properties occupied by the BUWOG Group in Vienna (Hietzinger Kai 131) and Villach (Tiroler Strasse 17). Also included here are tangible assets currently under construction for BUWOG's future customer and administrative centre in Vienna at an amount of EUR 12.3 million. These assets represent the shares in a project company which were acquired by BUWOG during December 2016 and the related construction rights for the property at Rathausstrasse 1 in Vienna's first district. The building has roughly 12,000 sqm of gross floor space at one of the best locations in Vienna close to the city hall and parliament.

INVESTMENT PROPERTY UNDER CONSTRUCTION – CONSTRUCTION FOR THE PORTFOLIO (ASSET MANAGEMENT BUSINESS AREA)

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. The carrying amount of these development projects totalled EUR 133.4 million as of 30 April 2018 (EUR 56.3 million). A total of 350 units with a total investment volume of EUR 56 million were under construction in Vienna at the end of the 2017/18 financial year. In Berlin, 448 units with a total investment volume of EUR 119 million were under construction. The completions and transfers to the standing investment portfolio in 2017/18 included the project at Breitenfurter Strasse 239 with 100 units in Vienna and the Ankerviertel project with 86 units in Berlin.

NON-CURRENT ASSETS HELD FOR SALE (ASSET MANAGEMENT/ PROPERTY DEVELOPMENT BUSINESS AREAS)

In order to be classified as non-current assets held for sale and accounted for in accordance with IFRS 5, properties must be covered by specific plans as of the balance sheet date which make their sale likely in the near future. None of BUWOG's properties met these criteria as of 30 April 2018.

REAL ESTATE INVENTORIES – DEVELOPMENT PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)

The development of subsidised or privately financed condominiums and investment apartments (investors) for sale to local customers and institutional investors and foundations is an important part of BUWOG's business activities. The markets in Vienna, Berlin and Hamburg with their strong demand for condominiums represent the main regional focus of these new development projects. The principle selection criteria for development projects are the location, the size of the project, its marketability and the expected profitability.

Development projects completed or currently under construction are reported on the balance sheet as real estate inventories (current assets) and accounted for at depreciated cost or the lower net realisable value in accordance with IAS 2. The fair value of the real estate inventories totalled EUR 377.6 million as of 30 April 2018 (EUR 355.5 million).

PROPERTY VALUATION

The consolidated financial statements of the BUWOG Group as of 30 April 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), which include the application of the fair value method. The determination of fair value requires the regular appraisal of the investment properties by independent experts. The valuation of the property portfolio reflects the Best Practice Recommendations of the European Public Real Estate Association (EPRA) for the application of the fair value method as defined in IFRS. The BUWOG Group views the calculation and transparent presentation of fair value as an important internal controlling instrument, which also allows for a realistic external assessment of its property assets.

The standing investments, new construction projects and undeveloped land held by the BUWOG Group are valued by the independent external appraisers at CBRE Germany/Austria. The fair values of the property assets determined by these appraisals have a direct influence on net asset value (NAV) and therefore represent an important factor for evaluating the asset position of the BUWOG Group.

CBRE uses a discounted cash flow (DCF) model to value the Austrian real estate holdings. This model was adapted to reflect the special features of the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*), in particular, cost-covering rent and re-letting fees, and the Unit Sales from these holdings. The parameters for Austria include long-term subsidy periods, interest rate hikes and the long-term revenues realisable from Unit Sales in the form of detailed cash flows over a period of 80 years. If the sale of individual apartments is the most economically feasible option, the property is valued according to the estimated sale potential of the individual units. The recoverable revenue on the sale is determined by applying the sales comparison approach and included in the DCF model on an accrual basis.

A standard discounted cash flow (DCF) method is applied to the German standing investments. The residual value method is used for property under construction (project development) and the comparative value method for undeveloped property (for future development projects) in Germany and Austria.

Additional information on the valuation process and methods is provided in the consolidated financial statements under note 6.1.2 *Valuation methods and input factors*.

DEVELOPMENT OF PROPERTY VALUES IN 2017/18

The external appraisal by CBRE showed a substantial year-on-year increase in the fair value of BUWOG's properties as of 30 April 2018. The fair value adjustments recognised in accordance with IFRS 40 totalled EUR 242.0 million as of 30 April 2018, whereby EUR 210.1 million resulted from the valuation of the German portfolio and EUR 28.0 million from the valuation of the Austrian portfolio. The fair value adjustments to the pipeline projects amounted to EUR 3.9 million.

The carrying amount of the standing investments recognised at fair value totalled EUR 4,206.5 million as of 30 April 2018, while the pipeline projects had a combined fair value of EUR 245.7 million. For the BUWOG Group, this represents a total carrying amount of EUR 4,452.3 million.

The above-average increase of EUR 210.1 million in the fair value of the German properties resulted primarily from an increase in market rents and a high yield compression – with an above-average increase in the purchase prices for rental properties and property portfolios in relation to the growth in rents – which reflects the continuing strong demand by domestic and foreign investors. This sharp rise in the purchase prices for properties, above all in Berlin, is also visible in the rapidly growing cities in northern Germany, e.g. Lübeck and Kiel. These so-called B- and C-locations are attracting opportunistic investors as well as an increasing number of long-term oriented real estate investors from the peer group which, in turn, is intensifying competition. There are no signs of a decline in the strong demand for residential properties and a related decrease in the rising yield compression over the short-term. The fair value adjustments were not only favourably influenced by these market factors, but also by improved property management, especially in BUWOG's core regions. The highest fair value increase in the German standing investment portfolio was recorded in Berlin (the capital city and surrounding region) at EUR 83.5 million and resulted chiefly from the ongoing strong yield compression. Substantial increases in the state capitals/major cities were noted in Lübeck (EUR 43.9 million), Kiel (EUR 23.4 million) and the suburban regions near Hamburg (EUR 16.4 million).

In the BUWOG Group's Austrian portfolio, the fair value adjustments of EUR 28.0 million resulted from the positive development of ownership prices on the real estate market. The fair value adjustments in this portfolio were concentrated on Unit Sales properties in Vienna at EUR 32.2 million.

The following table summarises the fair value adjustments by regional cluster.

REVALUATION RESULT BY REGIONAL CLUSTER

as of 30 April 2018	Fair value adjustments in EUR million	Fair value in EUR million	Fair value in EUR per sqm	Monthly net in-place rent[1)] in EUR per sqm	Multiplier net in-place rent
Federal capitals	109.3	1,756	1,945	5.90	28.4
Vienna	30.6	1,065	1,894	5.46	30.0
Berlin	78.7	691	2,030	6.61	26.4
State capitals and major cities[2)]	87.6	1,351	1,120	5.46	17.5
Suburban regions[3)]	22.4	544	1,041	5.16	17.4
Rural areas	18.9	555	757	4.57	14.5
Total BUWOG Group	**238.1**	**4,207**	**1,250**	**5.34**	**20.2**
thereof Germany	210.1	2,282	1,340	6.09	18.8
thereof Austria	28.0	1,925	1,158	4.56	22.2

The positive and negative fair value adjustments are shown as a net amount in the above table.
Fair value and fair value adjustments of standing investments according to CBRE valuation reports as of 30 April 2018
1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date
2) More than 50,000 inhabitants and a significant share of the portfolio
3) The immediate catchment area up to about 15 km around federal capitals, state capitals and major cities

FINANCING

The BUWOG Group successfully arranged (re)financing for its standing investments and extended working capital lines with a total volume of EUR 39.6 million[1)] and an average interest rate of 1.34% in 2017/18. Project financing was also concluded for a total volume of EUR 171.4 million[2)] at an average interest rate of 1.17%.

In total, the BUWOG Group continued its financing at sustainably favourable conditions and thereby further improved the contribution made by financial results to Recurring FFO.

FINANCING INDICATORS

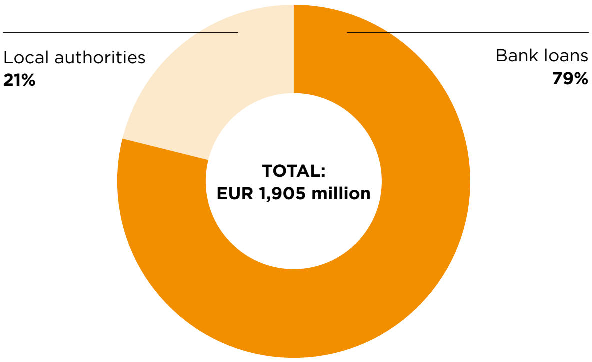
	Outstanding liability in EUR million	Share of outstanding liability	Ø Interest rate	Ø Term in years
Bank liabilities	**1,496**	**79%**	**2.15%[1)]**	**10.1**
thereof Germany	806	42%	2.03%	5.7
thereof Austria	689	36%	2.29%	15.2
Local authorities	**408**	**21%**	**1.73%**	**18.6**
thereof Germany	1	0%	3.00%	21.2
thereof Austria	408	21%	1.73%	18.6
Convertible bond	**1**	**0%**	**0.00%**	**3.4**
Total	**1,905**	**100%**	**2.06%**	**11.9**

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

The financial liabilities held by the BUWOG Group include liabilities to credit institutions, liabilities to local authorities and development banks and liabilities from the issued convertible bonds. The outstanding volume of these financial liabilities, which are denominated entirely in Euros, totalled approximately EUR 1,905 million as of 30 April 2018. The net financial liabilities of EUR 1,670.2 million in relation to the carrying amount of the total portfolio (EUR 4,963.2 million) represent the loan-to-value ratio. This indicator was successfully reduced from 44.1% as of 30 April 2017 to 33.7% (IFRS) at the end of the reporting year. Additional details on the calculation of the LTV are provided under *Loan to value* in the section on the *Asset, financial and earnings position*.

STRUCTURE OF THE AMOUNT OUTSTANDING UNDER FINANCIAL LIABILITIES

as of 30 April 2018



CONVERTIBLE BOND

The BUWOG Group issued an unsecured convertible bond in 2016/17, which had an original volume of EUR 300 million. Of this volume, only EUR 1.2 million were outstanding as of 30 April 2018 following the conversion of bonds tendered to Vonovia SE at a conversion price of EUR 25.10 per share.

The conversion of these convertible bonds resulted in an average interest rate disadvantage of 0.28% in relation to the Group's financial liabilities.

1) As of 30 April 2018, EUR 32.1 million had not been transferred because the disbursement requirements must still be met.
2) As of 30 April 2018, EUR 162.6 million had not been transferred because the disbursement requirements must still be met.

CORPORATE RATING BBB+

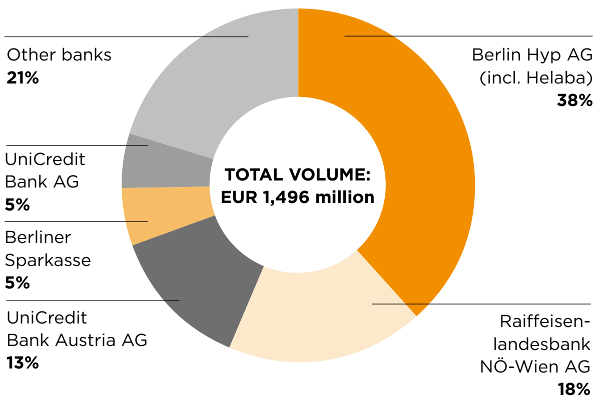
BUWOG AG submitted to its first corporate credit rating process in 2017/18 and was ranked BBB+ with stable outlook by the leading international rating agency S&P. The S&P statement referred, among others, to the regional distribution, quality and low vacancy rate in BUWOG's standing investment portfolio. With regard to development activities, S&P emphasised the flexibility of BUWOG's business model, which allows for a shift from develop-to-sell to develop-to-hold if market conditions change. This very positive rating gives BUWOG AG greater financing independence at favourable conditions. At the same time, BUWOG sees the S&P rating as confirmation of its business model.

FINANCING PARTNERS AND REPAYMENT STRUCTURE

BUWOG benefits from long-standing business relations with more than 40 financial institutions in Austria and Germany. Its most important contract partners are Berlin Hyp AG, Raiffeisenlandesbank Niederösterreich-Wien AG, UniCredit Bank Austria AG, Berliner Sparkasse and UniCredit Bank AG. The diversification of financing among various lenders allows the Group to avoid dependency and creates broad access to a wide range of funding sources.

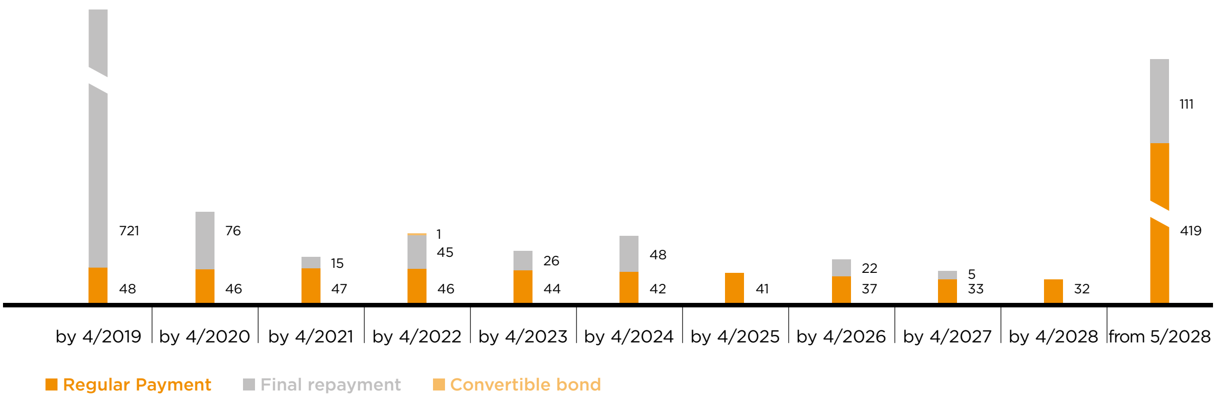
In keeping with the long-term nature of its core business, the BUWOG Group works to develop and maintain a long-term, balanced financing structure to protect its defensive risk profile. Most of the financing contracts are based on long-term agreements.

KEY FINANCING PARTNERS (BANKS)
as of 30 April 2018



The repayment structure by maturity is shown below:

REPAYMENT BY MATURITY
per year, basic amount outstanding in EUR million

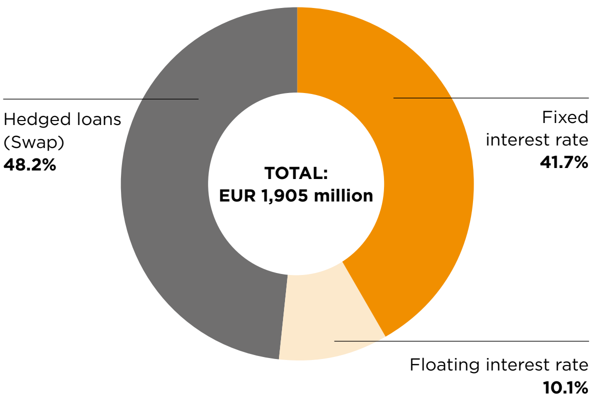


The BUWOG Group did not violate any bank financing covenants in 2016/17, and all financial covenants were generally met in 2017/18. The late submission of annual financial statements (information covenants) would have entitled banks with a financing volume of EUR 658.8 million to exercise their contractual call right as of 30 April 2018. Therefore, the involved financing was reclassified from non-current to current financial liabilities. The call right was, in fact, not exercised, and the overdue information has since been submitted. BUWOG's good rating in the investment grade range underscores its strong credit standing and supports cooperative relationships with lenders.

INTEREST RATE STRUCTURE

In keeping with the long-term nature of BUWOG's financing structure, roughly 90% of the financing contracts are hedged against interest rate risk through fixed interest rate agreements and/or interest rate swaps. The weighted average nominal interest rate increased from 1.78% to 2.06% in 2017/18 due to the conversion of convertible bonds in connection with the takeover offer by Vonovia SE.

INTEREST RATE STRUCTURE
as of 30 April 2018



HOUSING SUBSIDIES

A special component of financing for the BUWOG Group is formed by the subsidised loans provided by financial institutions and local authorities in Austria. These loans currently represent roughly 24% of the outstanding balance of financial liabilities. In Austria, a large part of the Group's construction projects were financed by the public sector within the framework of housing subsidies. The housing subsidies granted to the BUWOG Group can be classified, in particular, according to the following criteria:
- Provincial subsidies for construction and renovation
- Types of subsidies: annuity subsidies, construction cost subsidies or direct loans

These subsidies are defined by the housing construction laws in the individual Austrian provinces. Despite the wide variety of detailed legal regulations, these housing subsidy laws have several fundamental principles in common:
- Rental prices, especially in Austria, are capped at a cost-covering level during and after the term of the subsidy.
- Certain restrictions are imposed as protection for the funds flowing into housing construction subsidies, e.g. temporary limits on sale.
- Sanctions, in particular premature repayment, take effect if the intent of the subsidy is violated.

All of the subsidised loans obtained by the BUWOG Group fall under the above criteria and had an average interest rate of 1.59% as of 30 April 2018. Most of the subsidised loans carry fixed interest rates and include annuity hikes or graduated interest agreements, which are known when the related contract is concluded and can generally be passed on through an increase in rents.

DERIVATIVES

The BUWOG Group uses derivative financial instruments to hedge the risk of interest rate changes. Derivatives are only used to hedge interest rates, and the key parameters such as the term and repayment structures are adjusted to reflect the respective underlying transaction. The BUWOG Group held derivatives with a notional amount of EUR 919 million as of 30 April 2018. Of the total financial liabilities, roughly 90% are hedged against interest rate risk through swaps or fixed interest agreements. Floor agreements (i.e. the negative Euribor from the underlying transaction is not passed on) for hedged transactions with a volume of EUR 477 million have led to an increase in interest expense due to the current negative reference rates. Further details on derivatives can be found in the consolidated financial statements under note 7.2.5 *Interest rate and market price risk*.

ASSET, FINANCIAL AND EARNINGS POSITION

The following information on the asset, financial and earnings position is based on the 2017/18 financial year (reporting year) and the 2016/17 financial year (comparative period) and can include rounding differences. The disclosures and information as of the previous year's balance sheet date (30 April 2017) and for the comparative period 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.

The Asset Management business area recorded a further sound improvement in NOI from EUR 156.9 million in 2016/17 to EUR 157.3 million in 2017/18 based on its clearly defined portfolio and asset strategy. The sale of the Tyrolean portfolio led to a decline in annualised net cold rent from EUR 214.4 million to EUR 210.9 million.

The Property Sales business area is characterised by high-margin Unit Sales and Block Sales to investors as a means of optimising the portfolio. A total of 1,022 standing investment units were sold during 2017/18 (1,731): 567 (614) units through Unit Sales at a stable, high margin of 62% and 455 (1,117) units through Block Sales. The lower volume of Block Sales led to a decline of EUR 2.7 million in NOI for this business area to EUR 41.6 million in 2017/18.

NOI in the Property Development business area more than doubled to EUR 57.7 million in 2017/18 (EUR 28.3 million). This sound development was also reflected in the number of completions in Vienna and Berlin, which rose by 5.4% to 432 units.

EARNINGS POSITION

CONDENSED INCOME STATEMENT

in EUR million	2017/18	2016/17	Change
NOI Asset Management	157.3	156.9	0.3%
NOI Property Sales[1]	41.6	44.3	-6.2%
NOI Property Development	57.7	28.3	>100%
Other operating income	4.6	3.5	31.6%
Expenses not directly attributable	-77.0	-40.6	-89.5%
Results of operations	**184.3**	**192.4**	**-4.2%**
Other valuation results	242.0	335.2	-27.8%
Operating profit (EBIT)	**426.3**	**527.5**	**-19.2%**
Financial results	-83.0	-69.3	-19.8%
Earnings before tax (EBT)	**343.3**	**458.3**	**-25.1%**
Net profit	**279.3**	**366.7**	**-23.8%**
Net profit per share[2] in EUR	**2.46**	**3.59**	**-31.5%**

The use of automated calculation systems may give rise to rounding differences.
1) Including of adaption IFRS 5 EUR 0.0 million (EUR 1.8 million)
2) Base 111,574,193 shares, previous year: 99,773,479 shares (weighted average)

Asset Management. The income recorded by the Asset Management business area consists of net cold rent of EUR 193.5 million (EUR 200.1 million) from residential properties plus other rental income of EUR 17.4 million (EUR 14.4 million) which results primarily from the rental of office, retail and parking space. These two items comprise the indicator "net in-place rent" and represent the contribution by Asset Management to the BUWOG Group's total revenue. The revenues from Asset Management also include operating costs passed on to tenants and third-party management revenues of EUR 107.6 million (EUR 112.0 million) as well as other revenues of EUR 0.3 million (EUR 0.2 million). These revenues are contrasted by operating expenses and expenses from third-party management amounting to EUR 106.8 million (EUR 112.1 million) and expenses directly related to investment properties totalling EUR 54.7 million (EUR 57.7 million), which include maintenance costs of EUR 25.9 million (EUR 27.1 million) for BUWOG's own portfolio.

The NOI from Asset Management remained stable at EUR 157.3 million (EUR 156.9 million) despite the sale of the Tyrolean portfolio in the previous year. This continued sound development resulted primarily from an increase in the NOI generated by Asset Management in Germany from EUR 81.5 million to EUR 90.0 million, which was based on higher prices for new rentals and rental increases in Berlin and other major cities. The NOI from Asset Management in Austria declined from EUR 75.4 million to EUR 67.3 million.

OVERVIEW ASSET MANAGEMENT

in EUR million	2017/18	2016/17	Change
Residential rental income	193.5	200.1	-3.3%
Other rental income	17.4	14.4	21.0%
Rental revenues	**210.9**	**214.4**	**-1.7%**
Operating costs charged to tenants and third party property management revenues	107.6	112.0	-3.9%
Other revenues	0.3	0.2	11.9%
Revenues	**318.8**	**326.7**	**-2.4%**
NOI Asset Management	**157.3**	**156.9**	**0.3%**
NOI margin Asset Management	**74.5%**	**73.1%**	**1.4 PP**

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

Property Sales. NOI in the Property Sales business area declined from EUR 44.3 million to EUR 41.6 million in 2017/18. The number of units sold also decreased from 1,731 in 2016/17 to 1,022, whereby the previous year included 1,116 standing investments from the sale of the Tyrolean portfolio. The margin on Unit Sales rose by 5.5 percentage points year-on-year to 62%. The position "IFRS 5 adjustment" includes fair value adjustments to non-current assets held for sale and equalled EUR 1.8 million in 2016/17. This valuation effect is adjusted for the calculation of NOI, EBITDA and Total FFO and reported as part of earnings for the period in which the sale proceeds are recognised. The major parameters for classification as Unit Sales or Block Sales (sale of individual properties and portfolios) are shown in the following table:

OVERVIEW PROPERTY SALES

	2017/18	2016/17	Change
Sales of units in numbers	**1,022**	**1,731**	**-41.0%**
thereof Unit Sales	567	614	-7.7%
thereof Block Sales	455	1,117	-59.3%
Revenues Property Sales in EUR million	**130.7**	**228.4**	**-42.8%**
thereof Unit Sales in EUR million	104.0	104.9	-0.8%
thereof Block Sales in EUR million	26.7	123.4	-78.4%
NOI Property Sales in EUR million	**41.6**	**44.3**	**-6.2%**
Adaption IFRS 5 current year	0.0	-1.8	100%
Adaption IFRS 5 previous year	1.8	0.0	n.a.
NOI Property Sales in EUR million adjusted	**43.4**	**42.5**	**2.0%**
thereof Unit Sales in EUR million	39.2	37.1	5.8%
thereof Block Sales in EUR million	4.2	5.4	-23.8%
margin on fair value	**50%**	**23%**	**26.8 PP**
thereof Unit Sales	62%	57%	5.5 PP
thereof Block Sales	17%	5%	12.7 PP

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

Property Development. The Property Development business area, which is classified in “develop to sell” and “develop to hold”, was very successful during 2017/18. Revenues from Property Sales rose by 17.7% year-on-year to EUR 205.6 million. The NOI generated in Austria, adjusted for the fair value of properties currently under construction, increased by 88.2% to EUR 31.6 million. This sound improvement was influenced by transfers from the exclusive “Pfarrwiesengasse” project as well as the “Seefeld I”, “Southgate” and Töllergasse T(h)ree projects. Four sites in Austria were also sold during the reporting year: Walter-Jurmann-Gasse for proceeds of EUR 0.7 million, Windmühlgasse for proceeds of EUR 3.4 million, Triester Strasse for proceeds of EUR 0.6 million and Pfeiffergasse for proceeds of EUR 0.4 million. One site in Germany was also sold: Harzer Strasse for proceeds of EUR 5.3 million.

The strong overall improvement in NOI in 2017/18 and the NOI margin of 19% confirm the BUWOG Group’s strategically successful course in this business area.

OVERVIEW PROPERTY DEVELOPMENT

	2017/18	2016/17	Change
Sold units	**432**	**410**	**5.4%**
thereof Germany	164	189	-13.2%
thereof Austria	268	221	21.3%
Revenues Property Development in EUR million	**205.6**	**174.7**	**17.7%**
thereof Germany in EUR million	75.0	78.3	-4.3%
thereof Austria in EUR million	130.6	96.3	35.6%
NOI Property Development in EUR million	**57.7**	**28.3**	**>100%**
Adjustment to fair value of investment properties under construction	-19.6	-5.6	>100%
NOI Property Development adjusted in EUR million	**38.1**	**22.7**	**67.9%**
thereof Germany in EUR million	6.5	5.9	10.1%
thereof Austria in EUR million	31.6	16.8	88.2%
NOI margin Property Development adjusted	**18.5%**	**13.0%**	**5.5 PP**
thereof Germany	8.7%	7.5%	1.1 PP
thereof Austria	24.2%	17.5%	6.8 PP

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

Expenses not directly attributable. Expenses not directly attributable to the three business areas amounted to EUR 77.0 million (EUR 40.6 million). They consist primarily of personnel expenses totalling EUR 30.1 million (EUR 15.8 million), legal, auditing and consulting fees of EUR 22.9 million (EUR 9.4 million)) and IT and communication costs of EUR 5.7 million (EUR 3.7 million). The expenses for advertising and marketing amounted to EUR 2.9 million in 2017/18 (EUR 2.0 million). The substantial increase in consulting fees was related to strategic advising in connection with the takeover offer by Vonovia SE. Another factor was the increase in the average number of employees to 761 (718).

Other revaluation results. Other revaluation results totalled EUR 242.0 million (EUR 335.2 million) and consisted primarily of fair value adjustments to investment properties. Additional details are provided in the consolidated financial statements under note 5.7 *Fair value adjustments.*

Financial results. Financial results of EUR -83.0 million (EUR -69.3 million) include cash financing costs of EUR -42.7 million (EUR -47.9 million) as well as non-cash results from the fair value measurement through profit or loss of derivatives at EUR -15.9 million (EUR +1.8 million) and financial liabilities at EUR -11.3 million (EUR -10.9 million). The non-cash results from the fair value measurement of financial liabilities were based on the difference between the development of the underlying discount curve in 2017/18 and 2016/17. Non-cash valuation effects have no effect on Recurring FFO. Information on the development of interest rates is provided in the management report under *General economic environment* and *Development of the financial markets.*

EBITDA. The results of operations declined by 4.2% to EUR 184.3 million as a result of the above-mentioned effects. EBITDA totalled EUR 170.6 million (EUR 188.1 million) after the inclusion of non-cash effects, effects related to previous financial years and the valuation of properties under construction and properties held for sale.

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EBITDA

in EUR million	2017/18	2016/17	Change
Results of operations	**184.3**	**192.4**	**-4.2%**
Impairment losses/revaluations	4.2	3.1	34.0%
Adjustment to fair value of investment properties under construction	-19.6	-5.6	>100%
Adaption IFRS 5 previous year	1.8	0.0	n.a.
Adaption IFRS 5 current year	0.0	-1.8	n.a.
EBITDA[1]	**170.6**	**188.1**	**-9.3%**
EBITDA Asset Management	**103.0**	**127.6**	**-19.2%**
EBITDA Property Sales[1]	**41.0**	**41.7**	**-1.7%**
thereof Unit Sales	37.1	36.3	2.0%
thereof Block Sales	3.9	5.3	-26.3%
EBITDA Property Development	**26.6**	**18.9**	**41.0%**

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)

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 sustainable, experience-based business model of the BUWOG Group, which consists of Asset Management, Property Development and Property Sales (excluding the results of Block Sales). Net profit for the year is the starting point for the calculation shown in the following table.

Recurring FFO, which also serves as the benchmark for the dividend, rose by a further 10.4% year-on-year to EUR 129.4 million in 2017/18 (EUR 117,2 million). The 31.8% increase in CAPEX investments in the standing investments and the resulting higher capitalisation rate led to a decline of 0.3% in AFFO to EUR 77.7 million.

FFO

in EUR million	2017/18	2016/17	Change
Net profit	279.3	366.7	-23.8%
Results of Property Sales	-41.6	-44.3	6.2%
Other financial results	40.1	20.9	91.8%
Fair value adjustments of investment properties[1]	-261.6	-340.7	23.2%
Impairment losses/revaluations	4.2	3.1	36.4%
Deferred taxes	49.1	62.3	-21.2%
Other	20.8	12.2	70.3%
FFO	**90.2**	**80.1**	**12.6%**
Unit Sales result	39.2	37.1	5.8%
Recurring FFO	**129.4**	**117.2**	**10.4%**
Block Sales result	4.2	5.4	-23.8%
Total FFO	**133.6**	**122.6**	**9.0%**
Recurring FFO per share in EUR basic[2]	1.16	1.17	-1.2%
Total FFO per share in EUR basic[2]	1.20	1.23	-2.6%
Recurring FFO	**129.4**	**117.2**	**10.4%**
CAPEX	-51.7	-39.3	-31.8%
AFFO	**77.7**	**77.9**	**-0.3%**

The use of automated calculation systems may give rise to rounding differences.
1) Includes fair value adjustments of EUR 242.0 million (EUR 335.2 million) to investment properties and the valuation of property under construction at EUR 19.6 million (EUR 5.6 million)
2) Basis for earnings data: 111,574,193 shares (99,773,479) weighted average

Other financial results amounted to EUR –40.1 million (EUR -20.9 million) and include the following adjustments: other financial results of EUR –36.0 million (EUR -18.0 million), results of EUR –2.7 million (EUR –2.8 million) from the valuation of financial liabilities at amortised cost, results of EUR +0.5 million (EUR +0.6 million) from other financial assets valued at amortised cost, cash transaction costs of EUR +0.6 million (EUR +1.1 million) from current borrowings and increased interest of EUR –2.6 million (EUR -1.7 million) based on the effective interest method for the convertible bond issued during the reporting year.

Impairment losses/revaluations include EUR 3.8 million (EUR 2.4 million) of depreciation, amortisation and impairment losses to tangible and intangible assets as well as expenses of EUR 0.4 million (EUR 0.7 million) from the valuation of real estate inventories.

The position "other" includes personnel expenses of EUR 0.6 million (EUR 2.4 million) and operating expenses of EUR 8.7 million (EUR 7.1 million) for project-related and other non-recurring costs as well as EUR 0.6 million (EUR 0.0 million) for an employee event. Also included here are consulting fees of EUR 10.6 million (EUR 0.0 million) incurred for strategic advising in connection with the takeover offer by Vonovia SE. The following items represent further components of this position: a settlement payment of EUR 2.5 million (EUR 0.0 million) to Andreas Segal as compensation for the remaining term of his employment contract and his agreement to waive the exercise of special termination rights, expenses of EUR 0.0 million (EUR 0.2 million) for share-based remuneration agreements with equity settlement, income of EUR 0.5 million (EUR 0.5 million) from insurance compensation, income of EUR 0.0 million (EUR 0.5 million) from the reimbursement of expenses from previous financial years, miscellaneous expenses, miscellaneous rental income and other operating income of EUR 1.0 million as compensation for damages related to a settlement with a major tenant, sundry rental income of EUR 2.1 million and income of EUR 0.7 million from the release of performance bonds. In the previous year this position included additions of EUR 0.0 million to provisions for unusual and/or aperiodic damages and legal proceedings (2017/18: EUR 3.5 million).

ASSET POSITION

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CONDENSED BALANCE SHEET

in EUR million	30 April 2018	30 April 2017	Change
Investment property	4,452.3	4,203.9	5.9%
Investment property under construction	133.4	56.3	>100%
Other tangible assets	18.9	14.9	26.3%
Intangible assets	17.3	14.6	18.6%
Trade and other receivables	240.3	127.7	88.2%
Other financial assets	13.6	15.5	–11.9%
Deferred tax assets	0.0	0.2	–100%
Non-current assets held for sale	0.0	15.7	–100%
Income tax receivables	14.6	3.9	>100%
Real estate inventories	377.6	355.5	6.2%
Cash and cash equivalents	219.3	211.4	3.7%
Assets	**5,487.3**	**5,019.7**	**9.3%**
Equity	2,822.3	1,995.8	41.4%
Liabilities from convertible bonds	1.2	288.0	–99.6%
Financial liabilities	1,888.3	1,963.5	–3.8%
Trade payables and other liabilities	424.7	464.0	–8.5%
Income tax liabilities	12.4	28.8	–56.9%
Provisions	15.2	14.6	3.9%
Deferred tax liabilities	323.2	264.9	22.0%
Financial liabilities held for sale	0.0	0.1	–100%
Equity and liabilities	**5,487.3**	**5,019.7**	**9.3%**

Information on investment property, investment property under construction, real estate inventories and non-current assets held for sale is provided in the portfolio report and in the consolidated financial statements. A detailed analysis of the development of the BUWOG Group's equity can be found under *Development of Group Equity* in the consolidated financial statements. The year-on-year increase in other tangible assets is attributable to BUWOG's new administrative building at 1010 Vienna, Rathausstrasse 1. The year-on-year increase in intangible assets resulted primarily from the Group-wide installation and subsequent capitalization of software (primarily SAP). The increase in trade and other receivables is attributable to a prepayment for the acquisition of a portfolio in Germany

EPRA Net Asset Value is calculated in accordance with the Best Practice Policy Recommendations of the European Public Real Estate Association (EPRA). The EPRA NAV concept is used to present the fair value of net assets on a long-term basis and to give investors an impression of a company's sustainable asset position. The EPRA NAV improved by 8.2% to EUR 25.85 per share in 2017/18. Further details are provided in the section *Overview of EPRA performance indicators* in the Group management report.

EPRA NAV

in EUR million	30 April 2018	30 April 2017	Change
Equity before non-controlling interests	2,796.7	1,974.6	41.6%
Goodwill	–5.6	–5.6	0.0%
Inventories (carrying amount)[1]	–377.6	–355.5	–6.2%
Inventories (fair value)	421.0	427.7	–1.6%
Properties owned by BUWOG (carrying amount)	–17.1	–13.6	–25.9%
Properties owned by BUWOG (fair value)	21.6	19.1	13.4%
Positive market value of derivative financial instruments	–0.0	0.0	n.a.
Negative market value of derivative financial instruments	44.3	66.1	–33.0%
Deferred tax assets on investment properties	–0.0	–0.2	99.9%
Deferred tax liabilities on investment properties (adjusted)[2]	345.9	305.6	13.2%
Deferred taxes on property inventories	–11.3	–20.0	43.3%
Deferred taxes on derivative financial instruments	–8.5	–13.4	36.3%
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NAV per share in EUR basic (balance sheet date)	**25.85**	**23.90**	**8.2%**

1) The fair value adjustments of inventories are valuated 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 45.2 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) fell from 44.1% as of 30 April 2017 to 33.7% as of 30 April 2018. This decline was based on the increase in property assets following the appraisal as of 30 April 2018, the strong development of the Property Development business area and the conversion of the convertible bonds into shares.

LOAN-TO-VALUE RATIO

in EUR million	30 April 2018	30 April 2017	Change
Non-current financial liabilities	1,119.8	1,844.6	-39.3%
Current financial liabilities	768.5	118.8	>100%
Financial liabilities held for sale	0.0	0.1	-100%
Liabilities from convertible bonds	1.2	288.0	-99.6%
Financial liabilities	**1,889.4**	**2,251.6**	**-16.1%**
Cash and cash equivalents	-219.3	-211.4	-3.7%
Net financial liabilities	**1,670.2**	**2,040.2**	**-18.1%**
Investment properties	4,452.3	4,203.9	5.9%
Investment properties under construction	133.4	56.3	>100%
Non-current assets held for sale	0.0	15.7	-100%
Inventories	377.6	355.5	6.2%
Carrying amount overall portfolio	**4,963.2**	**4,631.4**	**7.2%**
Loan-to-value ratio	**33.7%**	**44.1%**	**-10.4 PP**

FINANCIAL POSITION

CONDENSED CASH FLOW STATEMENT

in EUR million	2017/18	2016/17	Change
Gross cash flow	98.7	91.1	8.4%
Cash flow from operating activities	38.8	109.2	-64.4%
Cash flow from investing activities	-118.1	-57.5	>100%
Cash flow from financing activities	87.2	77.2	12.9%
Cash flow	**7.9**	**128.9**	**-93.9%**

Gross cash flow – adjusted for non-cash items such as the fair value adjustment of investment properties, the valuation of financial instruments at fair value, depreciation, amortisation and other positions – totalled EUR 98.7 million (EUR 91.1 million). The net cash outflow from net working capital positions amounted to EUR 59.9 million (EUR 18.1 million). Cash flow from operating activities, which is determined primarily by the Asset Management and Property Development business areas, declined by EUR 70.4 million, or 66.4%, from EUR 109.2 million to EUR 38.8 million.

The negative cash flow from investing activities more than doubled over the previous year to EUR 118.1 million in 2017/18 (EUR 57.5 million). Payments of EUR 254.7 million (EUR 298.7 million) made for the purchase of investment properties, properties under construction and other non-current assets were contrasted by payments of EUR 133.1 million (2016/17: EUR 236.2 million due to the sale of the Tyrolean portfolio) received for the sale of non-current assets.

Cash flow from financing activities rose by 12.9% to EUR 87.2 million (EUR 77.2 million) and reflected the capital increase and resulting net cash inflows of EUR 297.4 million. These inflows were contrasted by cash outflows from a net decline of EUR 89.3 million (EUR 101.2 million) in current and non-current financial liabilities, dividend payments of EUR 78.2 million (EUR 69.0 million) and interest paid of EUR 42.7 million (EUR 47.9 million). In the previous year, an additional factor was the net cash inflow of EUR 297.0 million from the issue of a convertible bond.

OVERVIEW OF EPRA PERFORMANCE INDICATORS

In order to ensure transparency and comparability with other listed companies, the BUWOG Group includes separate information on indicators calculated in accordance with Best Practice Recommendations of the European Public Real Estate Association (EPRA). These indicators can differ from the values based on IFRS.

OVERVIEW OF EPRA PERFORMANCE INDICATORS

in EUR million	2017/18	2016/17
EPRA NAV basic (balance sheet date)	3,209.5	2,384.8
EPRA NAV per share in EUR basic (balance sheet date)	25.85	23.90
EPRA NNNAV	3,147.1	2,306.2
EPRA NNNAV per share	25.35	23.11
EPRA earnings	40.6	48.9
EPRA net initial yield	4.3%	4.4%
EPRA vacancy rate	3.3%	3.0%
EPRA cost ratio (including direct vacancy costs)	54.1%	42.5%
EPRA cost ratio (excluding direct vacancy costs)	52.5%	41.0%

EPRA NET ASSET VALUE (EPRA NAV)/NNNAV

The EPRA NAV concept is used to present the fair value of net assets on a long-term basis and, in this way, to give investors an impression of a company's sustainable asset position. The calculation of EPRA NAV includes the undisclosed reserves in real estate inventories and property used by the company as well as the fair values of derivative financial instruments. The former are not included in the values reported on the balance sheet due to IFRS accounting regulations. The latter regularly serve as a hedge for long-term financing and are held to maturity, and the hypothetical losses recognised as of the balance sheet date are therefore not realised. The deferred taxes on these items are included.

In accordance with the EPRA concept, deferred taxes on investment properties are included because of the intention to hold these assets. BUWOG's business model also covers the regular sale of individual apartments and properties, and the addition of deferred taxes is therefore adjusted to reflect potential property sales within a certain period of time. Goodwill is also deducted.

EPRA Triple NAV is derived from EPRA NAV by deducting the fair value of derivative financial instruments, financial liabilities and deferred taxes. The resulting EPRA NNNAV represents the fair value of a property company.

The EPRA NAV rose by 8.2% year-on-year to EUR 3.2 billion, respectively to EUR 25.85 per share in 2017/18. This increase was based primarily on positive development of the business areas and the increase in equity which followed the conversion of the convertible bonds.

EPRA NAV AND EPRA NNNAV

in EUR million	30 April 2018	30 April 2017	Change
Equity before non-controlling interests	2,796.7	1,974.6	41.6%
Goodwill	–5.6	–5.6	0.0%
Inventories (carrying amount)[1)]	–377.6	–355.5	–6.2%
Inventories (fair value)	421.0	427.7	–1.6%
Properties owned by BUWOG (carrying amount)	–17.1	–13.6	–25.9%
Properties owned by BUWOG (fair value)	21.6	19.1	13.4%
Positive market value of derivative financial instruments	–0.0	0.0	n.a.
Negative market value of derivative financial instruments	44.3	66.1	–33.0%
Deferred tax assets on investment properties	–0.0	–0.2	99.9%
Deferred tax liabilities on investment properties (adjusted)[2)]	345.9	305.6	13.2%
Deferred taxes on property inventories	–11.3	–20.0	43.3%
Deferred taxes on derivative financial instruments	–8.5	–13.4	36.3%
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NAV per share in EUR basic (balance sheet date)	**25.85**	**23.90**	**8.2%**
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Positive market value of derivative financial instruments	–0.0	0.0	n.a.
Negative market value of derivative financial instruments	–44.3	–66.1	33.0%
Fair value of debt	–26.6	–25.8	–3.0%
Deferred tax on derivative financial instruments	8.5	13.4	–36.3%
EPRA NNNAV	**3,147.1**	**2,306.2**	**36.5%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NNNAV per share	**25.35**	**23.11**	**9.7%**

1) The fair value adjustments of inventories are valuated 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 45.2 million (EUR 33.4 million)

EPRA EARNINGS PER SHARE (EPRA EPS)

EPRA earnings per share, which represent a benchmark for the results of operations, are based on the net profit recorded by the BUWOG Group. Net profit is then adjusted for valuation effects, the results of Property Sales and Property Development after the deduction of the proportional share of expenses not directly attributable and the related effects on deferred taxes. EPRA EPS declined from EUR 0.49 in the previous year to EUR 0.36 in 2017/18 due to an increase of EUR 36.4 million in other expenses not directly attributable.

in EUR million	2017/18	2016/17	Change
Net profit (attributable to owners of the parent company)	274.1	357.8	–23.4%
Fair value adjustments of investment properties and properties under construction[2)]	–261.6	–340.7	23.2%
Results of Property Sales	–38.9	–43.3	10.3%
Results of Property Development	–24.8	–17.4	–42.6%
Taxes on Property sales and Property Development	17.3	16.1	7.6%
Valuation of financial instruments	27.3	9.2	>100%
Deferred taxes in relation to EPRA adjustments	37.1	52.5	–29.4%
Share of non-controlling interests in relation to EPRA adjustments	10.2	14.8	–31.1%
EPRA earnings	**40.6**	**48.9**	**–17.0%**
Weighted average number of shares (basic)	111,574,193	99,773,479	11.8%
Basic EPRA earnings per share in EUR	**0.36**	**0.49**	**–25.7%**
Weighted average number of shares (diluted)	111,947,413	106,113,804	5.5%
Diluted EPRA earnings per share in EUR	**0.36**	**0.46**	**–21.3%**

EPRA NET INITIAL YIELD (EPRA NIY)

The EPRA net initial yield equals the annualised net in-place rent as of the reporting date, adjusted for non-recoverable property expenses, divided by the fair value of the standing investment portfolio, including the assets held for sale and the related estimated transaction costs as of the reporting date. This indicator describes the net initial yield that a third party would realise on a purchase from the portfolio, taking into account any transaction costs and non-recoverable property expenses from the portfolio. The BUWOG Group's net initial yield for 2017/18 equalled 4.3%.

		BUWOG Group as of 30 April 2018	Austria as of 30 April 2018	Germany as of 30 April 2018
Fair value standing investments[1]	in EUR million	4,207	1,925	2,282
Non-current assets held for sale	in EUR million			0
Fair value standing investments (net)	**in EUR million**	**4,207**	**1,925**	**2,282**
Acquisition costs[2]	in EUR million	337	138	199
Fair value standing investments (gross)	**in EUR million**	**4,543**	**2,062**	**2,481**
Annualised net in-place rent[3]	in EUR million	208	87	122
Not recoverable costs	in EUR million	13	5	8
Annualised net in-place rent (net)	**in EUR million**	**195**	**81**	**114**
Net initial yield	**%**	**4.3%**	**3.9%**	**4.6%**

1) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2017
2) Expected acquisition costs on fair value standing investments for real transfer tax, brokerage fee and notary according to CBRE valuation report
3) Based on monthly in-place rent (excluding utilities) as of the balance sheet date

EPRA VACANCY RATE

The EPRA vacancy rate shows the relationship between the market rental value of vacant space and the estimated market rental value of the entire portfolio as of the balance sheet date. The EPRA vacancy rate for the BUWOG Group equalled 3.3% as of 30 April 2018.

as of 30 April 2018	Number of units	Market rent in EUR million[1]	Market rent vacant units in EUR million[1]	EPRA vacancy rate
Total BUWOG Group	**48,828**	**253.3**	**8.4**	**3.3%**
thereof Austria	21,531	113.9	5.1	4.5%
thereof Germany	27,297	139.5	3.3	2.4%

1) Based on market rent (excluding utilities) per month as of the balance sheet date annualised

EPRA COST RATIO

The EPRA cost ratio is an indicator of the cost efficiency of property management. It is calculated as the ratio of operating and administrative expenses to gross rental income. Increasing rental income and declining property expenses and general costs lead to an improvement in the EPRA cost ratio. In order to provide a more transparent presentation of the EPRA cost ratio, an adjustment was made for maintenance costs because they are dependent on the maintenance strategy and capitalisation rules. The EPRA cost ratio rose by 11.5 percentage points to 54.1% in 2017/18 due to an increase in the property expenses which are not directly attributable to Asset Management.

EPRA COST RATIO

in EUR million	2017/18	2016/17	Change
Expenses directly related to investment property	54.7	57.7	–5.3%
Share of expenses not directly attributable Asset Management	61.0	34.3	77.7%
Net service charge costs/fees	–0.8	0.0	>100%
Management fees less actual/estimated profit component	0.0	0.0	n.a.
Other revenues	–0.3	–0.2	–11.9%
Share of joint venture expenses	0.0	0.0	n.a.
Depreciation of investment property	0.0	0.0	n.a.
Land lease fees	–1.2	–1.1	–1.1%
Service charges recovered through rents (but not separately invoiced)	0.0	0.0	n.a.
EPRA Costs (including direct vacancy costs)	**113.4**	**90.7**	**25.0%**
Direct vacancy costs	–3.2	–3.2	–2.0%
EPRA Costs (excluding direct vacancy costs)	**110.1**	**87.5**	**25.8%**
Gross rental income per IFRS	210.9	214.4	–1.7%
Ground rent costs	–1.2	–1.1	–1.1%
Gross rental Income	**209.7**	**213.3**	**–1.7%**
EPRA Cost ratio (including direct vacancy costs)	**54.1%**	**42.5%**	**11.5 PP**
EPRA Cost ratio (excluding direct vacancy costs)	**52.5%**	**41.0%**	**11.5 PP**
Adjustment maintenance	25.9	27.0	–4.2%
EPRA Costs adjusted by maintenance (including direct vacancy costs)	**87.5**	**63.7**	**37.3%**
EPRA Costs adjusted by maintenance (excluding direct vacancy costs)	**84.3**	**60.4**	**39.4%**
EPRA Cost ratio adjusted by maintenance (including direct vacancy costs)	**41.7%**	**29.9%**	**11.8 PP**
EPRA Cost ratio adjusted by maintenance (excluding direct vacancy costs)	**40.2%**	**28.3%**	**11.8 PP**

RISK AND OPPORTUNITY REPORTING

GRI 102-11

As a real estate owner and developer, the BUWOG Group is exposed to a variety of risks which, at the same time, can also represent opportunities. A strong and effective risk management process ensures the timely identification of developments that could endanger the realisation of strategic and operating goals and also allows for the inclusion of important information in decision-making processes. Risk management therefore not only covers risk control, but also the systematic handling of the related opportunities.

The Group-wide risk and opportunity management system is designed to support rational decisions in dealing with risks and opportunities. The BUWOG Group views risk as an event that will negatively influence the attainment of goals. Risk management is also responsible for the identification of opportunities. The BUWOG Group views an opportunity as an event that will positively influence the attainment of goals – i.e. it can lead to the preservation or creation of value. The assessment of risks and opportunities includes the probability of occurrence and the potential damage. Both form an integral part of management activities in the BUWOG Group. "Risk management" and "risk" are only used in the following sections to improve readability.

Risk management takes place at all organisational levels in the BUWOG Group and is the responsibility of the Executive Board. It represents a systematic, value-oriented and profit-oriented approach for the analysis and handling of risks. Risk management in the BUWOG Group is based on the COSO framework. This reference model is classified in five components: governance and culture, strategy and objective-setting, performance, review and revision, and information, communication and reporting. The related activities take place in both a pre-defined process and an ad-hoc process. BUWOG has also further optimised the internal control system (ICS) to support the early identification and monitoring of risk. A description of the ICS is provided in the management report, and the related organisational guideline represents an important part of the Group's risk management.

The risk appetite of a company represents its attitude towards accepting risks, with regard to both quantity and quality. Security considerations for shareholders and customers take priority for the BUWOG Group, which leads to a principal risk aversion.

The risk strategy is defined by the Executive Board and includes the goals for risk diversification and the measures to limit concentrations of risks.

Risk management in the BUWOG Group is directed to supporting the following organisational goals:
- The BUWOG Group's comprehensive, integrated risk management system is designed to reduce strategic, operational, financial and compliance risks to an acceptable level.
  Goal: Business and legal security
- Risk management is intended to support result-oriented, efficient operations and thereby provide security for people, employees and assets.
  Goal: Business and asset security
- The Executive Board and managers must be provided with up-to-date risk information to support their management and strategy decisions and the definition of strategic measures.
  Goal: Planning, management and strategic autonomy
- Employees must develop an increased awareness of risk, and the costs of risk must be minimised.
  Goal: Risk awareness and limitation of the costs associated with risks
- All necessary hedging/protection measures must be evaluated when risks are accepted.
  Risks must be controllable, monitored and managed.
  Goal: Risk protection and controlling
- The image and reputation of the BUWOG Group must be protected and strengthened.
  Goal: Protection and strengthening of image and reputation

The most important risk factors can be summarised under financial risks and market/real estate-specific risks, above all risks related to individual projects and properties. The major financial risks are caused by changes on the capital, credit and interest rate markets and by changes in the credit standing or liquidity of the BUWOG Group and its customers, investors, banks and business partners. Detailed information on the financial risk factors is provided in the consolidated financial statements under note 7.2 *Financial risk management.* Market- and property-specific risks arise from micro- and macroeconomic events and developments at the individual property level and include market price risk, the competitive situation, transaction risk and project development risk.

RESPONSIBILITY

The Executive Board is responsible for defining the risk policy and risk strategy and creating an awareness of risk as well as establishing an appropriate risk infrastructure and risk management system. The method used to evaluate risk management is reviewed by the Executive Board at least once each year and updated whenever necessary. The risk manager is responsible for the development and specific design of the risk management system, for monitoring and reporting on the risk strategy defined by the Executive Board and for establishing the procedures used to quantify risk and to create the general standards for risk management.

PROCEDURES

Risks are classified on the basis of their organisational relationships – through risk categories – and their material scope of influence – through various types of risk. The risk categories form the upper level of this classification, while the types of risk represent subordinate elements assigned to these categories. The risk management process begins with the identification of risks (risk identification). In the next step, the risks are analysed (risk analysis) and then assessed with regard to the estimated probability of occurrence and estimated potential damage (risk assessment). Measures are then defined for the management or control of these risks (risk control) and for subsequent monitoring (risk monitoring). The scheduled programme covers the Group-wide functioning of risk management. It involves the periodic, systematic identification of risks and provides a uniform basis for risk reporting to management. The ad-hoc reporting process in risk management accompanies and completes the scheduled programme. It covers the "gaps" in the half-yearly risk assessment. Recurring Funds From Operations (RFFO) is an important property-specific indicator, which is ideally suited for inclusion in the assessment of risks. The calculation of the effects in Euros is therefore based on budgeted Recurring FFO. Parallel to the above-mentioned activities, risks are continuously monitored and communicated. Communications and the information exchange with internal and external stakeholders take place, as required, during all phases of the risk management process.

REPORTING

An overview of the material risks which require immediate action, together with the related measures, is presented twice each year at a meeting of the Executive Board. BUWOG's risk landscape is revised regularly by the risk manager based on information supplied by the operating units. The existing risks and related measures are updated together with the responsible risk owners and new risks are added to the reporting scheme as required. In addition to the strategic, operational, financial and compliance risks to which the BUWOG Group is exposed, a separate risk matrix is prepared for each new construction project and updated at least twice each year. Ad-hoc reports on material risks with an immediate need for action are evaluated by the risk manager and immediately communicated to the Executive Board. In accordance with legal regulations, the Executive Board is responsible for risk reporting to the Supervisory Board.

MARKET RISK AND PROPERTY-SPECIFIC RISKS

The business activities of the BUWOG Group cover property development and the management of standing investments as well as the sale of individual apartments, properties and portfolios. Supply and demand on the real estate market are influenced by a variety of factors which are subject, in part, to significant fluctuation. Examples of these factors are economic, legal and taxation frameworks, demographic developments, the availability of financing, raw material and energy prices as well as the interest of investors and the perceived attractiveness of real estate in comparison with other investment forms.

In addition to the typical risks facing property owners – which BUWOG minimises through insurance coverage for the individual properties – the company is also exposed to property-specific risks. These risks are related primarily to the location of the properties, their architecture and the structural condition of the buildings, but also to the direct competitive environment and local socio-economic factors. The BUWOG Group minimises these risks, among others, through the use of controlling instruments to support Asset Management in the regular appraisal of the properties and the quality of their locations as well as the attractiveness of the individual markets based on key indicators. The results of property management are also regularly discussed and evaluated at meetings between Asset Management, standing investment controlling, department management and the Executive Board. All market changes are included in the analysis of the property portfolio and have a significant influence on investments, sales and project planning – and therefore also on the medium-term corporate planning process. Detailed budgets at the individual property level, medium-term forecasts and regular variance analyses provide support for management in the monitoring of business results. Properties whose location, quality and/or competitive position do not meet the portfolio requirements are designated for sale.

The BUWOG Group is exposed to market risk, in particular from changes in the supply and demand for rental properties. These fluctuations have a direct impact on both rental income and vacancy rates and are ultimately reflected in property prices. BUWOG works to optimise its real estate investments based on the following strategy: the residential offering in the standing investment portfolio is diversified according to regional and product-specific criteria; new construction projects follow a differentiated product line approach; and the active management of properties incorporates the Group's long-standing, extensive knowledge of its regional markets. Market risk is also reduced by matching rents to the respective properties and locations within legal limits.

In order to comprehensively identify and assess risks before the acquisition of new properties, the BUWOG Group relies on multi-stage due diligence examinations which also include independent experts.

Acquisition/project development risk. Acquisition and development activities are connected, above all, with risks relating to legal, social, technical, economic and tax issues. In order to identify and assess these risks before the acquisition of properties, the BUWOG Group uses multi-dimensional due diligence audits for all potential transactions. These audits are graduated by risk relevance and intensity and include the participation of independent experts. The BUWOG Group does not purchase properties that fail to meet its high quality standards. However, there is still a residual risk that important information with a possible negative impact on the economic assumptions (e.g. incomplete information in the due diligence reports, changes in the legal situation) only becomes available after the completion of acquisition activities or market conditions may change in an unforeseen direction.

One focal point of BUWOG's business activities is the development of real estate projects in Berlin, Hamburg and Vienna, whereby plans call for the expansion of these activities in the future. Development activities are, naturally, exposed to significant risks. Delays in receiving the necessary permits, the actions of citizens' initiatives or construction problems can lead to schedule overruns. In addition, sale and rental risks as well as construction cost overruns can lead to a reduction in the project return.

The BUWOG Group minimises these risks by regularly monitoring costs and schedules through variance analyses. A risk analysis system has been implemented for the project development business to identify risks and counter their potential effects on a timely basis. Additional information is provided in the consolidated financial statements under note 7.2.2 *Default/credit risk*.

Property valuation risk. The BUWOG Group uses the fair value model for property valuation, as is customary in the real estate sector. Properties are carried at the value that would be received in an exchange between knowledgeable, willing and independent business partners. BUWOG's properties are valued at least semi-annually by external appraisers. The values determined by these experts are heavily dependent on the applied calculation method and the underlying assumptions. Important parameters for the calculation of a property's fair value include the interest rate and occupancy level. Consequently, any change in the underlying assumptions can lead to material fluctuations in the value of a property. For example: a change in the assumed occupancy rate, market price, interest level or future investment costs for a property will have a direct effect on the resulting profitability and fair value. Even minor changes in the underlying assumptions, e.g. for economic or property-specific considerations, can have a material impact on the net profit of the BUWOG Group.

POLITICAL, TAX AND LEGAL RISKS

Legal risks. As a property developer and owner, the BUWOG Group is also exposed to a variety of legal risks. They include, among others, risks related to the purchase or sale of properties and risks, the construction of buildings and legal disputes with tenants or other contract partners.

Tenancy and housing regulations, building codes and civil, tax and environmental laws are particularly important for BUWOG's business operations. The Group therefore follows regulatory changes and supreme court rulings with particular interest to allow for timely response to any binding changes in general legal conditions.

The outcome of pending actions under civil and administrative law or out-of-court settlements with tenants, contractors and development partners cannot be predicted with certainty. There is a risk that judicial or administrative decisions or settlements may lead to costs that could have an unexpected influence on the results of the BUWOG Group.

The risks associated with the properties and undeveloped land owned by the Group are minimised by building insurance and/or property liability insurance.

Tax risks. Tax audits for previous years are still in progress or have not yet started for a number of BUWOG Group companies. These audits may result in additional tax payments. The limits on the deductibility of interest expense for the determination of income taxes could also lead to additional tax payments for BUWOG's German companies in the future.

The modification of shareholder and/or organisational structures could lead to changes in a property transfer tax liability or the inability to utilise loss carryforwards. The recognition of deferred taxes on loss carryforwards could be limited or eliminated by fundamental changes in tax regulations, which would lead to expenses at an amount equal to the impairment losses on the related deferred tax assets.

Vonovia SE acquired over 50% of the share capital of BUWOG AG with the settlement on 26 March 2018 and, consequently, now also holds an indirect investment in the German companies of the BUWOG Group. This represents a detrimental acquisition in the sense of Section 8c of the German Corporate Income Tax Act and will most likely result in the inability to utilise corporate tax loss carryforwards of approx. EUR 60 million and trade tax loss carryforwards of approx. EUR 78 million.

Risks that could lead to an outflow of resources are accounted for in accordance with IAS 37 Provisions or IAS 12 Income Taxes. In order to minimise tax risks, the BUWOG Group relies on its tax departments in Germany and Austria and on the services of well-known external consultants.

Political and regulatory risks. The BUWOG Group is exposed to general risks arising from changes in legal regulations (including tenancy law, construction law, environmental law, tax law and administrative law). As BUWOG's operations are limited to Austria and Germany, and these types of changes do not normally occur unexpectedly or over the short term, there is usually sufficient time to react.

OTHER RISKS

Concentration risk. Concentration risk is understood to mean the accumulation of similar risks that contradict the principle of risk diversification. BUWOG consciously reduces these risks through the regional diversification of the portfolio and a business model which is focused on three business areas: Asset Management, Property Development and Property Sales.

Integration risk. The risks associated with the acquisition of property portfolios and their integration into the BUWOG Group are identified during the due diligence process and reflected in the purchase price negotiations. These risks are mainly financial and legal or relate to the integration into the BUWOG Group and the financial performance of the portfolios. The financial performance of the portfolios can be influenced by market and property-specific factors. It is also conceivable that potential problems may not be identified during the due diligence process and are therefore not reflected in the purchase price, or assumptions made during the due diligence process are overly optimistic and result in the payment of an excessive purchase price. The integration of existing organisational structures is associated with a variety of risks: earnings could fail to meet budgeted expectations; synergies may not materialise as planned; the increased integration workload could lead to unscheduled costs; or the integration could take longer and be more expensive than originally planned. The BUWOG Group addresses these risks by involving both internal and external experts from all relevant disciplines in the due diligence process and by preparing detailed business plans based on their findings. To further reduce these risks, the BUWOG Group engages experienced integration managers who prepare detailed integration plans and coordinate and implement the related processes.

Organisational risk. The BUWOG Group has issued guidelines and implemented processes to avoid the risks associated with acquisitions, project development, property management and investments. These guidelines and processes regulate the general conditions and approval levels for individual measures (acquisitions, development, management and ongoing investments) and minimise or eliminate the major strategic and property-specific risks. Approval levels are defined in a comprehensive Group guideline, which regulates the authorisation limits for individual employees up to the members of the Executive Board. In certain cases, the approval of the Supervisory Board is also required.

IT risk. In order to counter IT risks, all employees are required to complete IT basic and security training. An special section has also been installed in the Intranet to provide information on current security issues related to IT systems (e.g. selection of the right passwords, protection of customer data etc.). The BUWOG Group has appointed a data protection officer and an IT security contact partner. Internal Audit also provides information for employees via the Intranet and other internal communication channels to create a greater awareness of potential dangers in the Internet (e.g.: "fake president frauds") and explains possible defence and reaction measures. The Internal Audit Department also carries out regular reviews to evaluate the security level of the IT infrastructure and to identify and eliminate security weaknesses at an early stage. There were no complaints over violations of customers' privacy in Germany or Austria or violations of data protection laws during the 2017/18 financial year.

INTERNAL CONTROL SYSTEM

GRI 102-11

The Internal Control System (ICS) of the BUWOG Group comprises a wide range of coordinated methods and measures that are designed to meet the following goals: to protect corporate assets, to ensure the accuracy and reliability of data for accounting and financial reporting, to improve the efficiency of business processes (including controls) and to ensure compliance with internal and external guidelines and directives. It also supports compliance with the corporate policies defined by the Executive Board. The ICS provides the Executive Board with a uniform reporting system and Group-wide guidelines as well as a comprehensive tool for analysing and managing uncertainties and risks.

The IT & Organisational Development Department continued the design of process management and the ICS during the 2017/18 financial year in order to meet current and increasing demands at the internal and external level and to ensure the functional capability of the ICS. The related activities included the further development of integrated process management as well as its implementation throughout the corporate organisation and training for the BUWOG staff. The expansion of ICS reviews and the improvement of know-how among process managers has created –and will continue to create – a greater awareness of risk. This comprehensive, risk-oriented approach makes an important contribution to the attainment of corporate goals and also equips the BUWOG Group for future business activities.

The further development of the ICS is based on the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and also includes the "Three Lines of Defence Model", a framework for effective control and monitoring systems. BUWOG will also continue to expand the ICS during the 2018/19 financial year.

FOUNDATION OF THE ICS

The BUWOG Group's process landscape forms the starting point for the evaluation of the ICS at the process level. This landscape consists of individual business processes in which the logical order of various work steps and activities in upstream and downstream areas are described. Process steps and decisions involving risk are equipped with controls. Process management and ICS software are used to integrate the necessary controls into this process landscape.

CONTROL ENVIRONMENT

In the BUWOG Group, the control environment comprises the general ICS framework for the design and implementation of internal control activities. The most important components are statutory regulations, standards, guidelines and principles issued by the BUWOG Group (among others for the separation of functions, the dual control principle, transparency, documentation requirements and the authorisation guideline) as well as clear management and organisational structures and the communication of basic values by management. The ICS in accounting and financial reporting guarantees accuracy, security and efficiency and also ensures the correct, complete and timely preparation of all necessary information. The key features of the ICS in BUWOG's accounting process are the appropriate separation of functions, the application of the dual control principle in all order and invoice approval procedures, compliance with internal guidelines, the review of accounting data by the Group Controlling Department for correctness, plausibility and completeness, the integration of preventive and detective monitoring in processes as well as the automation of key controls through specific system settings in the financial accounting software.

INFORMATION & COMMUNICATION

The establishment and integration of the ICS in the BUWOG Group and the preparation and implementation of new and existing guidelines, processes and control measures are supported by regular information events, training and feedback rounds. An important role is also played by BUWOG's intranet as an information, communications and application platform. Opportunities for the improvement and optimisation of the ICS are reported to the responsible process manager and to the BUWOG Executive and Supervisory Boards.

MONITORING BY INTERNAL AUDIT

In accordance with C-Rule 18 of the Austrian Corporate Governance Code, Internal Audit was established as a separate staff department of the Executive Board of BUWOG AG and reports directly to the CEO. It supports the Executive and Supervisory Boards in fulfilling their control and monitoring responsibilities and is also responsible for related audit activities throughout the Group. All companies, business areas and processes in the BUWOG Group are subject, without limitation, to review by the Internal Audit Department. The related rights and obligations and the rules for audit activities are defined in a Group-wide organisational guideline (Rules of Procedure for Internal Audit). The Internal Audit Department carried out independent and objective reviews during the reporting year based on a risk-oriented annual audit plan approved by the Executive Board and Supervisory Board of BUWOG AG. These reviews focused primarily on the correctness of business processes, the effectiveness of the ICS and opportunities to improve processes and efficiency. The results of the audits were reported to the Executive Board on a regular basis and to the Audit Committee of the Supervisory Board twice during the reporting year. The recommendations and measures defined by these reports were followed by monitoring to ensure the implementation of agreed improvements. A focus on the optimisation of business processes and internal consulting make the Internal Audit Department a future-oriented management tool, which plays an important role in the attainment of corporate goals and an increase in the value of the company.

In addition to its audit and consulting functions, Internal Audit is responsible for identifying opportunities for improvement, recommending changes (innovation and initiative function) and supporting the implementation of suggestions for improvement (audit-related consulting). The increasing use of data analysis illustrates the modern approach taken by Internal Audit. This approach creates the foundation for the more effective support of risk management and the ICS as well as the identification of opportunities to improve organisational efficiency and effectiveness and, in this way, supports the creation of added value for the BUWOG Group.

INTERNAL WHISTLE-BLOWER SYSTEM

The BUWOG Group is committed to sustainable corporate management. This commitment is illustrated, among others, by the internal whistle-blower system, which is available to report violations of legal regulations, guidelines or corporate values. In order to ensure compliance with the Austrian Data Protection Act 2000, a company agreement was concluded to regulate the use of this system in the BUWOG Group and the internal whistle-blower system was registered with the Austrian Data Protection Authority.

Content of the internal whistle-blower system in the BUWOG Group. The internal whistle-blower system can be accessed by all employees of the BUWOG Group. Employees are instructed to report – under their own name or anonymously – violations of legal regulations or binding corporate directives concerning proper accounting, corruption, bribery, fraud, financial crime, money laundering or insider trading, regardless of whether these actions were taken by employees of the BUWOG Group or by a business partner.

Reporting offices ("whistle-blower system"). The reporting offices include management, the Internal Audit Department and the compliance officer of the BUWOG Group. These persons can also be contacted to provide information on compliance guidelines and to answer questions and/or to report indications of weaknesses in procedures and risk areas or opportunities for improvement. The reporting offices will investigate all reports, whereby maximum confidentiality and fairness for the whistle-blower is guaranteed. The same applies, where appropriate, to any employees involved in an allegation. No sanctions are taken on the basis of a report over compliance concerns or compliance violations. This also applies when reports prove to be unjustified or unsubstantiated after closer examination, unless a false report was filed intentionally.

INFORMATION ON CAPITAL

The share capital of BUWOG AG totalled EUR 124,149,546.00 as of 30 April 2018 (30 April 2017: EUR 99,773,479.00). It is divided into 124,149,546 zero par value bearer shares (30 April 2017: 99,773,479 shares) with voting rights, each of which represents a proportional share of EUR 1.00 in share capital. All of these shares are zero par value bearer shares which entitle the holders to participate in the annual general meeting and to exercise voting rights and other shareholder rights in accordance with applicable legal regulations. Each bearer share is entitled to one vote.

All of the company's shares (ISIN AT00BUWOG001) are admitted for official trading on the Vienna Stock Exchange, on the regulated market of the Frankfurt Stock Exchange and in the main market (*Rynek podstawowy*) of the Warsaw Stock Exchange (regulated markets as defined by Section 1 (2) of the Austrian Stock Exchange Act, *Börsegesetz)*.

Share capital and the number of shares increased in 2017/18 as a result of the following measures:

- Capital increase from authorised capital: In accordance with resolutions of the Executive Board and Supervisory Board on 15 May 2017 and 2 June 2017, the company's share capital of EUR 99,773,479.00 was increased by EUR 12,471,685.00 from authorised capital. This increase was based on a resolution of the annual general meeting on 7 March 2014 and took effect with recording in the company register on 3 June 2017. Share capital totalled EUR 112,245,164.00 after the capital increase and was divided into 112,245,164 zero par value shares.

- Conversion of convertible bonds 2016–2021: In April 2018 a capital increase of EUR 11,904,382.00 from conditional capital was carried out to issue 11,904,382 zero par value shares following the exercise of conversion rights for the convertible bonds 2016 to 2021. Additional conversions took place after the reporting date. Details on the convertible bond can be found under the item Convertible bonds 2016–2021 below.

CONVERTIBLE BONDS

Authorisation to issue new convertible bonds. The annual general meeting of BUWOG AG on 17 October 2017 authorised the Executive Board to issue convertible bonds with a total nominal amount of up to EUR 700,000,000. These bonds may carry exchange and/or subscription rights for up to 22,449,032 bearer shares in the company; they may be issued with or without the exclusion of subscription rights and in one or more tranches. This annual general meeting also approved a conditional capital increase of EUR 22,449,032.00 in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act to service the exchange or subscription rights of the holders of convertible bonds issued on the basis of this authorisation.

CONVERTIBLE BONDS 2016–2021

In accordance with an authorisation of the annual general meeting on 14 October 2014, BUWOG AG issued an unsubordinated, unsecured convertible bond in September 2016. This bond does not carry interest and has a term ending on 9 September 2021. The nominal value of the convertible bond 2016–2021 totalled EUR 300 million, with the individual certificates equalling EUR 100,000. In connection with the takeover offer by Vonovia SE (see the details on page 166), 99.6% of the total nominal value was tendered to Vonovia SE and subsequently converted. The remaining nominal value of the convertible bond 2016–2021 totalled EUR 1,200,000.00 as of 30 April 2018 and entitled the bondholders to conversion, based on the applicable conversion price of EUR 31.22, to conversion into 38,436 BUWOG shares. Further conversions took place after the end of the reporting year on 30 April 2018. The conversion price will only be adjusted to reflect dividend payments when the dividend exceeds EUR 0.69 per BUWOG share. BUWOG is entitled to redeem the convertible bond at maturity in cash, in shares or in a combination of cash and shares. The issue terms also entitle BUWOG to call the convertible bond beginning on 30 September 2019 if the price of the BUWOG share exceeds 130% of the conversion price during a specified time period. If the nominal amount of the outstanding convertible bonds falls to 20% or less than the total nominal amount, BUWOG is entitled to irrevocably call and redeem all remaining bonds at their nominal value. BUWOG AG exercised this premature call right and redeemed the outstanding convertible bonds on 10 August 2018 at the nominal value of EUR 100,000,00.

TREASURY SHARES

Authorisation of the Executive Board to purchase treasury shares. The annual general meeting of BUWOG AG on 17 October 2017 authorised the Executive Board, with the consent of the Supervisory Board, to repurchase the company's shares in accordance with Section 65 (1) no. 8 and (1a) and (1b) of the Austrian Stock Corporation Act at an amount equalling up to 10% of the company's share capital. The shares may be repurchased over the stock exchange or off-market, whereby the proportional subscription rights of shareholders can be excluded. This authorisation is valid for a period of 30 months beginning on the date of the resolution.

Authorisation of the Executive Board to sell treasury shares. The annual general meeting of BUWOG AG on 17 October 2017 also authorised the Executive Board, with the consent of the Supervisory Board, to sell treasury shares in a manner other than over the stock exchange or through a public offering in accordance with Section 65 (1b) of the Austrian Stock Corporation Act. These shares may be sold or used for any legal purpose, whereby the proportional purchase rights of shareholders are excluded (exclusion of subscription rights). This authorisation is valid for a period of five years beginning on the date of the resolution.

As of 30 April 2018, neither BUWOG AG nor any of the companies under its control held treasury shares.

OWNERSHIP STRUCTURE – TAKEOVER OFFER BY VONOVIA SE

On 18 December 2017 Vonovia SE announced its intention to issue a public takeover offer to all BUWOG shareholders and convertible bondholders. The Executive Board of BUWOG AG and the Management Board of Vonovia SE signed an agreement in principle for the business combination of the two companies on that same date.

The takeover documents, which were published on 5 February 2018, offered a price of EUR 29.05 per BUWOG share (incl. the dividend for the 2017/18 financial year). The holders of the convertible bonds due in 2021 (nominal value of EUR 100.000) were offered EUR 115,553.65, respectively EUR 93,049.33 per convertible bond certificate after the change of control was announced.

During the acceptance period from 5 February 2018 up to and including 12 March 2018, the takeover offer was accepted for a total of 82,844,967 BUWOG shares, or 73.8% of all shares issued by BUWOG at that time. The legal minimum acceptance threshold of 50% plus one share was therefore exceeded by a substantial margin. The offer was also accepted for 2,988 certificates of the BUWOG convertible bond due in 2021, which represented 99.6% of the total nominal value.

Vonovia SE further increased its investment in BUWOG through the exercise of the conversion right from the tendered convertible bonds due in 2021 and through parallel purchases, also within the framework of the legal extension of the offer period. A voting rights announcement on 20 April 2018 indicated that Vonovia SE held 95,887,476 BUWOG shares, which represented 77.24% of the share capital of BUWOG AG on that date. A voting rights announcement on 2 July 2018, after the end of the reporting year, indicated that Vonovia SE held 12,672,652 BUWOG shares, which represented 90.73% of voting rights.

BUWOG had no information as of the date for this report on further investments or voting shares attributable under stock exchange regulations which exceeded 4% of the company's share capital.

On 20 June 2018, after the end of the reporting year, Vonovia SE communicated a written request to BUWOG pursuant to Section 1 (1) of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement (squeeze-out).

DISCLOSURES PURSUANT TO SECTION 243A OF THE AUSTRIAN COMMERCIAL CODE

The Executive Board is unaware of any agreements between shareholders pursuant to Section 243a (1) no. 2 of the Austrian Commercial Code that limit voting rights or the transfer of shares.

Vonovia SE holds a direct investment of more than 10% in the company (Section 243a (1) no. 3 of the Austrian Commercial Code).

There are no shares with special control rights as defined in Section 243a (1) no. 4 of the Austrian Commercial Code.

BUWOG AG does not have a share participation programme for employees. Therefore, no information is provided on the control of voting rights pursuant to Section 243a (1) no. 5 of the Austrian Commercial Code.

There are no requirements that are not derived directly from legal regulations regarding the appointment and dismissal of members of the Executive Board and Supervisory Board or concerning the amendment of the company's articles of association pursuant to Section 243a (1) no. 6 of the Austrian Commercial Code.

AUTHORISED CAPITAL

The annual general meeting on 17 October 2017 authorised the Executive Board, with the consent of the Supervisory Board, pursuant to Section 169 of the Austrian Stock Corporation Act, to increase the company's share capital by up to EUR 56,122,582.00 through the issue of up to 56,122,582 new shares in exchange for cash or contributions in kind, also with the exclusion of subscription rights. This authorisation is valid until 17 January 2023. Share capital may be increased on the basis of this authorisation under the following conditions: (i) when the capital increase takes place in exchange for cash contributions and the number of shares issued does not exceed 10% of the company's share capital on the authorisation date; (ii) for contributions in kind; (iii) to service a greenshoe option; or (iv) for the settlement of peak amounts.

CHANGE OF CONTROL

A number of the existing financing agreements require joint consent to be reached on the continuation of the credit arrangement in the event of a change of control.

The employment contracts with the members of the Executive Board contain change of control clauses that could lead to the termination of a contract. The company and the members of the Executive Board have concluded compensation agreements that will take effect in the event of a public takeover bid. Depending on the remaining term of the Executive Board member, the respective contract entitlement will equal one to two years at most. A change of control occurred through the takeover by Vonovia SE (see the details on page 166), whereby all members of the Executive Board waived their right to exercise this special contractual termination right. Andreas Segal resigned from the Executive Board prematurely as of 26 March 2018 in exchange for an appropriate settlement payment as compensation for the remaining term of his employment contract and his agreement to waive the exercise of the special termination right. Moreover, an agreement was reached after the balance sheet date under which Herwig Teufelsdorfer will resign from the Executive Board after the conclusion of the announced squeeze-out (see the details on page 166), but on 31 March 2019 at the latest, in exchange for an appropriate settlement payment as compensation for the remaining term of his employment contract and his agreement to waive the exercise of the special termination right.

There are no such agreements for the members of the Supervisory Board or for employees.

The company has not entered into any other material agreements which would take effect, change or be terminated in the event of a change of control.

LONG-TERM INCENTIVE PROGRAMME (STOCK OPTIONS FOR MEMBERS OF THE EXECUTIVE BOARD)

Long-Term Incentive Programme 2014 (LTIP 2014). The annual general meeting of BUWOG AG on 14 October 2014 approved a conditional capital increase (Section 159 (2) no. 3 of the Austrian Stock Corporation Act) for the granting of stock options to the members of the Executive Board of BUWOG AG, Daniel Riedl and (former member) Ronald Roos, as part of the 2014 long-term incentive programme (2014 LTIP). The stock options comprised basic options and three tranches of bonus options, whereby the ability to exercise the bonus options was dependent on the attainment of performance targets for the particular financial year.

Since the performance targets for the bonus option tranches had been met, Executive Board member Daniel Riedl was entitled to exercise options for the purchase of 480,000 BUWOG shares at a price of EUR 13.00 per share during the period from 1 May 2018 to 30 April 2019. In connection with the takeover by Vonovia SE (see the details on page 166), the value of these options (i.e. EUR 16.05/option representing the difference between Vonovia's offer price and the defined purchase price) was paid out to Mr. Riedl in cash without the delivery of shares.

Long-Term Incentive Programme 2017 (LTIP 2017). In March 2017 the Supervisory Board approved a long-term incentive programme (LTIP 2017) with synthetic options (i.e. primarily cash settlement) for the members of the Executive Board, Daniel Riedl, Andreas Segal and Herwig Teufelsdorfer.

The agreed performance targets were met for the 2015/16, 2016/17 and 2017/18 financial years and entitled the Executive Board members to the following synthetic options: Daniel Riedl: 35,915 options, Andreas Segal: 62,985 options and Herwig Teufelsdorfer: 54,368 options. In connection with the takeover by Vonovia SE (see details on pages 66 and 166), the synthetic options attributable to each of the Executive Board members were settled prematurely as of 30 April 2018 through a cash payment which was based on the share price in the takeover offer. Mr. Riedl received EUR 1,043,330.75 and Mr. Segal EUR 1,923,047.58 (in each case, excl. related payroll costs). A provision of EUR 1,784,432.42 was recognised for the obligation to Mr Teufelsdorfer.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION, BOARD APPOINTMENTS AND DISMISSALS

Amendments to the articles of association and the (premature) dismissal of Supervisory Board members must be approved by the majorities defined by law in accordance with Section 21 of the Articles of Association.

In accordance with the Articles of Association of BUWOG AG, the person chairing the respective meeting casts the deciding vote in the event of a tie in voting on the Supervisory Board. The same applies to the election of members to and the dismissal of members from the Executive Board.

OUTLOOK

CURRENT SITUATION

Prevailing opinions indicate that the economies in both Germany and Austria have entered a boom phase. This leads to expectations of a further general increase in wages and prices.

Rising investments, solid public and private sector consumption and dynamic exports represent key drivers for the growth expected during the abbreviated 2018 financial year. A slowdown could only come about under the current conditions from a decline in export activity – a development that could not be completely excluded as of the publication date for this report due to the increase in trade barriers, especially through actions initiated by the USA. The economic outlook for the Eurozone is more optimistic than the previous year, in particular due to the strong demand for industrial goods. This, in turn, has had a positive effect on the labour market, which provides a substantial basis for the increase in private consumption and investments, above all in the construction sector. Moreover, the ongoing historically low financing conditions continue to provide support for the development of the construction and real estate sectors.

Not to be overlooked are cyclical risks, which are also relevant for the real estate industry in this ninth year of an upward trend. Economic boom phases are generally accompanied by the danger of a systematic misdirection of resources. This risk is currently evidenced, in particular, by the ongoing expansive monetary policy with its low interest rates and potential for inflation in tangible assets. A strong boom can also be followed by the abrupt and strong correction of unfavourable developments. Risks for the German and Austrian economies could arise, above all, from global scenarios like the failure of the Brexit negotiations, financial stability risk in China or the continued implementation of bilateral tariffs in worldwide trade.

However, leading economic research institutes are forecasting a GDP increase of 1.9% for Germany and 2.1% for Austria in 2018.

The positive development of the real estate markets in both countries should also continue. This expectation is based, in particular, on the assessment that the drivers for the recent upturn remain intact. The major population centres in both Germany and Austria are benefitting from a steady influx, and the general demographic trend is still slightly positive. In contrast, only a moderate increase in the offering can be identified, even though financing costs remain extremely favourable in historical comparison despite a slight rise in long-term interest rates.

The housing shortage, especially in mature rental markets like Berlin, Hamburg and Vienna, remains an important issue in economic and political discussions. empirica Institut expects a further increase in the prices for residential properties in Germany during 2018, although at a slower rate than in recent years. The ZIA German Property Federation (*Zentrale Immobilien Ausschuss*) has taken a somewhat more moderate view given the already very high real estate prices, but is not expecting a trend reversal because of the robust conditions and is projecting stable prices. Deutsche Bank Research has called attention to the still affordable home ownership in international comparison, especially in Germany. The affordability of housing has, however, been characterised by slightly negative development in recent years, but remains comparatively attractive despite strong regional differences.

OUTLOOK ON THE 2018 FINANCIAL YEAR

The forecasts by BUWOG AG for the 2018 year are based on the assumptions presented in this report for the development of the economies in Germany and Austria.

In view of the ongoing low interest environment, the Executive Board plans to maintain a balance sheet structure which allows BUWOG AG – also as a group company of Vonovia SE – to continue its growth in the core business areas: Asset Management in Austria and Property Development in Germany and Austria. BUWOG's previous strategy to improve the quality of the portfolio will also be implemented as part of the new corporation, above all by focusing the standing investment portfolio in Austria on Vienna and other strong socio-demographic locations and continuing the develop-to-hold strategy followed by Property Development in Germany and Austria. The develop-to-hold pipeline was increased by 186 completions to 4,408 units in Berlin, Hamburg and Vienna during 2017/18. BUWOG AG pursues an active portfolio management approach and regularly analyses opportunities and risks in its portfolio locations. The goal is to improve the portfolio quality, not only through acquisitions and develop-to-hold properties. The sale of individual units and larger portfolio components in Germany and Austria can make an important contribution to improving the portfolio quality and recycling capital into more profitable investments. The sale of standing investments in smaller cities and municipalities is currently being tested at a number of locations in northern Germany.

The Executive Board expects a contribution of approximately EUR 74 million to Recurring FFO from Asset Management and Unit Sales in the abbreviated 2018 financial year based on like-for-like growth of 2.0% to 2.5% in rental income and constant, high-margin Unit Sales of 400 apartments during this eight-month period.

The Property Development business area is expected to contribute approximately EUR 48 million to Recurring FFO in the abbreviated 2018 financial year. In contrast to the outlooks communicated in previous financial years, this assumption includes an effect of roughly EUR 32 million from the initial application of the percentage-of-completion accounting method. Earnings under this method are not recognised to the income statement when a property is completed and transferred to the buyer but, in the event of a sale, on a pro rata basis during the entire completion period.

The Executive Board is forecasting Recurring FFO of EUR 122 million, in total for the abbreviated 2018 financial year ending on 31 December 2018. This reflects the guidance of EUR 150 million issued for the originally planned 2018/19 financial year before expected positive effects from the initial application of the percentage-of-completion method. The company's liquidity will also be positively influenced by Block Sales in strategically less important regions of Austria, which will allow for more profitable reinvestment in the core markets of the BUWOG Group.

During the 2017/18 financial year Vonovia SE, the leading real estate corporation in Germany, issued a takeover offer to the shareholders of BUWOG AG. The two companies, BUWOG AG and Vonovia SE, concluded a management agreement at the beginning of the takeover process which defined, among others, the framework conditions for personnel changes.

The integration plan for Germany is based, in particular, on activities related to the management of the standing assets, which will be integrated in the Vonovia platform. Discussions between the BUWOG Group's employer in Germany and the German Works Council were in progress as of the publication date for this report. The synergy plan for Austria is based primarily on the capital market-oriented functions which will no longer be required for Austria after BUWOG is delisted. In addition, the former conwert employees will be integrated in BUWOG.

On 20 June 2018, after the end of the reporting year, Vonovia SE communicated a written request to BUWOG pursuant to Section 1 (1) of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement (squeeze-out). According to the current schedule, this proposal will be made to the annual general meeting on 2 October 2018.

BUWOG AG issued an announcement on 12 August 2018 indicating that its Executive Board, together with Vonovia SE as its principal shareholder, had established a price of EUR 29.05 per share as the appropriate cash settlement to be paid to the remaining minority shareholders in connection with the initiated squeeze-out.

SUBSEQUENT EVENTS

Information on relevant events occurring after the balance sheet date on 30 April 2018 is provided in the consolidated financial statements under note 7.6. *Subsequent events*.

Vienna, 23 August 2018

The Executive Board of BUWOG AG

Daniel Riedl
CEO

Herwig Teufelsdorfer
COO

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	2017/18	2016/17
Residential rental income		193,494.6	200,065.6
Other rental income		17,368.8	14,355.3
Rental income	**5.1.1**	**210,863.4**	**214,420.9**
Operating costs charged to tenants and third party property management revenues		107,626.5	112,042.0
Other revenues		267.2	238.7
Revenues	**5.1.2**	**318,757.1**	**326,701.6**
Expenses directly related to investment property	5.1.3	-54,666.6	-57,741.1
Operating expenses and expenses from third party property management	5.1.4	-106,787.2	-112,087.5
Results of Asset Management	**5.1**	**157,303.3**	**156,873.0**
Sale of properties		130,682.4	228,353.8
Carrying amount of sold properties		-130,682.4	-228,353.8
Other expenses from property sales		-2,358.9	-3,055.3
Fair value adjustments of properties sold	5.7	43,953.3	45,592.2
Fair value adjustments of properties held for sale	5.7	0.0	1,801.2
Results of Property Sales	**5.2**	**41,594.4**	**44,338.1**
Sale of real estate inventories		205,639.2	174,691.8
Cost of real estate inventories sold		-147,129.5	-136,083.2
Other expenses from sale of real estate inventories		-8,622.8	-6,798.3
Other real estate development expenses		-11,747.3	-9,096.8
Fair value adjustments of properties under construction	5.7	19,601.7	5,565.9
Results of Property Development	**5.3**	**57,741.3**	**28,279.4**
Other operating income	5.4	4,636.5	3,522.7
Other not directly attributable expenses	5.5	-77,003.1	-40,645.2
Results of operations		**184,272.4**	**192,368.0**
Fair value adjustments of investment properties	5.7	242,020.1	335,147.2
Maintenance and improvement contributions received		0.0	24.9
Other valuation results		**242,020.1**	**335,172.1**
Operating profit (EBIT)		**426,292.5**	**527,540.1**
Financing costs		-47,822.5	-52,272.6
Financing income		791.0	1,003.9
Other financial results		-35,971.7	-18,015.5
Financial results	**5.8**	**-83,003.2**	**-69,284.2**
Earnings before tax (EBT)		**343,289.3**	**458,255.9**
Income tax expenses	5.9	-14,909.3	-29,248.8
Deferred tax income/expenses	5.9	-49,127.3	-62,315.5
Net profit		**279,252.7**	**366,691.6**
Thereof attributable to:			
Owners of the parent company		**274,101.0**	**357,815.9**
Non-controlling interests		**5,151.7**	**8,875.7**
Basic earnings per share in EUR	**5.10**	**2.46**	**3.59**
Diluted earnings per share in EUR	**5.10**	**2.45**	**3.44**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	2017/18	2016/17
Net profit	**279,252.7**	**366,691.6**
Items which will not be reclassified to the income statement in the future		
Remeasurement of defined benefit obligations	–198.0	–337.4
Income taxes attributable to items which will not be subsequently reclassified to the income statement	54.3	52.4
Total items which will not be reclassified to income statement in the future	**–143.7**	**–285.0**
Total comprehensive income	**279,109.0**	**366,406.6**
Thereof attributable to:		
Owners of the parent company	**273,957.3**	**357,530.9**
Non-controlling interests	**5,151.7**	**8,875.7**

CONSOLIDATED BALANCE SHEET

in TEUR	Notes	30 April 2018	30 April 2017
Investment property	6.1	4,452,276.5	4,203,921.9
Investment property under construction	6.2	133,361.5	56,300.0
Other tangible assets	6.3	18,878.3	14,948.0
Intangible assets	6.4	17,326.2	14,607.2
Trade and other receivables	6.5	79,245.0	1,686.6
Other financial assets	6.6	12,554.8	14,222.5
Deferred tax assets	6.7	0.0	173.3
Non-current assets		**4,713,642.3**	**4,305,859.5**
Trade and other receivables	6.5	161,100.6	126,047.2
Income tax receivables	6.8	14,649.6	3,941.8
Other financial assets	6.6	1,085.7	1,265.3
Non-current assets held for sale	6.9	0.0	15,661.1
Real estate inventories	6.10	377,566.9	355,531.4
Cash and cash equivalents	6.11	219,260.4	211,397.2
Current assets		**773,663.2**	**713,844.0**
ASSETS		**5,487,305.5**	**5,019,703.5**
Share capital		124,149.5	99,773.5
Capital reserves		1,900,919.6	1,299,687.1
Accumulated other equity		–1,439.5	–1,295.8
Retained earnings		773,101.2	576,449.4
		2,796,730.8	1,974,614.2
Non-controlling interests		25,598.5	21,195.3
Equity	**6.12**	**2,822,329.3**	**1,995,809.5**
Liabilities from convertible bonds	6.14	1,162.8	287,987.5
Financial liabilities	6.15	1,119,758.5	1,844,645.6
Trade payables and other liabilities	6.16	116,540.4	120,550.7
Provisions	6.18	6,421.6	6,543.3
Deferred tax liabilities	6.7	323,203.7	264,856.0
Non-current liabilities		**1,567,087.0**	**2,524,583.1**
Financial liabilities	6.15	768,525.2	118,826.6
Trade payables and other liabilities	6.16	308,157.2	343,417.0
Tax liabilities	6.19	12,444.8	28,843.3
Provisions	6.18	8,762.0	8,077.0
Financial liabilities held for sale	6.9	0.0	147.0
Current liabilities		**1,097,889.2**	**499,310.9**
EQUITY AND LIABILITIES		**5,487,305.5**	**5,019,703.5**

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Notes	2017/18	2016/17
Earnings before tax (EBT)		343,289.3	458,255.9
Fair value adjustments/depreciation/gain from a bargain purchase		–298,219.4	–382,239.4
Gains/losses from disposal of non-current assets		–154.5	13.8
Gain/loss on the fair value measurement of financial instruments		27,259.1	9,152.3
Income taxes received/paid		–34,291.1	–48,647.0
Net financing costs		47,031.6	51,268.7
Dividend income		–439.7	–374.9
Other non-cash income/expense		14,272.9	3,663.0
Gross cash flow		**98,748.2**	**91,092.4**
Changes in:			
Trade and other receivables		–29,252.2	13,943.1
Real estate inventories		–34,361.2	–19,117.1
Trade payables		–5,083.3	5,282.2
Provisions		365.3	1,096.1
Prepayments on the sale of apartments		–12,162.6	2,714.4
Miscellaneous other liabilities		20,583.6	14,174.6
Cash flow from operating activities		**38,837.8**	**109,185.7**
Acquisition of/Investments in investment property incl. prepayments		–203,362.0	–249,508.5
Acquisition of/Investments in property under construction		–41,617.7	–34,499.4
Acquisition of/Investments in other tangible assets		–4,923.9	–8,234.9
Acquisition of intangible assets		–4,794.9	–6,491.9
Acquisition of other financial assets		0.0	–6.6
Time deposits with a term of more than three months		0.0	0.0
Disposal of non-current assets		133,146.5	236,217.3
Cash inflows from other financial assets		2,714.9	4,185.9
Interest received		263.0	451.6
Dividend income		439.7	374.9
Cash flow from investing activities		**–118,134.4**	**–57,511.6**
Cash inflows from long-term financing	6.17	55,937.8	237,990.5
Cash inflows from capital increase		305,556.3	0.0
Cash outflows for transaction costs for capital increase		–8,177.1	0.0
Cash flows arising from changes of the ownership interests in subsidiaries		0.0	–1,689.8
Cash inflows/outflows from short-term financing	6.17	–51,071.3	–295,970.2
Cash outflows for long-term financing	6.17	–94,175.7	–43,203.3
Cash outflows for derivative financial instruments		–15,486.7	–15,628.0
Interest paid and cash outflows for other financing expenses		–27,225.9	–32,233.2
Payments of dividends to non-controlling interests		–748.5	–211.9
Payments of dividends to shareholders of the parent company		–77,449.2	–68,843.7
Cash inflows from convertible bonds		0.0	300,000.0
Cash outflows for transaction costs for convertible bonds		0.0	–3,027.5
Cash flow from financing activities		**87,159.7**	**77,182.9**
Change in cash and cash equivalents		**7,863.1**	**128,857.1**
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		219,260.4	211,397.2
Change in cash and cash equivalents		**7,863.2**	**128,857.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TEUR	Share capital	Capital reserves
Balance on 30 April 2017	**99,773.5**	**1,299,687.1**
Payment of dividends	0.0	0.0
Capital increase from convertible bonds	11,904.3	316,563.6
Reclassification to liabilities due to cash settlement of stock options	0.0	–1,413.6
Capital increase	12,471.7	286,082.5
Transactions with owners	**24,376.0**	**601,232.5**
Net profit	0.0	0.0
Other comprehensive income	0.0	0.0
Total comprehensive income	**0.0**	**0.0**
Balance on 30 April 2018	**124,149.5**	**1,900,919.6**

in TEUR	Share capital	Capital reserves
Balance on 30 April 2016	**99,773.5**	**1,299,643.1**
Payment of dividends	0.0	0.0
Equity-settled share-based payment	0.0	189.5
Capital increase from convertible bonds	0.0	0.0
Reclassification to liabilities due to cash settlement of stock options	0.0	0.0
Structural changes	0.0	–145.5
Transactions with owners	**0.0**	**44.0**
Net profit	0.0	0.0
Other comprehensive income	0.0	0.0
Total comprehensive income	**0.0**	**0.0**
Balance on 30 April 2017	**99,773.5**	**1,299,687.1**

Accumulated other equity IAS 19R	Retained earnings	Total	Non-controlling interests	**Total equity**
–1,295.8	**576,449.4**	**1,974,614.2**	**21,195.3**	**1,995,809.5**
0.0	–77,449.2	–77,449.2	–748.5	**–78,197.7**
0.0	0.0	328,467.9	0.0	**328,467.9**
0.0	0.0	–1,413.6	0.0	**–1,413.6**
0.0	0.0	298,554.2	0.0	**298,554.2**
0.0	**–77,449.2**	**548,159.3**	**–748.5**	**547,410.8**
0.0	274,101.0	274,101.0	5,151.7	**279,252.7**
–143.7	0.0	–143.7	0.0	**–143.7**
–143.7	**274,101.0**	**273,957.3**	**5,151.7**	**279,109.0**
–1,439.5	**773,101.2**	**2,796,730.8**	**25,598.5**	**2,822,329.3**

Accumulated other equity IAS 19R	Retained earnings	Total	Non-controlling interests	**Total equity**
–1,010.8	**287,477.2**	**1,685,883.0**	**14,075.8**	**1,699,958.8**
0.0	–68,843.7	–68,843.7	–211.9	**–69,055.6**
0.0	0.0	189.5	0.0	**189.5**
0.0	0.0	0.0	0.0	**0.0**
0.0	0.0	0.0	0.0	**0.0**
0.0	0.0	–145.5	–1,544.3	**–1,689.8**
0.0	**–68,843.7**	**–68,799.7**	**–1,756.2**	**–70,555.9**
0.0	357,815.9	357,815.9	8,875.7	**366,691.6**
–285.0	0.0	–285.0	0.0	**–285.0**
–285.0	**357,815.9**	**357,530.9**	**8,875.7**	**366,406.6**
–1,295.8	**576,449.4**	**1,974,614.2**	**21,195.3**	**1,995,809.5**

1. GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL PRINCIPLES

BUWOG AG is a listed 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. Vonovia SE, Bochum, Germany, has been the parent company of the BUWOG Group since 26 March 2018. The consolidated financial statements of Vonovia SE are filed for publication with the commercial register of the district court in Bochum.

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 individual properties as well as investment portfolios) and
- Property Development (the planning and construction of buildings with a focus on Berlin, Hamburg and Vienna).

The consolidated financial statements are presented in thousands of Euros (TEUR, rounded). The consolidated financial statements of the BUWOG Group comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes. The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts and percentages.

1.2 CONFORMITY WITH IFRS

1.2.1 Statement of compliance with IFRS
The consolidated financial statements of the BUWOG Group as of 30 April 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of § 245a of the Austrian Commercial Code.

IFRS include the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC).

1.2.2 Initial application of standards and interpretations
The following new or revised standards and interpretations required mandatory application in 2017/18:

INITIALLY APPLIED STANDARDS AND INTERPRETATIONS

Standard	Content	Published by the IASB (adopted by the EU)	Mandatory application for BUWOG
Changes to standards and interpretations			
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	19 January 2016 (6 November 2017)	1 May 2017
IAS 7	Disclosure Initiative	29 January 2016 (6 November 2017)	1 May 2017
Various standards	Annual Improvements to IFRSs 2014 – 2016 Cycle	8 December 2016 (7 February 2018)	1 May 2017

IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
The changes to IAS 12 *Income Taxes* were announced by the IASB on 19 January 2016 and clarify the accounting treatment of deferred tax assets for unrealised losses. Among others, the changes clarify that an unrealised loss on a debt instrument measured at fair value gives rise to a deductible temporary difference when the original cost represents the tax base. The changes were adopted by the EU on 6 November 2017 and must be applied retroactively for the reporting year. These changes will have no effect on the consolidated financial statements of the BUWOG Group.

IAS 7 *Disclosure Initiative*
The revision to this standard was adopted by the EU on 6 November 2017 and requires additional disclosures on the changes in liabilities arising from financing activities. The changes are to be applied retrospectively as of 1 January 2017. A reconciliation for the reporting period is provided in note 6.17 *Changes in liabilities from financing activities*.

Annual Improvements to IFRSs 2014 – 2016 Cycle
The annual improvements to IFRSs 2014 – 2016 Cycle issued by the IASB on 8 December 2016 include changes to the following standards:

IFRS 12 Disclosure of Interests in Other Entities
Clarification of the standard's scope through specification that the included disclosure requirements, with certain exceptions, are applicable to a company's interests in entities classified as held for sale, as held for distribution or as discontinued operations under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The annual improvements to IFRS have no effect on the consolidated financial statements of the BUWOG Group.

1.2.3 Standards and interpretations adopted by the EU, but not yet applied

The following new or revised standards and interpretations had been adopted by the EU as of the balance sheet date, but did not require mandatory application in the financial year ending on 30. April 2018 and were not applied prematurely by the BUWOG Group:

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

Standard	Content	Published by the IASB (adopted by the EU)	Mandatory application for BUWOG
New standards and interpretations			
IFRS 15	Revenue from Contracts with Customers	28 May 2014 (22 September 2016)	1 May 2018
IFRS 9	Financial Instruments	24 July 2014 (22 November 2016)	1 May 2018
IFRS 16	Leases	13 January 2016 (31 October 2017)	1 May 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	8 December 2016 (28 March 2018)	1 May 2018
Changes to standards and interpretations			
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	12 April 2016 (31 October 2017)	1 May 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	20 June 2016 (26 February 2018)	1 May 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12 September 2016 (3 November 2017)	1 May 2018
Various standards	Annual Improvements to IFRSs 2014 – 2016 Cycle	8 December 2016 (7 February 2018)	1 May 2018
IAS 40	Transfers of Investment Property	8 December 2016 (14 March 2018)	1 May 2018
IFRS 9	Prepayment Features with Negative Compensation	12 October 2017 (22 March 2018)	1 May 2019

IFRS 15 *Revenue from Contracts with Customers/Clarifications to IFRS 15 Revenue from Contracts with Customers*
The IASB published IFRS 15, *Revenue from Contracts with Customers* in May 2014. It provides an extensive framework for determining whether and at what amount revenue should be recognised and also determines the timing of recognition. The recognition of revenue and the transfer of the promised goods or services to the customer under IFRS 15 should reflect the amount of consideration which the company expects to receive in exchange for these goods or services. Beginning on 1 May 2018 revenue will be recognised at a certain point in time or over time (comparable to the logic underlying IAS 11 Construction Contracts) when the customer obtains control over the goods or services – in contrast to the presentation in these financial statements, where the recognition of revenue is based on the transfer of risks and rewards. IFRS 15 also includes more extensive application guidelines and disclosure requirements than the previous rules.

The most important types of revenue for the BUWOG Group under IFRS 15 are as follows: operating costs charged to tenants, third party management revenues and other revenues in the Asset Management business area; revenue from the sale of properties in the Property Sales business area; and revenue from the sale of real estate inventories in the Property Development business area. There will be no effect on the recognition of rental income because it does not fall under the scope of application of IFRS 15; this income is currently covered by IAS 17, but will fall under the scope of application of IFRS 16 as of 1 May 2019.

An analysis of operating costs led to the conclusion that the BUWOG Group can continue to recognise the revenue from operating costs and operating expenses in accordance with the principal method because it is responsible for the selection of the suppliers/service providers, acts as the contracting authority towards these firms and carries the inventory risk. Since the current method can be retained without change, the application of IFRS 15 will have no effect on the period-based recognition of revenue from operating costs.

The sale of properties by the Property Sales business area and the sale of real estate inventories by the Property Development business area are recognised when the material risks and rewards are transferred in accordance with the currently applicable IFRSs and IFRIC interpretations (see note 2.4.1 *Revenue recognition*). The new standard will replace the previous standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as the related interpretations. IFRS 15 will have no effect on the recognition of revenue from properties sold by the Property Sales business area, which will still be recognised on the date control is transferred (transfer of the material risks and rewards).

Contracts for the sale of real estate inventories that were concluded “off plan” or during the construction stage were previously recognised under IAS 18 when the criteria defined by IFRIC 15 were met and the related revenues were recognised when the apartment was transferred. IFRS 15 requires the recognition of revenue when the customer takes control over the product or service. The period-based recognition of revenue is permitted by IFRS 15.35c, among others, when a company produces an asset that has no alternative use and also has an enforceable right to payment for the performance completed to date. The notarial certification of purchase contracts concluded with customers confirms the specification of a distinct real estate inventory (housing unit/parking space) and the BUWOG Group is not entitled to transfer a different unit than the one listed in the purchase contract without breaching the existing contract. That represents a contractual limitation on use for the BUWOG Group. The notarised purchase contract also represents a legal entitlement to payment for previous performance. The most important payment terms for the sale of apartments by the Property Development business are defined by the German Brokerage and Developer Ordinance (MaBV Makler- und Bauträgerverordnung) and the Austrian Developer Contract Act (BTVG Bauträgervertragsgesetz). For sales in Germany, the payment terms normally used by the BUWOG Group are based on the instalment plan standardised in Section 3 para. 2 of the German Brokerage and Developer Ordinance. Customers make payments directly to the BUWOG Group in line with the progress of construction. Moreover, the customers are contractually obliged to submit a bank financing commitment for the entire purchase price or the BUWOG Group has the right to withdraw from the contract. In Austria, the BUWOG Group normally uses the instalment plan provided by Section 10 para. 2 no. of the Developer Contract Act, Customers are required to deposit the entire purchase price in a trust account, and the trustee transfers instalment payments to the BUWOG Group in line with the progress of construction. The contracts used by the Property Development business area for the sale of apartments do not include any extraordinary return or withdrawal rights and are therefore based on relevant legal regulations. The BUWOG Group will recognise revenue from the sale of real estate inventories over time in the future, beginning on the date the purchase contracts are signed and notarised. This will result in the proportional, period-based recognition of revenue and cost of goods sold as well as the recognition of contractual assets and liabilities over the term of the construction project and the stage of completion. In accordance with IFRS 15.39, the progress of construction and the percentage of completion must be determined as of each balance sheet date in order to allocate the period-based revenue to the individual reporting periods. BUWOG has selected an input-oriented procedure for the determination of the progress of construction. Input-oriented procedures measure the progress of construction by comparing the factor input up to the balance sheet with the total factor input expected for the entire project. The cost-to-cost method establishes the progress of construction by comparing the project costs capitalised up to the balance sheet date with the estimated total capitalisable costs for the entire project. The new rules defined by IFRS 15 also call for the recognition as an asset of the incremental costs incurred to obtain a contract with a customer and the amortisation of these costs on a systematic basis consistent with the transfer of the related goods or services to the customer.

The BUWOG Group has decided to apply IFRS 15 retrospectively with the full restatement under IFRS 15 of all contracts with customers in the Property Development business area. Accordingly, the provisions of IFRS 15 will be applied in full to the comparative periods and the cumulative amount of the adjustments resulting from the initial application will be recognised to retained earnings as of 1 May 2017.

As of 1 May 2017, 895 (AT 277; DE 618) units fell under the scope of application of period-based revenue recognition. Notarised purchase contracts were available for 38% (AT 36%; DE 39%), resp. 338 (AT 100; DE 238) of these units. The effect on equity from the change in the accounting method applied to these contracts is estimated at EUR 8.2 million as of 1 May 2017 and comprises the recognition of contractual assets totalling EUR 25.7 million, a reduction of EUR 37.2 million in real estate inventories, a decline of EUR 23.0 million in trade payables and other liabilities and an increase of EUR 3.3 million in deferred taxes. The balance sheet total will be reduced by EUR 11.6 million.

As of 30 April 2018, 1,483 (AT 482; DE 1,001) units fell under the scope of application of period-based revenue recognition. Notarised purchase contracts were available for 67% (AT 73%; DE 63%), resp. 988 (AT 353; DE 635) of these units. Net profit for the 2017/18 financial year is therefore increased by EUR 14.8 million. The effect on equity as of 30 April 2018 is estimated at EUR 23.1 million and comprises EUR 105.3 million for the recognition of contractual assets and contract preparation costs, a reduction of EUR 101.0 million in real estate inventories, a decline of EUR 27.7 million in trade payables and other liabilities and an increase of EUR 9.0 million in deferred taxes. The balance sheet total will be increased by EUR 4.4 million.

IFRS 9 *Financial Instruments*

The publication of the final version of IFRS 9 *Financial Instruments* replaced the accounting treatment of financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The BUWOG Group will apply the new standard beginning in May 2018 together with the restatement of the prior year amounts. The cumulative effects resulting from this restatement as of 1 May 2017 will be presented in equity.

Financial assets will be classified in the future depending on the business model in which the instruments are held. The contractual cash flows will be classified in three valuation categories and subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

The requirements for financial liabilities were essentially transferred from IAS 39. The main difference involves the recognition of changes in the value of financial liabilities carried at fair value. These changes will be split in the future: the component attributable to the company's own credit risk must be recognised in other comprehensive income, while the remaining part of the change in value is recognised in profit or loss.

IFRS 9.7.2.9 letter b and IFRS 9.7.2.10 letter c. include an option for the transition from IAS 39 to IFRS 9 which permits the recognition at amortised cost of financial assets and financial liabilities carried at fair value under the fair value option. A retrospective change in classification involves the initial (historical) recognition of financial assets and financial liabilities based on the fair value applicable at that time. Any difference between the fair value and the amount to be paid or received on maturity is recorded under equity. Subsequent measurement includes the amortisation of this difference through profit or loss over the term of the financial asset or financial liability based on the effective interest rate method. The BUWOG Group will utilise this option and record financial assets (assumption of liabilities) and financial liabilities (amounts due to financial institutions and public authorities) at amortised cost in the future. The effect on equity as of 1 May 2017 is estimated at EUR +46.3 million and resulted from the following adjustments:

- Derecognition as of 1 May 2017 of differences recognised for assumed liabilities and financial liabilities (EUR –13.6 million)
- Recognition according to the effective interest rate method of amortised differences from assumed liabilities and financial liabilities (EUR +76.2 million)
- Recognition of accrued interest not recognised in previous periods (EUR –1.3 million)
- Related restatement of deferred taxes (EUR –15.0 million).

The total effect on Group net profit for 2017/18 is estimated at EUR +0.2 million and resulted from the following adjustments:

- Derecognition of valuation effects recognised in 2017/18 from the application of the fair value option to assumed liabilities and financial liabilities (EUR +12.0 million)
- Proportional amortisation of the difference from assumed liabilities and financial liabilities for 2017/18 (EUR –11.5 million)
- Change in interest accruals (EUR +0.1 million)
- Related restatement of deferred taxes (EUR –0.4 million).

No further material effects are expected to result from the new classification requirements.

For financial liabilities which were modified but not derecognised in the past, the amortised cost as defined in IAS 39 was carried forward based on an adjusted effective interest rate. Changes in the present value resulting from the modification of a loan which do not lead to derecognition of the related financial liability will be recognised to profit or loss as income or expense in the future. The effect on equity as of 1 May 2017 is estimated at EUR +15.4 million and comprises the derecognition of expenses recognised in 2016/17 from the release of costs for the procurement of funds (EUR +0.3 million), an adjustment to the carrying amount of modified financial liabilities (EUR +16.4 million) and deferred taxes (EUR –1.3 million, thereof EUR +2.9 million from previously unrecognised deferred tax assets). Group net profit for 2017/18 will be adjusted by the derecognition of expenses recognised in 2017/18 from the release of costs for the procurement of funds (EUR +0.9 million), the carryforward of the book values of modified financial liabilities based on the effective interest rate method (est. EUR –3.2 million) and deferred taxes (EUR +0.6 million).

IFRS 9 also replaces the IAS 39 model of “incurred losses” with a future-oriented model of “expected losses” which requires discretionary judgment as to the extent the expected losses will be influenced by changes in future factors. The new impairment model is applicable to financial assets carried at amortised cost or at FVOCI. For the BUWOG Group, the changed requirements are related primarily to trade receivables, other financial assets, other financial receivables and cash and cash equivalents. The determination of impairment for the expected credit losses on trade receivables and the contractual assets recognised in accordance with IFRS 15 is based on a simplified approach which covers the entire term. The calculation for all other financial instruments is based on the general impairment approach, under which impairment reflects the default within a period of 12 months when the quality of the loan has not changed significantly since initial recognition. If the credit risk has increased significantly or there are objective indications of impairment, an impairment loss must be recognised for the entire term. At the present time, the BUWOG Group does not expect any material quantitative effects on equity (under EUR 1.0 million) as of 1 May 2017 or 30 April 2018.

No further material effects are expected to result from the new valuation requirements.

The application of IFRS 9 is also connected with an increase in the existing disclosure requirements.

IFRS 16 *Leases*

The new IFRS 16 *Leases* regulates the recognition, measurement and disclosure requirements for leases and replaces IAS 17 *Leases* and the related interpretations.

This standard provides lessees with a single accounting model. It requires the lessee to report all assets and liabilities arising from a lease arrangement on the balance sheet unless the term equals 12 months or less or the leased item is a low-value asset. An option is provided for each of these two latter cases.

Lessors continue to differentiate between finance leases and operating leases. Consequently, the accounting model defined by IFRS 16 does not differ significantly from IAS 17 *Leases*.

The BUWOG Group will apply IFRS 16 for financial years beginning on or after 1 January 2019 and utilise the simplified transition guidance provided by IFRS 16.C5 (b).

The BUWOG Group is a lessee in the sense of IFRS 16, above all in connection with building rights, leased office facilities and automobile leasing. In these cases, right of use assets must be capitalised in the future. The initial application of IFRS 16 as of 30 April 2018 would have resulted in the capitalisation of right of use assets amounting to approximately EUR 69.0 million based on the information currently available. The right of use assets for leased office space and motor vehicles are amortised over the useful life of the respective assets. In contrast, the right of use assets for building rights are carried at fair value through fair value adjustments in accordance with IFRS 16.34 because they meet the definition of investment property. Lease liabilities are recognised corresponding to the right of use assets and lead to the recognition of interest expense as part of financing costs. The applied interest rate represents an incremental borrowing rate.

The application of IFRS 16 is not expected to result in any major accounting changes for the BUWOG Group as a lessor.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
IFRIC 22 clarifies the accounting treatment of transactions that include the receipt or payment of consideration in a foreign currency. This interpretation will have no effect on BUWOG's consolidated financial statements because the Group is currently active only in Germany and Austria and no major transactions are settled in a foreign currency.

IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
The following clarifications and changes were made to the classification and measurement of transactions with share-based payments (changes to IFRS 2):

Accounting treatment of cash-settled share-based payment transactions which include a performance condition
IFRS 2 previously included no guidelines for the effects of the exercise conditions on the fair value of cash-settled share-based payments. The IASB has now added appropriate guidelines to this standard and introduced accounting rules for cash-settled payments which are based on the same approach as the accounting treatment of equity-settled payments.

Classification of share-based payments fulfilled with tax withholdings
An exception added by the IASB to IFRS 2 requires the classification of a share-based payment under which the company settles the related arrangement with tax withholdings as an equity instrument when the share-based payment would have been classified as equity-settled if it did not include the withholding feature.

Accounting treatment of modifications to share-based payment transactions from cash-settled to equity-settled
Situations in which amendments to the conditions cause a cash-settled payment transaction to become an equity-settled payment transaction were previously not handled separately in IFRS 2. The IASB has now added the following clarifications:

- In the event of such changes, the liability originally recognised for the cash-settled payment must be derecognised and the equity-settled payment subsequently recognised at the fair value of the performance provided up to the modification date.
- Any differences between the carrying amount of the obligation on the modification date and the amount recognised in equity on this date must be recognised immediately to profit or loss

The BUWOG Group will apply this standard when it takes effect in the EU. No material effects to the current obligations from share-based payments are expected.

IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
The IASB issued changes to IFRS 4 on 12 September 2016 that introduce two options for companies which issue insurance contracts within the scope of application of IFRS 4. Insurance companies are now entitled to temporarily postpone the application of IFRS 9 and the application of the so-called overlay approach. Since BUWOG does not issue insurance contracts, this change is not applicable and will therefore have no effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014 – 2016 Cycle
The annual improvements to IFRSs 2014 – 2016 Cycle issued by the IASB on 8 December 2016 include changes to the following standards:

IFRS 1 Initial Application of International Financial Reporting Standards
Deletion of the short-term exceptions because they have served their intended purpose.

IAS 28 Investments in Associates and Joint Ventures
Clarification of the option to initially recognise at fair value through profit or loss an investment in an associate or a joint venture held by a venture capital organisation or other qualifying entity on a case-by-case basis.

The annual improvements to IFRSs are not expected to have any effect on the consolidated financial statements of the BUWOG Group.

IAS 40 *Transfers of Investment Property*
The changes in the transfer of investment property are as follows:

IAS 40.57 was amended to specify that a company can only transfer a property to or from investment property when there is evidence of a change in use. A change in use occurs when a property meets or ceases to meet the definition of investment property. A change in management's intentions for the property's use does not represent evidence of a change in use. The list of examples provided in IAS40.57(a) – (d) was termed non-exhaustive in contrast to the previous comprehensive list.

The changes to IAS 40 *Investment Property* will have no effect on the consolidated financial statements of the BUWOG Group.

IFRS 9 *Prepayment Features with Negative Compensation*
The IASB issued changes to IFRS 9 *Financial Instruments* on 12 October 2017. These changes also permit valuation at amortised cost or at fair value through other comprehensive income for financial assets with an early repayment option under which the cancelling party receives compensation in the event of termination (negative settlement payment). The implementation of this change will not result in any material effects on the consolidated financial statements of the BUWOG Group.

1.2.4 Standards and interpretations announced, but not yet adopted by the EU

The following changes or revisions to standards and interpretations had been announced as of the balance sheet date, but have not yet been adopted by the EU and are therefore not applicable:

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

Standard	Content	Published by the IASB	Expected mandatory application for BUWOG
New standards and interpretations			
IFRS 14	Regulatory Deferral Accounts	30 January 2014	1)
IFRS 17	Insurance contracts	18 May 2017	1 May 2021
IFRIC 23	Uncertainty over Income Tax Treatments	7 June 2017	1 May 2019
Changes to standards and interpretations			
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and an Associate or Joint Venture	11 September 2014	2)
IAS 28	Long-term Interests in Associates and Joint Ventures	12 October 2017	1 May 2019
Various standards	Annual Improvements to IFRSs 2015 – 2017 Cycle	12 December 2017	1 May 2019
IAS 19	Plan Amendments, Curtailments or Settlements	7 February 2018	1 May 2019
Various standards	Changes in references to the IFRS Framework Concept	29 March 2018	1 May 2020

1) Interim standard IFRS 14 Regulatory Deferral Accounts will not be adopted by the European Union.
2) The initial application of this revised standard has been postponed for an indefinite period.

IFRS 14 *Regulatory Deferral Accounts*
IFRS 14 allows first-time adopters of IFRS operating in a price-regulated environment – with limited restrictions – to continue to recognise amounts related to rate regulation using the accounting principles previously applied in their financial statements. This standard is not applicable to the BUWOG Group and will therefore not lead to any changes in the consolidated financial statements.

IFRS 17 *Insurance contracts*
IFRS 17 *Insurance Contracts* was published by the IASB on 18 May 2017. It replaces IFRS 4 *Insurance Contracts* and regulates the principles for the recognition, measurement, presentation and disclosures on insurance contracts. Since BUWOG does not issue insurance contracts, IFRS 17 will have no effect on the Group's consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*
This interpretation includes rules for the recognition and measurement of tax risk positions and closes related gaps in IAS 12 *Income Taxes*. The implementation of IFRIC 23 is not expected to have any material effects on the consolidated financial statements of the BUWOG Group.

IFRS 10, IAS 28 *Sale or Contribution of Assets between an Investor and an Associate or Joint Venture*
The changes to IFRS 10 and IAS 28 clarify that the determination of the gain or loss resulting from transactions with an associate or joint venture depend on whether the sold or contributed assets represent a business. The BUWOG Group currently holds no investments in associates or joint ventures. The BUWOG Group will evaluate and monitor these changes in detail as part of future acquisitions.

IAS 28 *Long-term Interests in Associates and Joint Ventures*
The changes to IAS 28 *Associates* clarify that IFRS 9 *Financial Instruments* and its rules on the impairment of long-term investments in associates and joint ventures are applicable when these investments represent part of the net investment in an associate or a joint venture and equity accounting is not applied. The implementation of this change is not expected to have any material effects on the consolidated financial statements of the BUWOG Group.

Annual Improvements to IFRSs 2015 – 2017 Cycle
The IASB issued the annual improvements to IFRSs 2015 – 2017 Cycle on 12 December 2017. These improvements included changes to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The changes to IFRS 3 clarify that a company must remeasure its previous interest in a joint operation when it obtains control in the sense of IFRS 10 over the former joint operation through the purchase of additional shares. The changes to IFRS 11 clarify that a company does not remeasure its previously held interest when it obtains joint control of a business that represents a joint operation,

The change to IAS 12 clarifies the recognition of the tax effects of dividend payments. Accordingly, the income tax consequences of dividends must be recognised in line with the accounting treatment applied to the transactions responsible for the distributable profits.

The change to IAS 23 clarifies that the outstanding amount of borrowings which were originally arranged for the procurement of a specific qualified asset must also be included in the calculation of the capitalisation rate on general borrowings after the specific asset is ready for its intended use or sale.

The annual improvements to IFRS are not expected to result in any material effects on the consolidated financial statements of the BUWOG Group.

IAS 19 *Plan Amendments, Curtailments or Settlements*
The changes to IAS 19 *Employee Benefits* require the recalculation of the service cost and net interest for the remainder of the financial year when a defined benefit pension plan is amended, curtailed or settled. The new calculation should be based on the updated actuarial assumptions used for the required remeasurement of the defined net liability (asset). Also included here are clarifications of the effects of a plan amendment, curtailment or settlement on the asset ceiling. The implementation of the changes to IAS 19 *Employee Benefits* is not expected to result in any material effects on the consolidated financial statements of the BUWOG Group.

Changes in references to the IFRS Framework Concept
Together with the revised Framework Concept, the IASB also issued changes in the references to the IFRS Framework Concept. The changes in these references will not have any effect on the consolidated financial statements of the BUWOG Group.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared on a historical cost basis, with the exception of the following: certain properties, financial instruments and employee benefits. These latter items are recorded at fair value as of the balance sheet date. Detailed information is provided under the respective accounting policies.

Historical cost is generally based on the fair value of the consideration paid for the asset on the acquisition date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. This definition applies regardless of whether the price was directly observable or estimated using a valuation method.

Fair value is not always available as a market price that can be directly observed from market transactions or market information and must frequently be determined on the basis of valuation models that utilise various input parameters. Fair value is categorised into different hierarchy levels, depending on the availability of observable market parameters and the importance of these parameters in determining fair value in its entirety:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

In the BUWOG Group, reclassifications between the various levels in the IFRS 13 fair value hierarchy are made at the end of the financial year in which the change occurred.

2.2 CONSOLIDATION METHODS

2.2.1 Consolidation principles

The financial statements of all domestic and foreign companies included in the consolidated financial statements were converted to the IFRS accounting and valuation guidelines used by the Group and, in the case of business combinations, revalued (see note 2.2.4 *Business combinations (initial consolidations)*). The recognition and measurement principles applied by all companies included in the consolidated financial statements were standardised and adjusted to conform to the options elected by the BUWOG Group. The financial statements of the companies included through full consolidation were prepared as of the same balance sheet date as the consolidated financial statements.

All receivables, liabilities, revenues, other income and expenses from the provision of goods and services between group companies were eliminated. Interim profits that arise primarily from the transfer of stakes in other companies and properties between group companies were also eliminated.

2.2.2 Fully consolidated companies

A subsidiary is an entity that is controlled by a parent company. Subsidiaries are included in the consolidated financial statements of the BUWOG Group through full consolidation. The control concept standardised in IFRS 10 forms the basis for deciding when a company must be classified as a subsidiary.

Under IFRS 10, a parent company is considered to exercise control when it has power over a subsidiary. The parent company must also be exposed to variable returns from its involvement with the subsidiary and must have the ability to affect these returns through its power. Even if the parent company holds less than the majority of voting rights, other facts and circumstances (including contractual agreements that give the parent company power over the subsidiary) can lead to control over the subsidiary. A subsidiary is included in the consolidated financial statements on the date control is obtained and deconsolidated when control ends.

Interests in the net assets of subsidiaries which are not attributable to the BUWOG Group are reported under non-controlling interests as separate components of equity. Non-controlling interests are recognised as of the acquisition date at an amount equal to the corresponding share of identifiable net assets in the acquired company. Changes in the Group’s interest in a subsidiary which do not lead to a loss of control are accounted for as equity transactions.

2.2.3 Joint arrangements

A joint arrangement is an arrangement in which two or more parties exercise joint control based on a contractual agreement. Joint arrangements are included in the consolidated financial statements of the BUWOG Group based on the rights and obligations of the controlling parties as defined by the respective agreement. IFRS 11 differentiates between joint ventures and joint operations. Joint ventures are accounted for at equity in accordance with IFRS 11, while joint operations lead to the presentation of the interest held.

A joint venture is a joint arrangement under which the co-investors jointly manage an entity and have rights to its net assets. No direct claims or obligations arise from the company‘s assets and liabilities. If the legal form, contractual arrangement or other facts and circumstances give the partner companies of a jointly managed entity direct rights to the assets and obligations arising from the liabilities of the jointly managed entity, the entity is not classified as a joint venture but as a joint operation. The assets, liabilities, income and expenses of a joint operation are recognised in relation to the interest held.

The planning consortium “Das-Neue-Gartenfeld” is subject to joint control by the co-investors. The BUWOG Group has classified this joint arrangement as a joint operation in accordance with IFRS 11.B31, and reporting is therefore based on the interest held.

The Group recognises the assets, liabilities, income and expenses from its interest in the joint operation in agreement with the applicable IFRSs.

Gains and losses on transactions involving, for example, the purchase of assets by a Group company are reported in relation to the Group’s interest in the joint operation when the assets are sold to third parties.

2.2.4 Business combinations (initial consolidations)

In accordance with IFRS 3, acquisitions of property companies (share deals) or assets, including investment properties and debt (asset deals) by the BUWOG Group are accounted for as business combinations by applying the acquisition method if they meet the definition of a business. In all other cases, the acquisition costs incl. transaction costs are allocated to the acquired assets and assumed liabilities in proportion to their fair values at the acquisition date. Deferred taxes are not recognised in such cases (initial recognition exemption). Transactions that are not classified as business combinations do not result in the recognition of goodwill.

Acquired property companies or acquired assets and assumed liabilities can represent businesses from the view point of the BUWOG Group. Assessing whether investment properties constitute a business as defined in IFRS 3 involves discretionary judgment and regularly requires a detailed analysis of the acquired operations and structures, particularly with regard to property management and property development.

In a business combination, the BUWOG Group obtains control over one (or more) business(es) as part of an asset deal or share deal. The acquisition method is used to account for these transactions. The consideration transferred in the form of the acquisition cost is compared with the proportionate fair value of the identifiable net assets acquired in order to identify any difference. A positive difference is treated as goodwill. A negative difference initially leads to a reassessment by the acquirer of the carrying amounts of the acquired items and the subsequent recognition of any remaining negative difference in profit or loss. In this process, non-controlling interests are valued at the proportional share of revalued net assets. The use of the acquisition method to account for the purchase of property companies which individually qualify as business operations in the sense of IFRS 3 can lead to goodwill because of the obligation to record deferred tax liabilities on the difference between the fair value and the tax base of the investment property acquired. This goodwill normally results as a technical figure (additional details on the impairment testing of goodwill are provided in note 2.4.8 *Impairment*).

2.2.5 Structural changes

The BUWOG Group defines a structural change as a change in ownership interests between shareholder groups, i.e. between the BUWOG Group (the shareholders) and non-controlling shareholders, without the attainment or loss of control. Increases or decreases in ownership interests that maintain control over a subsidiary are accounted for as equity transactions between shareholders. The carrying amounts of assets and liabilities, including initially recognised goodwill, remain unchanged; the structural changes have no effect on the income statement or on the statement of comprehensive income. Differences between the proportional carrying amount of the respective equity, which corresponds to the transfer of interests in the subsidiary that results in a structural change, and the fair value of the consideration received are recognised directly in equity.

2.2.6 Deconsolidations

When a subsidiary is sold or the BUWOG Group otherwise loses control, it is no longer be included in the consolidated financial statements. The income and expenses of the deconsolidated subsidiary are included in the consolidated financial statements of the BUWOG Group up to the date on which control is lost.

The deconsolidation involves the offset of the disposed assets and transferred liabilities against the fair value of the consideration received. The subsequent gain or loss on deconsolidation is reported under the respective segment results (Asset Management, Property Sales or Property Development).

Any retained interest in the former subsidiary is measured at the applicable fair value on the date when control is lost.

2.3 CURRENCY TRANSLATION

2.3.1 Functional currency

The Group reporting currency is the Euro. As the BUWOG Group operates exclusively in the Euro zone, the functional currency of all its subsidiaries is also the Euro.

2.3.2 Foreign currency transactions

The individual Group companies record foreign currency transactions at the average exchange rate in effect on the date of the event. Foreign currency monetary assets and liabilities are translated at the average exchange rate in effect on the balance sheet date. Any resulting foreign exchange gains and losses are recognised in profit or loss for the financial year.

2.4 SPECIFIC ACCOUNTING POLICIES

2.4.1 Revenue recognition

Results of Asset Management
Asset Management covers the BUWOG Group's traditional rental business. The main source of revenue is rental income from the BUWOG Group's portfolio of residential properties in Germany and Austria.

Revenues from Asset Management consist of rental income for residential property and other rental income, operating costs passed on to tenants and revenues from property management for third parties as well as other revenues. Rental income arises from the rents agreed in the underlying rental agreements for residential properties and from other sources resulting primarily from the rental of office space, retail space and parking spaces. Operating costs passed on to tenants include costs for the property management staff and for purchased services directly attributable to tenants such as waste disposal, electricity, insurance, taxes, fees and other expenses for common areas as well as equipment and facilities such as elevators and gardens. The revenues from property management for third parties represent revenues from the management of properties not owned by the BUWOG Group. The BUWOG Group is accountable to tenants for the selection of suppliers and acts as the contractor in this respect. Therefore, the revenues and expenses from operating costs are reported as gross amounts.

Revenues from property rentals are recognised during the period defined by the underlying rental agreement and the applicable legal regulations.

In Austria, financing contributions are collected from the tenants in some subsidised apartments; these contributions, less a usage-related deduction of 1% per year, are returned at the end of the lease. The usage related deduction is recognised annually to profit or loss as rental income.

The Austrian Non-Profit Housing Act (*Section 14d Wohnungsgemeinnützigkeitsgesetz*) also allows for the collection of a maintenance and improvement contribution (*Erhaltungs- und Verbesserungsbeitrag, EVB*) to finance the cost of maintenance work and useful improvements. This contribution is dependent on the age of the building and must be used for maintenance and improvement measures within 20 years of collection or refunded to the tenants. The EVB is reported under other financial liabilities. A positive surplus is not classified as an asset, but recognised directly as an expense. When the maintenance and improvements are performed, the respective financial liability is reduced accordingly and the involved amounts are reported as rental income.

Results of Property Sales
The Property Sales business area covers the sale of individual apartments (Unit Sales) as well as the sale of complete individual properties and property portfolios (Block Sales) to private and institutional investors. Revenues from Property Sales represent the fair value of the properties at the time of the sale transaction and are contrasted by an equal reduction of the carrying amount on disposal.

Revenues from the sale of individual apartments, individual properties and portfolios are recognised when the amount can be reliably estimated; when it is sufficiently probable that the sale will result in an economic benefit for the company; and when the related costs can be reliably estimated. The date of the transfer of economic ownership represents the date of recognition. The transfer of economic ownership is defined as the transfer of the significant risks and opportunities (transfer of benefits and encumbrances) and the transfer of control. Other expenses allocated to the results of Property Sales are recognised as incurred and include all personnel and operating expenses directly related to the sale process for a property or property company.

The results of Property Sales also include adjustments to the fair value of property sold in the financial year and investment property held for sale.

Results of Property Development

The results of Property Development include the revenues from the sale of real estate inventories and the related production costs, with the transfer of economic ownership representing the date of recognition. The transfer of economic ownership is defined as the transfer of the significant risks and opportunities (transfer of benefits and encumbrances) and the transfer of control. Contracts for the sale of real estate inventories that are concluded "off plan" or during the construction stage fall under the scope of application of IAS 18 if the criteria listed in IFRIC 15 are met. An agreement for the construction of property is only viewed as a construction contract that falls under the scope of application of IAS 11 when the buyer is able to define the main planning elements before the start of construction and/or to define changes in the main structural elements after construction has started (independent of whether the buyer decides to exercise this right). IAS 11 is applied if the buyer has this right. IAS 18 is applied to all of the BUWOG Group's development projects at the present time. Information on the period-based realisation of revenue in accordance with IFRS 15 (application as of 1 May 2018) is provided in note 1.2.3 *Standards and interpretations adopted by the EU, but not yet applied.*

Other expenses allocated to the results of Property Development are recognised as incurred and include all personnel and operating expenses directly related to the development of a property. Income from the sale of real estate inventories is reported under the results of Property Development, whereby revenue is recognised when the significant opportunities and risks of ownership are transferred. In the event of a sale, the related production costs are recorded as a disposal under the production cost of sold real estate inventories.

The results of Property Development also include adjustments to the fair value of investment property under construction and any necessary write-downs of real estate inventories to the lower net realisable value. This position also includes the proceeds from the sale of undeveloped land that was originally purchased for development.

2.4.2 Investment property and property under construction

Investment property and investment property under construction include land, buildings or parts of buildings that are held to generate rental income or to realise a long-term increase in value, and are not used in production or for other administrative purposes or sold as part of the company's ordinary business activities. Land purchased as a site for the construction of investment property is classified as investment property on the date of acquisition. Land purchased for an indeterminate future use is also classified as investment property.

In accordance with IAS 40, investment property is measured at cost at the time of recognition; subsequent valuation is based on the fair value model.

Acquisition costs include the initial costs incurred for the purchase as well as the costs arising at a later date for the expansion, partial replacement and/or conservation of a property. The costs for everyday repairs are not capitalised. Subsequent ancillary acquisition costs are a) measures that represent identifiable, rent-supporting maintenance which lead to an increase in the rent when the property is re-let and are not classified as routine maintenance; or b) measures that involve modernisation or planned maintenance which increase the economic benefits of the property for BUWOG.

BUWOG AG holds construction rights to land. The properties built on these sites are classified as investment property in accordance with IAS 40.4. For the valuation of these properties, BUWOG has selected the fair value model defined by IAS 40.33 ff. The construction rights are currently classified as operating leases in accordance with IAS 17 and are not measured at fair value according to IAS 40.

2.4.3 Leasing
In accordance with IAS 17, the classification of a leased asset is based on the extent to which the risks and rewards incidental to the ownership of the leased asset lie with the lessor or lessee.

Under an operating lease, the economic ownership of the lease asset remains with the lessor. The lessee recognises the lease payments as expenses on a straight-line basis over the term of the lease.

The BUWOG Group serves as the lessee and lessor under operating leases.

The recently issued IFRS 16 *Leases* (application as of 1 May 2019) will replace the previous standard IAS 17 *Leases*. Additional information on IFRS 16 is provided under note 1.2.3 *Standards and interpretations adopted by the EU, but not yet applied*.

2.4.4 Government grants
Government grants represent assistance, subsidies or public grants provided to a company through the transfer of resources in return for past or future compliance with certain conditions related to the company's operating activities.

The BUWOG Group occasionally receives financial support for its development projects from public authorities in the form of low-interest loans, direct subsidies for bank loans or construction cost subsidies. These low-interest loans and subsidies represent government grants for specific properties and are generally connected with obligations to meet certain requirements (e.g. rent control based on the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*) or the Austrian Housing Construction Subsidy Act (*Wohnbauförderungsgesetz*), see note 6.1.4 *Leasing*).

Government grants are recognised when it is sufficiently certain that the requirements can be met and the grants will actually be received.

Current interest subsidies from public sources are recognised to profit or loss in the financial year in which interest from the subsidised financing is incurred. Construction cost subsidies are recognised to profit or loss when all related conditions are met.

2.4.5 Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of assets whose acquisition or development requires a significant amount of time (so-called qualified assets) are generally capitalised as part of the cost. These borrowing costs are reduced by any income from the temporary investment of funds that were borrowed specifically for the acquisition or production of the qualified asset. The borrowing costs attributable to real estate inventories under development are capitalised as incurred.

IAS 23 does not require the application of this accounting rule if the acquired or developed assets are measured at fair value. As the BUWOG Group applies the fair value model to the subsequent measurement of investment property, the borrowing costs on construction are not capitalised for properties recognised in accordance with IAS 40.

2.4.6 Other tangible assets

In accordance with IAS 16, tangible assets not covered by IAS 40 are carried at cost less accumulated depreciation and recognised impairment losses. Acquisition or production cost includes all expenses incurred to bring the asset to the location and condition necessary for it to be capable of operating in the intended manner. Depreciation is calculated on a straight-line basis beginning in the month of acquisition.

Ordinary straight-line depreciation on depreciable tangible assets is based on the following useful lives:

USEFUL LIVES OTHER TANGIBLE ASSETS

	Useful life in years
Administrative buildings (own use)	50
Other tangible assets	4 – 10

The useful lives of the various assets and the depreciation method are reviewed regularly in agreement with IAS 16 to ensure they reflect the expected development of the economic value in use of the tangible asset.

2.4.7 Other intangible assets

Intangible assets are carried at cost less amortisation in accordance with IAS 38. With the exception of goodwill, all intangible assets held by the BUWOG Group have a finite useful life and are amortised on a straight-line basis over their useful lives (pro rata temporis). Goodwill is not reduced through scheduled amortisation.

Ordinary straight-line amortisation is based on the following useful lives:

USEFUL LIVES OTHER INTANGIBLE ASSETS

	Useful life in years
Other intangible assets	3 – 5

In addition, other intangible assets are tested in accordance with IAS 36 when there is an indication of impairment.

The BUWOG Group has no internally generated intangible assets or capitalised trademarks.

2.4.8 Impairment

Tangible and intangible assets are tested for impairment as required by IAS 36 when there is any indication that they may be impaired. Independent of this practice, goodwill and intangible assets with an indefinite useful life must be tested annually for signs of impairment. The impairment test is performed at the cash-generating unit level if cash inflows cannot be directly allocated to a specific asset and individual valuation is therefore not possible. Cash-generating units represent the smallest group of assets to which independent cash inflows can be allocated. A cash-generating unit may not be larger than an operating segment defined in accordance with IFRS 8. IAS 36 defines the recoverable amount as the relevant benchmark for impairment testing. The recoverable amount equals the higher of fair value less costs to sell and the value in use.

Fair value less costs to sell represents the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction at normal market conditions between knowledgeable and willing parties, less the costs to sell; the costs to sell are incremental costs directly attributable to the sale of an asset or cash-generating unit.

The value in use represents the present value of the estimated future cash flows that are expected to arise from the continuing use of an asset or cash-generating unit. Cash flows relevant to the valuation must be based on reasonable and justifiable assumptions. As a rule, the value in use is determined by using a net present value method; the discounted cash flow (DCF) method is used here.

If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, the difference is recognised as an impairment loss. An impairment loss calculated in accordance with the above principles must then be allocated to the assets in the cash-generating unit as follows: first, the carrying amount of the goodwill in the cash-generating unit is written down; any remaining difference is allocated to the other assets in the cash-generating unit in proportion to their carrying amount. An impairment loss is not allocated to an individual asset if a separate fair value less costs to sell would fall below a separately determined value in use or zero.

If there is an indication that the reasons for impairment no longer exist or have decreased, the impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised in prior years. An impairment loss recognised to goodwill may not be reversed.

When companies are acquired as part of a share deal, the accounting rules defined by IFRS 3 *Business Combinations* are applied (see note 2.2.4 *Business combinations (initial consolidations)*). The use, if necessary, of the acquisition method leads to goodwill as a technical figure because of the obligation to record deferred tax liabilities on the difference between the fair value and the tax base of the investment property acquired. This goodwill must be tested annually for indications of impairment. The cash-generating units primarily represent individual properties, property portfolios or groups of cash-generating units that benefit from synergies resulting from the combination (for further information on impairment testing, see note 6.4.1 *Goodwill*).

2.4.9 Trade and other receivables

Trade and other receivables and other financial assets are generally classified as loans and receivables (L&R) in accordance with IAS 39 and carried at amortised cost. Recognisable individual risks are reflected in corresponding valuation adjustments.

Interest rate swaps are classified as held for trading (HFT) and measured at fair value through profit or loss as of the balance sheet date. The BUWOG Group does not apply the IAS 39 rules for hedge accounting at the present time.

Information on the distinction between financial and non-financial assets is provided under the definition of financial instruments in note 7.1 *Information on financial instruments*.

2.4.10 Other financial assets

The other non-current financial assets consist primarily of originated loans.

Originated loans are generally classified as loans and receivables (L&R) in accordance with IAS 39 and carried at amortised cost. An exception to this practice is formed by assumed liabilities related to low-interest government loans, which were transferred to the buyers in connection with property sales and now represent receivables for BUWOG. Management has taken the decision to classify these receivables at fair value through profit or loss (fair value option).

Other financial assets are derecognised when the right to receive payments from the financial asset expires or is transferred and the Group has principally transferred all benefits related to ownership. Gains and losses on financial assets classified at fair value through profit or loss are recognised as incurred and reported on the income statement under other financial results.

2.4.11 Income taxes

Income taxes comprise both current and deferred taxes. Current and deferred taxes are recognised to the income statement, unless they are related to items that are recognised in other comprehensive income or directly in equity. In these cases, the current or deferred taxes are also recognised in other comprehensive income or directly in equity. If the initial recognition of a business combination results in current or deferred taxes, these tax effects are also included.

Current tax expense is based on taxable income for the current financial year. Taxable income differs from net income as reported on the consolidated statement of comprehensive income due to income and expenses that are only taxable or tax deductible in later years or are never taxable or tax deductible. The reconciliation of income taxes to the theoretical tax expense is presented in note 5.9 *Income taxes*.

Deferred taxes are recognised for existing differences between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets arising from temporary differences and loss carryforwards are only recognised when it is probable that positive taxable income will be available to utilise the deductible temporary differences or loss carryforwards. Deferred tax assets and deferred tax liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor net income,

Deferred tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries unless the BUWOG Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed each year at the balance sheet date and reduced if it is no longer probable that sufficient taxable income will be available to utilise the claim in full or in part.

Deferred taxes are measured using the tax rates that are expected to apply to temporary differences when they are reversed and at the tax rates that were enacted or substantively enacted at the balance sheet date.

The measurement of deferred taxes reflects the tax consequences arising from the BUWOG Group's expectations for the recognition of the carrying amounts of assets or the settlement of liabilities at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when taxes are levied by the same authority and a legal claim exists to offset current tax assets against current tax liabilities.

2.4.12 Non-current assets and liabilities held for sale

IFRS 5 requires the classification of non-current assets and disposal groups containing assets and liabilities as held for sale if they can be sold in their present condition and their sale is highly probable within 12 months due to an intention to sell. If the relevant criteria are no longer met, the assets or disposal groups are reclassified to the original balance sheet positions.

Non-current assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Exceptions to this IFRS 5 measurement rule are investment properties which are measured in accordance with the fair value model as well as financial assets and deferred taxes. These non-current assets are only subject to the provisions for separate disclosure under IFRS 5.

2.4.13 Real estate inventories

Real estate inventories represent assets that are held for sale during the ordinary course of business, or are in the process of production for such sale, or take the form of materials or supplies to be consumed in the production process or in the rendering of services.

The business activities of the BUWOG Group as a real estate company comprise the acquisition and rental as well as the best possible commercial utilisation of assets to optimise asset management. The properties held for sale by the BUWOG Group do not fall within the scope of application of IAS 40 Investment Property, and are therefore accounted for as real estate inventories in accordance with IAS 2.

Real estate inventories are capitalised at acquisition or production cost, including borrowing costs, (see note 2.4.5 *Borrowing costs*) and measured at the lower of carrying amount and net realisable value (in part determined through an expert opinion) as of the balance sheet date. The acquisition or production cost of real estate inventories includes all purchase and processing costs as well as other expenses incurred to bring the asset to the current location and condition. Net realisable value is determined as the estimated selling price less any outstanding production costs and costs to sell.

2.4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, funds in transit and deposits with financial institutions with a term of up to three months. These items are carried at the value applicable on the relevant balance sheet date. In addition, other financial receivables include bank deposits with limitations over their disposal (blocked cash deposits). The cash and cash equivalents relevant for the consolidated cash flow statement consist solely of liquid funds (cash on hand, funds in transit and deposits with financial institutions that have a term of up to three months).

2.4.15 Share-based remuneration agreements

The fair value of arrangements to be settled with equity instruments is recognised as an expense on the granting date, with a corresponding increase in equity, over the period in which the unrestricted entitlement to the stock options is earned. The amount recognised as an expense is adjusted to reflect the number of stock options for which the vesting conditions and market-independent performance conditions are expected to be fulfilled. Therefore, recognised expense is based on the number of stock options for which the vesting conditions and market-independent performance conditions are met at the end of the entitlement period. The expenses for share-based remuneration agreements are recognised as part of personnel expenses with an offsetting entry under capital reserves.

Cash-settled share-based arrangements are initially recognised at their fair value on the commitment date. Subsequent measurement reflects the applicable fair value as of each balance sheet date, which also includes the proportional share of services provided during the term of the arrangement. In this case, the expenses for share-based payment arrangements are recorded under personnel expenses with an offsetting entry under liabilities.

Information on the settlement of the share-based remuneration agreements in connection with the takeover by Vonovia SE is provided in note 6.13 *Share-based remuneration agreements*.

2.4.16 Liabilities from convertible bonds

In accordance with IAS 32.11 in connection with IAS 32.22 and IAS 39.11, the convertible bonds issued by BUWOG AG comprise a debt component and embedded derivatives that must be separated.

Embedded derivatives that were combined with a non-derivative financial instrument to create a hybrid financial instrument must generally be accounted for and measured separately from the host contract under the following circumstances: when their economic characteristics and risks are not closely connected with the host contract; when the combined derivative financial instruments would independently meet the definition of a derivative; and when the entire instrument is not carried at fair value through profit or loss. These criteria are met by the call option for premature redemption by BUWOG based on the development of the share price and the conversion right for the bondholders. The call option and the conversion right are therefore recorded separately from the convertible bond liability and reported under trade payables and other liabilities (see note 6.16 *Trade payables and other liabilities*).

The other rights and options included in the issue terms do not meet the criteria defined by IAS 39.11 or do not result in material separate amounts and were not recorded separately.

The initial recognition of the debt component reflects the fair value of a similar liability without an option for conversion into equity. Directly attributable transaction costs were allocated to the debt component. The liabilities from convertible bonds will be subsequently measured at amortised cost based on the effective interest rate method and assigned to the category financial liabilities measured at amortised cost (FLAC) in accordance with IAS 39.

The fair value of the derivatives which must be separated represents the residual amount between the fair value of the convertible bonds and the fair value of the debt component. The separated embedded derivatives are classified as held for trading (HFT) and measured at fair value through profit or loss as of each balance sheet date.

The (partial) conversion of a convertible instrument leads to the (proportional) derecognition of the debt component and the embedded derivative as well as recognition together with the related deferred taxes under equity. Conversion does not result in a profit or loss.

2.4.17 Financial liabilities, trade payables and other liabilities
Financial liabilities are initially recognised at their fair value less directly attributable transaction costs. Fair value generally corresponds to the amount of funds received. Any difference (premium, discount or other difference) between the amount received and the repayment amount is allocated over the term of the financing according to the effective interest rate method and recorded under financial results.

Financial liabilities are generally classified as financial liabilities measured at amortised cost (FLAC) in accordance with IAS 39 and are measured using the effective interest rate method.

With regard to low-interest government loans and financial liabilities to banks with annuity subsidies that are related to subsidies for properties, management has taken the decision to classify these items at fair value through profit and loss (fair value option) (additional details on the fair value option are provided in note 2.4.4 *Government grants*).

Non-financial liabilities are carried at amortised cost.

Financial liabilities, trade payables and other liabilities are derecognised when the payment obligations expire or are transferred and the BUWOG Group has transferred all material risks and opportunities connected with the liability.

Financial assets and liabilities are only offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the financial instruments on a net basis or to settle the relevant financial liability simultaneously with the recognition of the involved financial asset.

Interest rate swaps are accounted for as independent financial instruments and are only used to reduce the risks arising from changes in interest rates. Interest rate swap transactions are only concluded with financial institutions that can demonstrate a sound credit rating. Interest rate swaps are classified as held for trading (HFT) and measured at fair value through profit or loss at the balance sheet date. The BUWOG Group does not apply the IAS 39 rules for hedge accounting at the present time.

Information on the accounting and valuation methods applied to the embedded derivatives from the convertible bonds is presented in note 2.4.16 *Liabilities from convertible bonds*.

Gains and losses from the measurement of liabilities carried at fair value through profit or loss and as held for trading are reported on the consolidated income statement under other financial results.

Information on the conditions and fair value of derivatives is provided in note 7.2.5 *Interest rate and market price risk*. Information on the conditions and market value of financial liabilities is provided in notes 6.15 *Financial liabilities* and 7.2.5 *Interest rate and market price risk*. Information on the valuation procedures and input factors used to determine the fair value of financial instruments is provided in note 7.1.3 *Hierarchy of fair values of financial instruments*.

2.4.18 Provisions

In accordance with IAS 37.14, an obligation arising from a past event whose timing or amount is uncertain is recorded as a provision when it becomes probable that an outflow of resources will be required to settle this obligation and when the amount can be reliably estimated.

The provision is based on the best estimate at the time the consolidated financial statements are prepared. The best estimate of the amount required to meet the present obligation is the amount the company would rationally pay to settle the obligation at the balance sheet date or to transfer the obligation to a third party at that time.

The risks and uncertainties that inevitably surround many events and circumstances must be taken into account in determining the best estimate. Experts are therefore called on in certain cases to assist with the valuation. Other key input factors include past experience and probabilities for the outcome of legal disputes. The expected cash flows must be discounted to their present value if the time value of money is material. The interest expense arising from the compounding of the provision is recorded under financial results.

In cases where some or all of the expenditure required to settle an obligation is expected to be reimbursed by another party, the reimbursement may only be recognised when it is virtually certain that it will be received when the obligation is settled. The reimbursement must be treated as a separate asset, and the recognised amount may not exceed the amount of the provision.

The carrying amount of provisions must be reviewed and adjusted at each balance sheet date. If an outflow of resources is no longer probable, the provision must be derecognised through profit or loss.

2.4.19 Employee benefits

Provisions for severance payments are calculated with the projected unit credit method, whereby an actuarial valuation is carried out at each balance sheet date. The actuarial gains and losses – also referred to as remeasurements – as well as the related deferred taxes are recognised in other comprehensive income. Remeasurements recognised in other comprehensive income represent part of equity and are not subsequently reclassified to the income statement. The service cost and net interest expense are reported on the income statement under personnel expenses.

Contributions to defined contribution pension plans are recognised as personnel expenses when they become due and payable (see note 5.6 *Personnel expenses*). The BUWOG Group has no payment obligations above and beyond these contributions.

2.5 JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in accordance with IFRS requires the use of judgments and assumptions for future developments by the management of BUWOG AG. These judgments and assumptions can have a significant influence on the recognition and value of assets and liabilities, the disclosure of other obligations as of the balance sheet date and the reporting of income and expenses for the financial year.

– Accounting for business combinations using the acquisition method standardised in IFRS 3 is dependent on whether a business is acquired. Assessing whether acquired investment properties constitute a business as defined in IFRS 3 is discretionary and regularly requires a detailed analysis of the acquired operations and structures, particularly with regard to property management. The application of the acquisition method involves the recognition of the transaction costs as expenses, the full recognition of the tax liabilities on temporary differences between the fair value of the acquired property asset and its tax base, and the annual impairment testing of the resulting goodwill. The acquisition method is not applied if the acquisition does not represent a business. In this case, the acquisition costs, including transaction costs, are allocated to the assets acquired and liabilities assumed in accordance with their fair values; tax liabilities are not recognised (“initial recognition exemption”) and there is no goodwill.

– In some cases, the BUWOG Group receives low-cost loans to finance development projects. These low-cost loans represent public subsidies for the respective property and are generally connected with the obligation to meet certain subsidy conditions (e.g. rent control). Since the fair value of these properties is based only on the cash flows from this lower rental income, the properties have a lower fair value than if market-based rents were charged. In order to avoid an inconsistency between the initial recognition and the carrying amount of the properties and the related financial liability, BUWOG management has – in accordance with IAS 39.9b (i) – taken the discretionary decision to initially recognise below-interest loans at fair value through profit or loss (fair value option) and thereby avoid any inconsistency that would otherwise arise from the interest benefit created by the below-market interest rate on the loan (IAS 20.10A). Information on the future accounting treatment is provided in note 1.2.3 *Standards and interpretations adopted by the EU, but not yet applied*.

The following assumptions carry a significant risk that may lead to a material adjustment in the value of assets and liabilities during the next financial year:

– The fair value of the BUWOG Group’s investment property, investment property under construction and investment property held for sale as well as the net realisable value of real estate inventories are determined on the basis of appraisals prepared by external property experts. Most of these appraisals include the use of discounted cash flow (DCF) models, specifically through discounting the expected future cash flows from the respective properties. The preparation of these appraisals involves the use of assumptions, e.g. for the applied capitalisation and discount rates, the expected occupancy, outstanding construction costs, the future development of rental prices and/or potential selling prices. One characteristic of discounted cash flow models is their sensitivity to the underlying assumptions and parameters. For example, a reduction in the applied discount rate without any changes to the other assumptions or parameters will lead to an increase in the value of the respective property. In contrast, a reduction in the expected occupancy rate or the expected rental prices without any changes to the other assumptions or parameters will lead to a decline in the value of the respective property. The assumptions and parameters relevant to the valuation are determined through a careful process as of each balance sheet date based on the best possible estimates of the current market environment by management and the appraisers. These estimates are updated as of every balance sheet date, which could lead to substantial fluctuations in the fair value of the properties (see notes 6.1 *Investment property* and 6.2 *Investment property under construction*).

- The net realisable value of real estate inventories is calculated in part on the basis of the expected sale proceeds minus the estimated costs for completion and sale (residual value method). These calculations are updated at every balance sheet date, which could lead to substantial fluctuations in the net realisable value of the properties (see note 6.10 *Real estate inventories*).

- The impairment testing of intangible assets, goodwill and tangible assets is based on forward-looking assumptions. The determination of the recoverable amount or value in use of an asset for an impairment test involves the use of numerous assumptions, e.g. concerning future surplus cash flows and the discount rate. These surplus cash flows reflect the latest estimates available at the time the financial statements are prepared (see notes 6.3 *Other tangible assets* and 6.4 *Intangible assets*).

- Alternative capital value-oriented valuation methods are used to measure financial instruments for which there is no active market. The valuation parameters used to establish fair value are based in part on forward-looking assumptions (see note 7.1.3 *Hierarchy of fair values of financial instruments*).

- The valuation of existing severance payment obligations includes the use of assumptions for the interest rate, retirement age, life expectancy, employee turnover and future salary and wage increases (see note 2.4.19 *Employee benefits*).

- The fair value of stock options granted within the framework of share-based remuneration agreements and the fair value of derivative financial instruments are determined on the basis of observable market parameters that include the risk-free interest rate, share price and implicit volatility (see notes 6.13 *Share-based remuneration agreements* and 7.1.3 *Hierarchy of fair values of financial instruments*).

- The recognition of deferred tax assets, in general, and of tax assets on tax loss carryforwards, in particular, is based on the expectations of the BUWOG Group's management concerning the availability of sufficient future taxable income. The accounting decision on the recognition or impairment of deferred taxes is based on assumptions concerning the timing of the reversal of deferred tax liabilities and on the latest tax planning data in a five-year planning period (see note 6.7 *Deferred tax assets and deferred tax liabilities*).

- The valuation of provisions is based on best estimates, which are in part made by external experts. The valuation of provisions is based, in particular, on past experience, the probable outcome of legal disputes and tax litigation, future cost trends, interest rate assumptions, etc. (see note 6.18 *Provisions*).

- The contingent liabilities arising from sureties, guarantees and other liabilities, which are not recognised in the BUWOG Group's balance sheet, are regularly assessed with regard to their probability of occurrence. If an outflow of resources embodying economic benefits is neither sufficiently probable to require a provision, nor improbable, the relevant obligations are recorded as contingent liabilities. These liabilities represent best estimates by management (see note 7.5.1 *Contingent liabilities and guarantees*).

- The fair value measurement of financial liabilities related to put options held by non-controlling interests is based on the best estimate by management.

The estimates and the underlying assumptions and parameters are reviewed regularly. Actual values may vary from these estimates when the development of the general parameters differs from expectations on the balance sheet date. Changes are made when more accurate information is available, and the presentation of the assumptions and parameters relevant to the valuation are adjusted accordingly.

3. SCOPE OF CONSOLIDATION

The consolidated financial statements include BUWOG AG as well as 35 (30 April 2017: 32) domestic and 90 (30 April 2017: 89) foreign companies in which BUWOG Group directly or indirectly holds the majority of voting rights or is capable of exercising legal or constructive control. In addition, two foreign companies were consolidated at the proportional share held by the BUWOG Group.

3.1 DEVELOPMENT OF THE SCOPE OF CONSOLIDATION

The scope of consolidation changed as follows during the 2017/18 financial year:

DEVELOPMENT OF THE SCOPE OF CONSOLIDATION

Scope of consolidation	Full consolidation	Proportionate consolidation	Total
Balance on 30 April 2017	**122**	**0**	**122**
Initially included	7	2	9
Liquidations	–3	0	–3
Balance on 30 April 2018	**126**	**2**	**128**

An overview of the BUWOG Group companies is presented at the end of the notes.

3.2 INITIAL CONSOLIDATIONS

The following companies were initially included in the BUWOG Group's scope of consolidation in 2017/18:

INITIAL CONSOLIDATIONS

Segment	Country	Head-quarters	Company	Interest in capital	Type of consolidation	Consolidation date
Founding/acquisition of companies without businesses						
Germany	DE	Berlin	Planungsgemeinschaft "Das-Neue-Gartenfeld" GmbH & Co. KG	27.48%	P	1 May 2017
Germany	DE	Berlin	Planungsgemeinschaft "Das-Neue-Gartenfeld" Verwaltungs GmbH	27.48%	P	1 May 2017
Austria	AT	Vienna	BUWOG – Breitenfurterstraße Zwei, GmbH & Co. KG	99.98%	F	1 June 2017
Austria	AT	Vienna	BUWOG – Breitenfurterstraße Vier, GmbH & Co. KG	99.98%	F	1 June 2017
Germany	DE	Berlin	BUWOG – Jahnstraße Development GmbH (formerly: Jahnstraße Living GmbH)	100.00%	F	1 August 2017
Germany	DE	Kiel	BUWOG – Berlin Wohnen II GmbH (formerly: Jahnstraße 15 Vermögensverwaltungs GmbH)	100.00%	F	1 August 2017
Austria	AT	Wien	BUWOG – Versicherungsmakler GmbH	100.00%	F	1 December 2017
Germany	DE	Kiel	BUWOG – Grundstücks- und Betriebs GmbH	100.00%	F	1 January 2018
Germany	DE	Kiel	BUWOG – Berlin Wohnen III GmbH	100.00%	F	1 January 2018

F = Full consolidation
P = Proportionate consolidation

3.3 STRUCTURAL CHANGES

PRE Andromeda Real Estate GmbH, PRE Aries Real Estate GmbH and PRE Aquarius Real Estate GmbH, which were taken over in connection with the acquisition of the DGAG portfolio and did not carry out any material business activities to date, were liquidated during the reporting period.

STRUCTURAL CHANGES

Segment	Country	Headquarters	Company	Interest in capital before	Interest in capital after
Liquidations					
Germany	DE	Kiel	PRE Andromeda Real Estate GmbH	94.90%	–
Germany	DE	Kiel	PRE Aries Real Estate GmbH	94.90%	–
Germany	DE	Kiel	PRE Aquarius Real Estate GmbH	100.00%	–

3.4 NON-CONSOLIDATED SUBSIDIARIES

Two companies under civil law (Gesellschaften bürgerlichen Rechts, GesbRs) were founded during the first half of 2016/17 in order to sell usage rights to the docking area for boats, which is part of the Lindenstrasse "Uferkrone" project in Berlin. The owners of the housing units who purchase these usage rights will become shareholders in these companies, while BUWOG Lindenstrasse Development GmbH will reduce its investment as the sales proceed. Consequently, these companies will no longer represent subsidiaries when all of the sales are completed. All of the utilisation rights to the docking facilities in Marina Lindenstraße GbR were sold during the first half of 2017/18. Therefore, the BUWOG Group no longer held an investment in Marina Lindenstraße as of 30 April 2018.

This company was not included in the scope of consolidation because it is immaterial.

Segment	Country	Headquarters	Company
Germany	DE	Berlin	Marina Spreestraße GbR

4. SEGMENT REPORTING

4.1 INTERNAL REPORTING

The chief operating decision-maker of the BUWOG Group is the Executive Board of BUWOG AG as a collegial body. Internal reporting to the Executive Board is based on the classification of data into two designated core markets, Germany and Austria, which are defined according to regional characteristics. Segment results are presented to the Executive Board without further aggregation for internal reporting purposes (management approach).

The management of operating results by the BUWOG Group is based on rental income and the results of Asset Management, Property Sales and Property Development.

Segment assets consist primarily of investment property, investment property under construction, other tangible assets, non-current assets held for sale and real estate inventories, which are classified into current and non-current components in accordance with the balance sheet allocation. Investments in non-current segment assets include additions to investment property, investment property under construction and other tangible assets. Segment liabilities are not allocated.

The development of financial results and taxable results in the Group is monitored and managed centrally; there is no internal reporting at the operating segment level. The accounting policies applied by the reportable segments correspond to the accounting policies described in the sections under note 2. *Accounting policies*.

4.2 RECONCILIATION OF SEGMENTS TO GROUP DATA

There are no material transactions between the segments, and the elimination of intersegment amounts is therefore not presented separately. Centrally provided services are allocated to the individual segments based on the actual costs. Service companies that only work for a specific segment are allocated to that segment. The column “transition to the consolidated financial statements” includes the holding companies and non-operating companies that cannot be allocated to a specific segment as well as the elimination of immaterial intersegment transactions.

4.3 INFORMATION ON KEY CUSTOMERS

The BUWOG Group had no individual customers who were responsible for 10.00% or more of Group revenues in the reporting year or the previous year.

4.4 SEGMENT REPORT

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

The following table presents the segment assets as of 30 April 2018 and 30 April 2017 classified by regional criteria.

SEGMENTS

in TEUR	Germany 2017/18	Germany 2016/17	Austria 2017/18	Austria 2016/17
Residential rental income	112,696.8	107,820.1	80,797.8	92,245.5
Other rental income	8,288.2	8,140.9	9,080.6	6,214.4
Rental income	**120,985.0**	**115,961.0**	**89,878.4**	**98,459.9**
Operating costs charged to tenants and third party property management revenues	63,869.9	62,539.2	43,756.6	49,502.8
Other revenues	188.8	182.0	78.4	56.7
Revenues	**185,043.7**	**178,682.2**	**133,713.4**	**148,019.4**
Expenses directly related to investment property	–35,617.0	–36,099.8	–19,049.6	–21,641.3
Operating expenses and expenses from third party property management	–59,428.1	–61,100.1	–47,359.1	–50,987.4
Results of Asset Management	**89,998.6**	**81,482.3**	**67,304.7**	**75,390.7**
Sale of properties	318.3	1,682.3	130,364.1	226,671.5
Carrying amount of sold properties	–318.3	–1,682.3	–130,364.1	–226,671.5
Other expenses from property sales	–34.0	–68.4	–2,324.9	–2,986.9
Fair value adjustments of properties sold	70.8	420.1	43,882.5	45,172.1
Fair value adjustments of properties held for sale	0.0	0.0	0.0	1,801.2
Results of Property Sales	**36.8**	**351.7**	**41,557.6**	**43,986.4**
Sale of real estate inventories	74,993.4	78,346.9	130,645.8	96,344.9
Cost of real estate inventories sold	–55,009.5	–65,222.8	–92,120.0	–70,860.4
Other expenses from sale of real estate inventories	–5,720.0	–3,978.9	–2,902.8	–2,819.4
Other real estate development expenses	–7,767.5	–3,245.7	–3,979.8	–5,851.1
Fair value adjustments of properties under construction	8,237.5	3,237.3	11,364.2	2,328.6
Results of Property Development	**14,733.9**	**9,136.8**	**43,007.4**	**19,142.6**
Other operating income	1,549.6	2,049.7	1,605.0	1,353.5
Other not directly attributable expenses	–15,199.8	–9,345.7	–7,922.1	–6,193.2
Results of operations	**91,119.1**	**83,674.8**	**145,552.6**	**133,680.0**
Fair value adjustments of investment properties	213,865.4	320,304.7	28,154.7	14,842.5
Maintenance and improvement contributions received	0.0	0.0	0.0	24.9
Other valuation results	**213,865.4**	**320,304.7**	**28,154.7**	**14,867.4**
Operating profit (EBIT)	**304,984.5**	**403,979.5**	**173,707.3**	**148,547.4**
Financial results				
Earnings before tax (EBT)				
Income tax expenses				
Deferred tax income/expenses				
Net profit				
Investments in non-current segment assets	**85,162.5**	**266,862.6**	**58,141.6**	**51,537.5**
	30 April 2018	30 April 2017	30 April 2018	30 April 2017
Investment property	2,476,655.9	2,243,940.7	1,975,620.6	1,959,981.2
Investment property under construction	87,521.4	21,920.0	45,840.1	34,380.0
Other tangible assets	980.2	721.8	4,866.5	5,119.1
Non-current segment assets	**2,565,157.5**	**2,266,582.5**	**2,026,327.2**	**1,999,480.3**
Non-current assets held for sale	0.0	0.0	0.0	15,661.1
Real estate inventories	179,407.7	155,380.7	198,159.2	200,150.7
Current segment assets	**179,407.7**	**155,380.7**	**198,159.2**	**215,811.8**
Segment assets	**2,744,565.2**	**2,421,963.2**	**2,224,486.4**	**2,215,292.1**

	Total reportable segments		Holding company/Transition to consolidated financial statements		BUWOG Group	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	193,494.6	200,065.6	0.0	0.0	193,494.6	200,065.6
	17,368.8	14,355.3	0.0	0.0	17,368.8	14,355.3
	210,863.4	**214,420.9**	**0.0**	**0.0**	**210,863.4**	**214,420.9**
	107,626.5	112,042.0	0.0	0.0	107,626.5	112,042.0
	267.2	238.7	0.0	0.0	267.2	238.7
	318,757.1	**326,701.6**	**0.0**	**0.0**	**318,757.1**	**326,701.6**
	-54,666.6	-57,741.1	0.0	0.0	-54,666.6	-57,741.1
	-106,787.2	-112,087.5	0.0	0.0	-106,787.2	-112,087.5
	157,303.3	**156,873.0**	**0.0**	**0.0**	**157,303.3**	**156,873.0**
	130,682.4	228,353.8	0.0	0.0	130,682.4	228,353.8
	-130,682.4	-228,353.8	0.0	0.0	-130,682.4	-228,353.8
	-2,358.9	-3,055.3	0.0	0.0	-2,358.9	-3,055.3
	43,953.3	45,592.2	0.0	0.0	43,953.3	45,592.2
	0.0	1,801.2	0.0	0.0	0.0	1,801.2
	41,594.4	**44,338.1**	**0.0**	**0.0**	**41,594.4**	**44,338.1**
	205,639.2	174,691.8	0.0	0.0	205,639.2	174,691.8
	-147,129.5	-136,083.2	0.0	0.0	-147,129.5	-136,083.2
	-8,622.8	-6,798.3	0.0	0.0	-8,622.8	-6,798.3
	-11,747.3	-9,096.8	0.0	0.0	-11,747.3	-9,096.8
	19,601.7	5,565.9	0.0	0.0	19,601.7	5,565.9
	57,741.3	**28,279.4**	**0.0**	**0.0**	**57,741.3**	**28,279.4**
	3,154.6	3,403.2	1,481.9	119.5	4,636.5	3,522.7
	-23,121.9	-15,538.9	-53,881.2	-25,106.3	-77,003.1	-40,645.2
	236,671.7	**217,354.8**	**-52,399.3**	**-24,986.8**	**184,272.4**	**192,368.0**
	242,020.1	335,147.2	0.0	0.0	242,020.1	335,147.2
	0.0	24.9	0.0	0.0	0.0	24.9
	242,020.1	**335,172.1**	**0.0**	**0.0**	**242,020.1**	**335,172.1**
	478,691.8	**552,526.9**	**-52,399.3**	**-24,986.8**	**426,292.5**	**527,540.1**
					-83,003.2	**-69,284.2**
					343,289.3	**458,255.9**
					-14,909.3	-29,248.8
					-49,127.3	-62,315.5
					279,252.7	**366,691.6**
	143,304.1	**318,400.1**	**4,072.5**	**9,051.9**	**147,376.6**	**327,452.0**
	30 April 2018	30 April 2017	30 April 2018	30 April 2017	30 April 2018	30 April 2017
	4,452,276.5	4,203,921.9	0.0	0.0	4,452,276.5	4,203,921.9
	133,361.5	56,300.0	0.0	0.0	133,361.5	56,300.0
	5,846.7	5,840.9	13,031.6	9,107.1	18,878.3	14,948.0
	4,591,484.7	**4,266,062.8**	**13,031.6**	**9,107.1**	**4,604,516.3**	**4,275,169.9**
	0.0	15,661.1	0.0	0.0	0.0	15,661.1
	377,566.9	355,531.4	0.0	0.0	377,566.9	355,531.4
	377,566.9	**371,192.5**	**0.0**	**0.0**	**377,566.9**	**371,192.5**
	4,969,051.6	**4,637,255.3**	**13,031.6**	**9,107.1**	**4,982,083.2**	**4,646,362.4**

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 RESULTS OF ASSET MANAGEMENT

5.1.1 Rental income

The rental income from the investment properties represents the rents defined for the reporting year by the respective agreements. Other rental income includes the revenues from offices, commercial areas, retail space and parking.

Rental prices are determined in accordance with the applicable legal framework. The determination of the market rent for new rentals is based on published rental statistics, the offering of comparable properties and current rentals.

Most of the Group's real estate portfolio in Austria is subject to cost-covering rental restrictions under Austrian law. In particular, a majority of the portfolio is subject to the Austrian Non-profit Housing Act (Wohnungsgemeinnützigkeitsgesetz, WGG) because BUWOG – Bauen und Wohnen Gesellschaft mbH and BUWOG – Süd GmbH (formerly: ESG Wohnungsgesellschaft mbH Villach) were non-profit organisations up to April 2001. The cost-covering principle defined by this law states that the monthly rent may not be higher or lower than the total of production cost, the related financing, ongoing facility management costs and various other components.

Legal regulations previously permitted the use of the Burgenland benchmark less 30% in place of a cost-covering rent to determine the new price when apartments were re-let. This benchmark last equalled EUR 3.50 per sqm and included the maintenance and improvement contributions. The amendment to the Austrian Non-Profit Housing Act which took effect on 1 July 2016 replaced the previous benchmark price with a new indexed value of EUR 1.75 per sqm (since 1 April 2018: EUR 1.80 per sqm). In contrast to the previous legal regulation, an indexed maintenance and improvement contribution may be also collected in line with the age of the building, but up to a maximum of EUR 2.00 per sqm. Administrative expenses, a default component on rents and imputed interest on the equity invested by the company to finance the land can also be charged in addition to regular operating costs. Rental income in Austria will not increase substantially over the coming years because of the restrictions defined by the Austrian Non-Profit Housing Act.

The regulations governing rent increases for privately financed residential construction in Germany were previously limited to existing rental agreements. Under Section 558 (1) to (3) of the German Civil Law Code (Bürgerliches Gesetzbuch), the increase in rents up to the customary local level is capped at a maximum of 20% over a three-year period (and to a maximum of 15% in a number of states). Another relevant regulation is Section 559 (1) to (3) of the German Civil Law Code, which deals with rental increases after modernisation and defines the allowed increase per year as 11% of the funds spent on the apartment.

Since 1 June 2015 the German states have been authorised to slow rent increases through the introduction of new legal regulations. Berlin, Hamburg, Lower Saxony, North Rhine-Westphalia, Baden-Württemberg, Brandenburg, Bremen, Hesse, Rhineland-Palatinate, Schleswig-Holstein, Thuringia and Bavaria (each at the city, district or community level) have already introduced such laws and further states are expected to follow. In areas with an overextended housing market, the rental price increases on re-letting are limited to a maximum of 10% over the local level for a five-year period – unless the previous rent has already exceeded this threshold. New apartments completed after 1 October 2014 are exempt from this regulation, but the provisions of Section 559 (1) to (3) of the German Civil Law Code still apply.

There is still legal uncertainty over the definition of "extensive renovation", which also leads to an exemption from the rental cap. According to the German Federal Ministry of Justice and Consumer Protection, renovation is considered extensive when "the investment reaches roughly one-third of the cost for a comparable new apartment" (approx. EUR 700–800/sqm). Many market participants and courts also doubt that the use of local rental statistics as the basis for determining local rent levels will stand up to scientific evaluation. Indications are that a second set of laws can be expected.

The BUWOG Group's investment properties in Germany are subject to further restrictions under rental laws, among others from the Schleswig-Holstein Housing Allowance Act (Schleswig-Holsteinischer Wohnraumförderungsgesetz). The cost-covering rents in effect when this legal amendment was enacted on 1 July 2009 have formed the so-called basis rent since that time. In accordance with Section 16 of this Housing Allowance Act (which provides options for rental price increases pursuant to Section 558 of the German Civil Law Code), increases of up to 9% in base rents within a three-year period (different caps) have been possible since 1 July 2014. This cap does not apply to extensive modernisation, which is covered by the legally defined price increases as long as the individual rental contracts contain an appropriate provision. The expiration of the rent controls connected with this subsidy, at the earliest on 31 December 2018, will permit rental price increase of up to 20% based on Section 558 of the German Civil Law Code. The above-mentioned limitations also apply to re-letting during the rent control period. After the end of this period, re-letting can reflect market levels. Publicly subsidised rental apartments are also subject to tenant control regulations, which restrict rentals to a certain group of entitled persons.

The rental agreements concluded by the BUWOG Group for residential properties can generally be cancelled by the tenants on three months' notice at the end of each month. Based on the contracts in effect as of 30 April 2018, EUR 53.2 million of net cold rent was earned during the first three months of the abbreviated financial year 2018 (2017/18: EUR 51.5 million).

Expenses totalling TEUR 331.2 were incurred in 2017/18 for properties that did not generate any revenue in that financial year (2016/17: TEUR 122.0).

Rental income for 2017/18 includes TEUR 1,424.5 (2016/17: TEUR 6,386.8) of income from the release of the maintenance and improvement contributions as a result of Block Sales.

5.1.2 Revenues

Revenues are presented by country in the segment report, which represents an integral part of these consolidated financial statements (see note 4. *Segment reporting*).

Revenues (from asset management) consist of rental income from residential properties, other rental income (see note 5.1.1 *Rental income*), operating costs charged to tenants, revenue from the management of third party properties and other revenues.

The operating costs charged to tenants reflect expenses incurred by the BUWOG Group for properties rented to third parties. These costs comprise personnel expenses for property management, purchased services such as waste disposal, electricity, insurance, taxes and duties as well as the costs for common areas and equipment or facilities like elevators and gardens.

Operating costs charged to tenants and revenue from the management of third party properties of TEUR 107,626.5 (2016/17: TEUR 112,042.0) correspond to operating expenses and third party management costs of TEUR 106,787.2 (2016/17: TEUR 112,087.5) (also see note 5.1.4 *Operating expenses and expenses from third party property management*). Revenues from the management of third party properties totalled TEUR 12,183.3 in 2017/18 (2016/17: TEUR 16,129.5).

5.1.3 Expenses directly related to investment property

The expenses directly related to investment property are classified as follows:

EXPENSES DIRECTLY RELATED TO INVESTMENT PROPERTY

in TEUR	2017/18	2016/17
Maintenance	–25,871.6	–27,074.0
Expenses from asset management	–10,081.0	–9,665.4
Owners expenses	–7,284.4	–8,388.2
Vacancies	–3,234.0	–3,172.0
Write-off of receivables from asset management	–1,888.8	–2,299.8
Other expenses	–6,306.8	–7,141.7
Total	**–54,666.6**	**–57,741.1**

Maintenance covers expenses related to the repair and upkeep of investment properties, which do not lead to an increase in fair value.

Expenses from asset management include personnel and operating costs related to the rental and management of properties.

Owners expenses include the costs of electricity and property management attributable to the investment properties as well as other costs that cannot be passed on to tenants.

Vacancies represent operating costs for non-occupied properties that must be carried by the BUWOG Group as the owner.

The write-off of receivables from asset management includes the increase in valuation allowances for overdue rents and the expenses for derecognised rents receivable.

Other expenses consist primarily of advertising, lease and building right fees, commissions for new rentals and costs arising from rental disputes. In 2017/18 this position also included provisions of TEUR 0.0 (2016/17: TEUR 3,510.0) for damages and legal disputes that are atypical and/or related to other periods.

The invoice reconciliation with a large tenant four years into the rental agreement led to the recognition under other expenses of TEUR 1,000.0 (2016/17: TEUR 0.0) as compensation for damages due to delayed transfer. However, other rental income for this reporting period also includes subsequent charges of TEUR 2,097.6 for previous years (2016/17: TEUR 0.0).

5.1.4 Operating expenses and expenses from third party property management

Operating costs totalled TEUR 106,787.2 (2016/17: TEUR 112,087.5) for the reporting year and include TEUR 22,855.1 (2016/17: TEUR 23,155.0) of personnel and other expenses from BUWOG's property management activities in Austria and the management of third party properties in Germany and Austria. Other expenses consist of direct operating costs such as office space, telephone and similar items. The operating costs also include direct operating expenses that are passed on to tenants.

The operating costs are related to the operating costs charged to tenants (see note 5.1.2 *Revenues*).

5.2 RESULTS OF PROPERTY SALES

The results of property sales total TEUR 41,594.4 (2016/17: TEUR 44,338.1) and comprise TEUR 39,243.1 (2016/17 TEUR 37,087.4) from Unit Sales and TEUR 2,351.3 (2016/17: TEUR 5,449.5) from Block Sales and TEUR 0.0 (2016/17: TEUR 1,801.2) from the fair value adjustment of investment properties held for sale.

The position “sale of properties” represents the proceeds from Unit Sales (sale of individual apartments) and Block Sales (sale of individual properties or portfolios). It corresponds to the fair value of the properties sold on the transaction date. Consequently, this position is contrasted by equal carrying amount disposals.

The gain or loss on the sale of investment properties is reported under “fair value adjustments of properties sold”. The fair value adjustments of properties held for sale also include the fair value adjustments of non-current assets held for sale.

Other expenses from property sales include the personnel and other expenses directly related to the sale of individual apartments and block sales, e.g. staff salaries and brokers’ fees.

5.3 RESULTS OF PROPERTY DEVELOPMENT

The results of property development include the proceeds from the sale of real estate inventories less related property development costs. This position also includes the proceeds from the sale of undeveloped land that was originally purchased for development.

All rights of use to the berths in Marina Lindenstraße GbR were sold during the first half of 2017/18. These transactions included the replacement of the BUWOG Group by the purchasers of the rights as shareholders of Marina Lindenstraße GbR, and the BUWOG Group held no further investment in Marina Lindenstraße GbR as of 30 April 2018. In order to provide a better comparison with other inventory sales, the sale of the investment in Marina Lindenstraße GbR is included on the income statement under the results of property development. The related transactions resulted in income of TEUR 292.0 (2016/17: TEUR 0.0) from the sale of real estate inventories and TEUR 151.4 (2016/17: TEUR 0.0) of costs for real estate inventories sold.

Other expenses from the sale of real estate inventories cover the personnel and operating costs directly related to the sale of these inventories.

Other real estate development expenses of TEUR 11,747.3 (2016/17: TEUR 9,096.8) include TEUR 5,297.4 (2016/17: TEUR 4,400.9) of personnel expenses for project development and realisation as well as expenses related to project development that cannot be capitalised because they are not attributable to a specific project or involve costs incurred before the start of a project. Other real estate development expenses also include expenses of TEUR 366.8 (2016/17: TEUR 714.9) for the measurement of inventories (also see note 6.10 *Real estate inventories*) and expenses for the additions to provisions for damages and warranty costs. Information on the results from the valuation of investment property under construction is provided in note 5.7 *Fair value adjustments of properties*.

5.4 OTHER OPERATING INCOME

Other operating income covers income that cannot be allocated to one of the three business areas (Asset Management, Property Sales and Property Development) and includes the following:

OTHER OPERATING INCOME

in TEUR	2017/18	2016/17
Income from derecognised liabilities	177.4	244.0
Reimbursement of value added tax	0.0	184.4
Reimbursement of miscellaneous expenses from prior periods	0.0	513.0
Compensation for damages and indemnity payments	604.0	0.0
Income from the release of performance bonds	672.2	0.0
Insurance compensation	482.0	527.9
Miscellaneous	2,700.9	2,053.4
Total	**4,636.5**	**3,522.7**

5.5 OTHER NOT DIRECTLY ATTRIBUTABLE EXPENSES

This position covers expenses that cannot be directly allocated to one of the three business areas (Asset Management, Property Sales and Property Development) and includes the following:

OTHER NOT DIRECTLY ATTRIBUTABLE EXPENSES

in TEUR	2017/18	2016/17
Personnel expenses	–30,101.0	–15,794.1
Legal, auditing and consulting fees	–22,948.6	–9,404.6
IT and communications	–5,722.7	–3,695.6
Advertising and Marketing	–2,904.8	–2,007.6
Amortisation and depreciation	–3,802.0	–2,396.9
Cost of valuation reports	–540.0	–663.8
Miscellaneous	–10,984.0	–6,682.6
Total	**–77,003.1**	**–40,645.2**

Personnel expenses consist primarily of wages, salaries, expenses for statutory social security contributions and other employee-related costs. They are allocated to the individual business areas (Asset Management, Property Sales and Property Development) where possible. The personnel expenses which cannot be directly allocated are included under other not directly attributable expenses.

Legal, audit and consulting fees are related primarily to auditing and tax advising as well as acquisition consulting, other legal and consulting work and expenses for special projects. Consulting services of TEUR 10,640.5 were incurred for strategic advising in connection with the takeover offer by Vonovia SE. These expenses consisted primarily of transaction advising by an international investment bank, legal advising by a major law firm and communication advising by a well-known agency.

The expenses for advertising and marketing result from general public relations.

Amortisation and depreciation include the scheduled amortisation of other intangible assets and the scheduled depreciation of tangible assets.

The miscellaneous expenses reported in the above table consist primarily of travel expenses, rental and leasing payments, motor vehicle costs, operating costs for properties used by the BUWOG Group, various taxes and duties and the remuneration for the Supervisory Board (also see note 7.7.2 *Information on corporate bodies and remuneration*).

The other not directly attributable expenses of TEUR 77,003.1 (2016/17: TEUR 40,645.2) include operating costs of TEUR 8,667.3 (2016/17: TEUR 7,100.7) and personnel expenses of TEUR 590.5 (2016/17: TEUR 2,428.3) for project-related and other non-recurring expenses, and expenses of TEUR 594.3 (2016/17: TEUR 0.0) for employee events.

5.6 PERSONNEL EXPENSES

Personnel expenses for the employees of the BUWOG Group comprise the following:

PERSONNEL EXPENSES

in TEUR	2017/18	2016/17
Wages	–712.6	–862.2
Salaries	–46,294.6	–39,969.5
Expenses for legally required social security and other employee-related expenses	–12,463.1	–9,702.2
Expenses for defined contribution plans		
Contributions to pension funds	–544.5	–539.8
Contributions to employee severance compensation funds	–331.5	–277.6
Expenses for defined benefit plans		
Pensions	–84.4	–93.2
Severance compensation	–85.0	–94.8
Expenses for share-based payments		
Remuneration with settlement through equity instruments	0.0	–189.5
Remuneration with cash settlement	–9,256.2	–1,785.0
Other personnel expenses	–1,783.1	–1,619.5
Total	**–71,555.0**	**–55,133.3**
Thereof in Results of Asset Management	–29,993.8	–29,845.4
Thereof in Results of Property Sales	–1,513.9	–1,555.1
Thereof in Results of Property Development[1)]	–9,946.3	–7,938.7
Thereof in Other not directly attributable expenses	–30,101.0	–15,794.1

1) Personnel expenses included in Results of Property Development before capitalisation

The expenses for defined contribution plans in Austria consist primarily of contributions to employee severance compensation funds. These contributions are related to employment relationships that began after 31 December 2002. For these employees, contributions equalling 1.53% of the respective salary or wage are made to a severance compensation fund. The BUWOG Group also makes contributions to pension funds in Germany and Austria based on contractual agreements.

The increase in personnel expenses during 2017/18 resulted chiefly from higher share-based remuneration (see note 6.13 *Share-based remuneration agreements*) and severance compensation for members of the Executive Board in connection with the takeover by Vonovia SE.

The remuneration with settlement through equity instruments represents the long-term incentive programme 2014 (also see note 6.13.1 *Remuneration with settlement through equity instruments*). The remuneration with cash settlement represents the long-term incentive programme 2017 (also see note 6.13.2 *Remuneration with cash settlement*). Additional details on the costs for the long-term incentive programme for the Executive Board members is provided in note 7.7.2 *Information on corporate bodies and remuneration*.

The following table shows the average number of employees (full-time equivalent, FTE) in the companies included in the consolidated financial statements for 2017/18 and 2016/17:

NUMBER OF EMPLOYEES

	2017/18	2016/17
Wage employees	24	37
Salaried employees	737	681
Total	**761**	**718**

5.7 FAIR VALUE ADJUSTMENTS OF PROPERTIES

Changes in the fair value of investment properties and properties under construction as well as properties sold and non-current assets held for sale are recognised to profit or loss and reported on the income statement under fair value adjustments of investment properties, fair value adjustments of properties under construction, fair value adjustments of properties sold and held for sale (valuation results).

The gains and losses from fair value adjustments recognised in 2017/18 and 2016/17 are as follows:

FAIR VALUE ADJUSTMENTS OF PROPERTIES

	Investment property		Investment property under construction		Properties sold and held for sale	
in TEUR	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Revaluation gains	289,703.9	379,396.6	19,615.7	5,595.8	43,953.3	47,393.4
Impairment losses	–47,683.8	–44,249.4	–14.0	–29.9	0.0	0.0
Total	**242,020.1**	**335,147.2**	**19,601.7**	**5,565.9**	**43,953.3**	**47,393.4**

The gains from fair value adjustments recognised in 2017/18 and 2016/17 are classified by country as follows:

GAINS FROM FAIR VALUE ADJUSTMENTS OF PROPERTIES

	Investment property		Investment property under construction		Properties sold and held for sale	
in TEUR	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Germany	224,061.8	325,426.7	8,237.5	3,267.2	70.8	420.1
Austria	65,642.1	53,969.9	11,378.2	2,328.6	43,882.5	46,973.3
Total	**289,703.9**	**379,396.6**	**19,615.7**	**5,595.8**	**43,953.3**	**47,393.4**

The losses from fair value adjustments recognised in 2017/18 and 2016/17 are classified by country as follows:

LOSSES FROM FAIR VALUE ADJUSTMENTS OF PROPERTIES

	Investment property		Investment property under construction		Properties sold and held for sale	
in TEUR	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Germany	–10,196.4	–5,122.0	0.0	–29.9	0.0	0.0
Austria	–37,487.4	–39,127.4	–14.0	0.0	0.0	0.0
Total	**–47,683.8**	**–44,249.4**	**–14.0**	**–29.9**	**0.0**	**0.0**

5.8 FINANCIAL RESULTS

Financial results are classified as follows:

FINANCIAL RESULTS

in TEUR	2017/18	2016/17
Cash financing costs	–42,712.7	–47,861.1
Current interest accruals	142.8	146.5
Gain/loss on financial liabilities carried at amortised cost	–2,706.2	–2,841.8
Convertible bonds – increase in interest according to the effective interest rate method	–2,605.3	–1,716.2
Other non-cash financing costs	58.9	0.0
Financing costs	**–47,822.5**	**–52,272.6**
Cash financing income	263.0	451.6
Current interest accruals	13.9	0.2
Gain/loss on other financial assets carried at amortised cost	514.1	552.1
Financing income	**791.0**	**1,003.9**
Valuation of derivative financial instruments:	–15,912.4	1,776.3
Interest rate swaps	13,548.7	10,307.8
Embedded derivatives in the convertible bonds	–29,461.1	–8,531.5
Valuation of financial instruments at fair value through profit or loss (Fair Value Option)	–11,346.7	–10,928.7
Dividend income	439.7	374.9
Other	–9,152.3	–9,238.0
Other financial results	**–35,971.7**	**–18,015.5**
Total	**–83,003.2**	**–69,284.2**

Cash financing costs of TEUR 42,712.7 (2016/17: TEUR 47,861.1) consist of the following: TEUR 25,929.5 (2016/17: TEUR 30,948.5) of interest paid, TEUR 15,486.7 (2016/17: TEUR 15,628.0) of cash outflows for derivative financial instruments and TEUR 1,296.5 (2016/17: TEUR 1,284.7) of cash outflows for other financing expenses.

Cash financing income of TEUR 263.0 (2016/17: TEUR 451.6) consists primarily of interest received on financial assets.

The interest expense on financial instruments that are not carried at fair value totalled TEUR 23,996.8 (2016/17: TEUR 24,235.1). The interest income on financial instruments that are not carried at fair value amounted to TEUR 723.8 (2016/17: TEUR 897.3).

In 2017/18 financing costs were reduced by borrowing costs of TEUR 1,015.1 (2016/17: TEUR 1,080.4) which were capitalised for real estate inventories under development. The weighted average cost of these borrowings equalled 0.52% (2016/17: 0.65%).

The valuation of derivative financial instruments includes income of TEUR 14,840.8 (2016/17: TEUR 11,552.6) from the valuation of derivatives.

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 2017/18 and the comparable prior year period.

Ancillary financing costs incurred amounted to TEUR 605.6 in 2017/18 (2016/17: TEUR 7,474.7) and were distributed over the respective terms according to the effective interest rate method. Of this total, TEUR 0.0 (2016/17: TEUR 3,329.1) is related to the refinancing agreement with Berlin Hyp and Helaba (see note 6.15 *Financial liabilities*), TEUR 0.0 (2016/17: TEUR 3,037.5) to the convertible bonds (see note 6.14 *Liabilities from convertible bonds*) and TEUR 605.6 (2016/17: TEUR 1,108.1) to current borrowings.

5.9 INCOME TAXES

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

INCOME TAXES

in TEUR	2017/18	2016/17
Income tax expenses	–14,909.3	–29,248.8
Deferred tax income/expenses	–49,127.3	–62,315.5
Total	**–64,036.6**	**–91,564.3**

The following table reconciles calculated income tax expense with the actual income tax expense reported on the income statement:

TAX RECONCILIATION

in TEUR	2017/18	%	2016/17	%
Earnings before tax	**343,289.3**		**458,255.9**	
Income tax expense at 25% tax rate	**–85,822.3**	**25.0%**	**–114,564.0**	**25.0%**
Effect of different tax rates	25,806.6	–7.5%	36,245.6	–7.9%
Loss carryforwards and deferred taxes not recognised	–4,417.0	1.3%	–4,779.9	1.0%
Non-deductible income and expenses	–3,710.0	1.1%	–1,940.5	0.4%
Effects related to other periods	5,484.0	–1.6%	–4,287.2	0.9%
Other non-temporary differences	–1,377.9	0.4%	–2,238.3	0.6%
Effective tax rate	**–64,036.6**	**18.7%**	**–91,564.3**	**20.0%**

The deferred taxes not recognised in 2017/18 and 2017/18 represent deferred tax assets on loss carryforwards and other temporary differences whose use is not sufficiently probable.

The impact of the different tax rates on the effective tax rate for the Group results from the difference between the Austrian corporate tax rate of 25% and the respective local tax rates.

The dividends distributed by the BUWOG Group to its shareholders have no income tax consequences.

5.10 EARNINGS PER SHARE

In accordance with IAS 33, earnings per share are calculated by dividing net profit for the period by the weighted average number of shares outstanding in the respective financial year.

EARNINGS PER SHARE

	2017/18	2016/17
Weighted average number of shares (basic)	111,574,193	99,773,479
Diluting effect stock options	373,220	215,205
Diluting effect convertible bonds	0	6,125,120
Weighted average number of shares (diluted)	111,947,413	106,113,804
Net profit excl. non-controlling interests in EUR (basic)	274,101,000	357,815,900
Diluting effect convertible bonds	0	7,685,775
Net profit excl. non-controlling interests in EUR (diluted)	274,101,000	365,501,675
Basic earnings per share in EUR	**2.46**	**3.59**
Diluted earnings per share in EUR	**2.45**	**3.44**

Basic earnings per share are calculated by dividing the share of profit attributable to the owners of the parent company by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the number of shares to reflect all rights that are exchangeable for shares. Stock options were included by adding the theoretical number of free shares which would be issued based on the market price (average share price for the year), assuming exercise as of the balance sheet date. This amount was added to the number of shares outstanding. The calculation of diluted earnings per share for the reporting year does 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 the calculation when they reduce earnings per share or increase the loss per share. In the previous year, Group net profit was adjusted for expenses related to the convertible bonds.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 INVESTMENT PROPERTY

6.1.1 Development of investment property

Detailed information on he development of the fair value of investment property is presented in the following section.

INVESTMENT PROPERTY BY SEGMENT

in TEUR	Germany	Austria	Total
Balance on 1 May 2016	**1,752,577.0**	**2,132,466.7**	**3,885,043.7**
Additions	257,408.3	29,733.1	287,141.4
Disposals	–1,682.3	–226,671.5	–228,353.8
Fair value adjustments	320,724.8	61,815.8	382,540.6
Reclassification	–85,087.1	–21,701.8	–106,788.9
Reclassification IFRS 5	0.0	–15,661.1	–15,661.1
Balance on 30 April 2017	**2,243,940.7**	**1,959,981.2**	**4,203,921.9**
Balance on 1 May 2017	**2,243,940.7**	**1,959,981.2**	**4,203,921.9**
Additions	58,012.7	36,473.5	94,486.2
Disposals	–318.3	–114,703.0	–115,021.3
Fair value adjustments	213,936.2	72,037.2	285,973.4
Reclassification	–38,915.4	21,831.7	–17,083.7
Reclassification IFRS 5	0.0	0.0	0.0
Balance on 30 April 2018	**2,476,655.9**	**1,975,620.6**	**4,452,276.5**

The additions to investment property in 2017/18 and 2016/17 can be classified as follows:

ADDITIONS INVESTMENT PROPERTY BY SEGMENT

in TEUR	Germany	Austria	Total
Additions 2017/2018			
Modernisation (CAPEX)	37,133.7	14,604.4	51,738.1
Other additions	20,879.0	21,869.1	42,748.1
Total	**58,012.7**	**36,473.5**	**94,486.2**
Additions 2016/2017			
Modernisation (CAPEX)	21,542.2	17,709.3	39,251.5
Other additions	235,866.1	12,023.8	247,889.9
Total	**257,408.3**	**29,733.1**	**287,141.4**

The other additions in 2017/18 and 2016/17 consist primarily of property assets that do not represent a business in the sense of IFRS 3.

The disposals in 2017/18 resulted chiefly from the sale of individual properties and property portfolios (Block Sales) covering 455 units and 32,858 sqm (only in Austria) and the sale of individual apartments (Unit Sales) covering 567 units (Austria: 561 units; Germany: 6 units) and 43,349 sqm (Austria: 43,049 sqm; Germany: 300 sqm).

The transfers to and from investment property in 2017/18 consist of the following: TEUR 2,991.8 (2016/17: TEUR 13,237.9) of reclassifications to and from investment property under construction, TEUR –3.3 (2016/17: TEUR 0.0) of reclassifications to tangible assets, TEUR –1,174.9 (2016/17: TEUR 0.0) of reclassifications to other intangible assets and TEUR –18,897.3 (2016/17: TEUR –120,026.8) of reclassifications to and from real estate inventories.

The carrying amount of investment properties pledged as collateral for long-term financing amounted to TEUR 4,041,480.2 (30 April 2017: TEUR 3,803,598.1). The remaining balance of the corresponding secured liabilities totalled TEUR 1,676,703.7 (30 April 2017: TEUR 1,768,471.7).

6.1.2 Valuation methods and input factors

The valuation of investment property according to the fair value model requires regular revaluations. In the BUWOG Group, the investment properties are appraised by independent experts in accordance with the recommendations of the European Public Real Estate Association (EPRA's Best Practices Policy Recommendations).

CBRE was commissioned by the BUWOG Group to prepare the property appraisals for the IFRS consolidated financial statements as of 30 April 2018.

The external appraiser values the properties based on market knowledge and on-site inspections as well as information provided by the BUWOG Group that includes inventory data, rent lists, rental agreements, land register extracts and investment budgets. The data are reviewed by the appraiser and checked for plausibility through comparisons with market information. The appraiser also makes estimates, among others, for the occupancy rates, future rental income, future investments and expected returns.

The investment property held by the BUWOG Group is remeasured to reflect fair value in accordance with IAS 40. The fair value of the investment properties in 2017/18 was determined by the external appraiser CBRE.

CBRE performed its appraisals in accordance with the valuation requirements of the Royal Institute of Chartered Surveyors (RICS Valuation – Professional Standards, 9th edition – Red Book).

The discounted cash flow method (DCF method) is used to value the standing investments. This method is based on a dynamic investment calculation which explicitly includes valuation assumptions and ensures the transparent calculation of fair value.

A standardised DCF method is applied to the standing investments in Germany. This DCF method includes the future cash inflows and outflows for the respective properties over a detailed analysis period of 10 years as well as a terminal value that corresponds to the rental income capitalised at a growth-based rate in year 11.

CBRE uses a DCF model to value the Austrian standing investments, which was developed to reflect the special features of the Austrian Non-Profit Housing Act (in particular, cost-covering rent and re-letting fees) and the sale of individual apartments. In order to fully include additional specific requirements (such as long-term subsidy periods, interest rate hikes or long-term realisable revenues from individual apartments) in the Austrian standing investments, detailed cash flows for a period of 80 years were used for the current appraisal report. The cash flows calculated over the analysis period are discounted annually in arrears at the discount rate applicable to the valuation date. The selected discount rate reflects the market situation or the expected return of a potential investor and the uncertainty of the forecasted future cash flows. If the sale of apartments in a property is the most attractive option from an economic standpoint, an individually estimated rate of sale is used for the valuation. The realisable revenue is determined using the sales comparison approach and is included for the respective periods in the DCF model.

The valuation of properties with building rights (standing investments on third-party sites) is also based on the DCF model. The existence of building rights is taken into account by adding an appropriate premium to the discount rate and, if necessary, adjusting the analysis period.

In appraising undeveloped sites or sites that can be developed beyond their existing status, the value of the site is based primarily on the value of the optimal building that could be constructed and for which a construction permit would be granted. The value of the site in these cases is calculated with the sales comparison approach or, if a specific construction plan exists, with the residual value method. Under the residual value method, the first part of the calculation involves estimating the probable sale proceeds (development value) of the completed project based on a DCF calculation. The second step includes the deduction of all costs connected with the preparation or completion of the project from this development value. Possible costs include, for example, demolition costs, all construction costs, ancillary building costs, fees, financing costs, sales and marketing costs as well as a contingency position for unforeseen expenses. The developer's profit is estimated as a percentage of the development value or total development cost and also deducted. Financing costs incurred during construction are often estimated by calculating the interest on the total construction costs over one-half of the construction period. A clear development plan is a fundamental prerequisite for determining the project costs. When the sales comparison approach is used, the square meter prices are derived from market transactions.

All investment properties are allocated to Level 3 of the fair value hierarchy since the input factors used for their valuation are not directly or indirectly observable on the market.

The following table shows the weighted averages for the valuation input factors which are not observable in the market. The data in the table refer to the standing investments.

INPUT PARAMETERS STANDING INVESTMENTS

Input parameters 2017/18	Unit	Berlin	Germany other	Vienna	Austria other
Current rent	EUR p.a.	26,082,066	94,757,504	35,077,450	50,921,198
Market rent[1)]	EUR p.a.	30,424,582	109,245,960	49,755,493	62,872,633
Proportion of portfolio publicity subsidised, by rentable space[2)]		1.71%	32.52%	91.57%	97.95%
Current rent	EUR/sqm	6.38	5.79	5.20	3.86
Market rent	EUR/sqm	7.44	6.68	7.38	4.76
Market rent increase	p.a.	1.98%	0.98%	–	–
Current vacancy rate residential space[3)]		3.28%	2.56%	3.40%	5.10%
Structural vacancy rate[4)]		0.47%	1.29%	–	–
Maintenance costs	EUR/sqm p.a.	9.95	9.37	17.40	18.73
Re-letting costs[5)]	EUR/sqm	80.76	57.00	–	–
Administrative costs	EUR/unit	210.13	257.80	–	–
Discount rate		5.10%	5.37%	4.81%	5.78%
Capitalisation rate		3.12%	4.36%	–	–
Proportion of individual apartments held for sale, by area		–	–	89.53%	33.56%
Sale price potential[6)]	EUR/sqm	–	–	2,222	1,437

Input parameters 2016/17	Unit	Berlin	Germany other	Vienna	Austria other
Current rent	EUR p.a.	24,790,731	91,236,898	35,954,468	52,295,672
Market rent[1)]	EUR p.a.	27,474,301	104,804,141	47,883,442	65,678,240
Proportion of portfolio publicity subsidised, by rentable space[2)]		1.90%	34.58%	72.16%	96.55%
Current rent	EUR/sqm	6.23	5.60	5.22	3.78
Market rent	EUR/sqm	6.90	6.43	6.95	4.75
Market rent increase	p.a.	1.47%	0.98%	–	–
Current vacancy rate residential space[3)]		1.45%	2.56%	3.77%	4.99%
Structural vacancy rate[4)]		0.47%	1.33%	–	–
Maintenance costs	EUR/sqm p.a.	9.73	9.27	16.31	18.27
Re-letting costs[5)]	EUR/sqm	79.56	51.58	–	–
Administrative costs	EUR/unit	205.44	252.85	–	–
Discount rate		4.78%	5.59%	5.13%	5.90%
Capitalisation rate		3.31%	4.59%	–	–
Proportion of individual apartments held for sale, by area		–	–	92.52%	34.32%
Sales price potential[6)]	EUR/sqm	–	–	2,170	1,426

1) In the valuation model, the market rent in Austria represents the cap for the actual rent in regulated contracts when debt annuities are adjusted above the market level (so-called annuity hikes). The market rent is also relevant for the valuation of unregulated rental contracts in Austria.
2) Only residential space; in Austria, only cost-covering rent and re-letting fees; excluding garages and parking spaces
3) The vacancy rate in Vienna is based primarily on apartments in the Unit Sales portfolio, which are offered for sale in vacant condition.
4) The DCF model for the Austrian portfolio does not include a structural vacancy rate. The actual vacancy rate is reduced over 2, 3 or 10 years, depending on the type of vacancy.
5) The DCF model for the Austrian portfolio includes EUR 25/sqm to EUR 500/sqm for the conversion of cost-covering rent to an appropriate rental rate and EUR 35/sqm for the re-letting of space at reasonable rents and free rates.
6) This approach is only used for apartments in the Unit Sales portfolio.

An increase in rents per square meter would lead to an increase in fair value, whereas a reduction would lead to a decrease in fair value.

A decline in the (structural) vacancy rate, discount rate, capitalisation rate, maintenance costs per square meter, re-letting costs per square meter and administrative costs per unit would result in an increase in fair value. Conversely, an increase in these input parameters would lead to a decrease in fair value.

The following table shows the input factors for undeveloped sites and vacant buildings, which were valued using the sales comparison approach.

INPUT PARAMETERS UNDEVELOPED LAND

Input parameters 2017/18		Size of land in sqm	Value of land/sqm in EUR
Germany	Total	200,840	1,062.99
	Min.	81	3.88
	Max.	59,730	3,126.00
Austria	Total	204,122	249.46
	Min.	350	11.81
	Max.	37,916	4,051.00
Total	Total	404,962	656.31
	Min.	81	3.88
	Max.	59,730	4,051.00

Input parameters 2016/17		Size of land in sqm	Value of land/sqm in EUR
Germany	Total	261,546	942.71
	Min.	81	3.88
	Max.	59,730	2,552.57
Austria	Total	198,788	156.11
	Min.	350	11.81
	Max.	37,916	351.91
Total	Total	460,334	635.96
	Min.	81	3.88
	Max.	59,730	2,552.57

Values based on the size and corresponding sqm value of the site.

An increase in the price per square meter would lead to an increase in fair value, whereas a decrease would lead to a decrease in fair value.

6.1.3 Sensitivity analysis of investment property

The BUWOG Group uses the fair value model defined in IAS 40, as is customary in the real estate sector, and recognises and measures it properties at fair value. The properties owned by BUWOG Group are valued by external appraisers. The values determined by these appraisals are heavily dependent on the underlying assumptions, and a change in these assumptions can therefore lead to material fluctuations in value. For example, the earnings and fair value of a property can be directly influenced by changes in the assumed value of the location and quality of the building, the realisable rental income or the proceeds from privatisation potential. It is therefore important to note that the derived fair values are directly related to the underlying assumptions and the selected calculation model. Even minor changes to the economic or property-specific assumptions used for these valuations can have a significant influence on the earnings reported by the BUWOG Group.

The following table reconciles the balance sheet values with the values included in the sensitivity analyses.

BASIS FOR SENSITIVITY ANALYSIS OF INVESTMENT PROPERTY

	30 April 2018			30 April 2017		
in TEUR	Total	Germany	Austria	Total	Germany	Austria
Investment property	**4,452,276.5**	**2,476,655.9**	**1,975,620.6**	**4,203,921.9**	**2,243,940.7**	**1,959,981.2**
Less undeveloped land (pipeline projects)	–245,692.2	–194,765.8	–50,926.4	–277,595.7	–246,562.4	–31,033.3
Plus fair value of non-current assets held for sale	0.0	0.0	0.0	15,661.1	0.0	15,661.1
Other	–53.7	–53.7	0.0	–6,416.1	–2.7	–6,413.4
Basis for sensitivity analysis	**4,206,530.6**	**2,281,836.4**	**1,924,694.2**	**3,935,571.2**	**1,997,375.6**	**1,938,195.6**

A change in the input parameters for the undeveloped land (see note 6.1.2 *Valuation methods and input factors*) would lead to a corresponding change in the carrying value.

The following table shows the per cent change in the value of investment property based on the values included in the sensitivity analysis as a result of changes in the parameters.

SENSITIVITY ANALYSIS: GERMANY

in TEUR

Sensitivity analysis 2017/18 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Discount rate/exit cap rate	2,281,836.4	+25	–6.1%	2,142,822.5
		–25	6.9%	2,440,087.5
Inflation	2,281,836.4	+25	–0.5%	2,270,468.3
		–25	0.4%	2,290,278.8
Market rent	2,281,836.4	+10%	9.5%	2,497,571.9
		–10%	–10.9%	2,033,756.1
Market rent increase	2,281,836.4	+25	7.1%	2,443,040.2
		–25	–6.3%	2,138,886.6

Sensitivity analysis 2016/17 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Discount rate/exit cap rate	1,997,375.6	+25	–5.8%	1,882,370.1
		–25	6.5%	2,127,849.4
Inflation	1,997,375.6	+25	–0.5%	1,987,019.6
		–25	0.4%	2,005,041.7
Market rent	1,997,375.6	+10%	10.1%	2,198,585.4
		–10%	–10.8%	1,780,791.6
Market rent increase	1,997,375.6	+25	6.6%	2,128,962.2
		–25	–5.9%	1,880,319.1

SENSITIVITY ANALYSIS: AUSTRIA

in TEUR

Sensitivity analysis 2017/18 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Discount rate	1,924,694.2	+25	–3.1%	1,865,130.6
		–25	3.3%	1,987,257.0
Sale price potential	1,924,694.2	+10%	5.6%	2,032,050.2
		–10%	–5.6%	1,816,416.2

Sensitivity analysis 2016/17 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Discount rate	1,938,195.6	+25	–3.0%	1,879,368.3
		–25	3.2%	2,000,403.9
Sale price potential	1,938,195.6	+10%	5.6%	2,046,232.6
		–10%	–5.4%	1,833,642.6

Explanations of the parameters used:

Discount rate/exit cap rate: The DCF model for the Austrian portfolio does not include an exit cap rate, only the discount rate is changed. In the DCF model for the German portfolio, equal adjustments are made to the discount rate and the exit cap rate.

Sale price potential: There is no sales strategy for Unit Sales or Block Sales in BUWOG's German portfolio. Therefore, the sale price potential is not simulated.

Inflation: The inflation rate in the Austrian portfolio was not simulated. Most of the rental income generated by BUWOG's Austrian properties reflects subsidised prices (cost-covering rent and re-letting fees). Maintenance costs (maintenance and improvement contribution) represent the major component of the rent and a transitory item for the publicly subsidised properties in this country.

Market rent: Most of the rental income in BUWOG's Austrian portfolio is publicly subsidised (cost-covering rent and re-letting fees), and the rental level for new leases is not freely negotiable. Market rents were therefore not simulated for the Austrian portfolio. In the German portfolio, all rents – residential, commercial and parking – are simulated.

Increase in market rent: Most of the rental income in BUWOG's Austrian portfolio is publicly subsidised (cost-covering rent and re-letting fees). Market rent increases were therefore not simulated for this portfolio. In CBRE's DCF model for the German portfolio, the market rents for residential space are increased not by inflation but by a special market rent factor. This is set annually for all 402 urban areas and districts at between 0% and 2% using socio-demographic, economic and property market indicators, and a standardised adjustment is made for the individual micro-regions and property qualities.

Maintenance costs: Most of the rental income generated by BUWOG's Austrian properties reflects subsidised prices (cost-covering rent and re-letting fees). Maintenance costs (maintenance and improvement contribution) represent the major component of the rent and a transitory item for the publicly subsidised properties in this country. The simulation of maintenance costs in the DCF model for the German portfolio is generally less sensitive. Therefore, maintenance costs were not simulated.

6.1.4 Leasing

The investment properties owned by the BUWOG Group consist primarily of apartments that are rented to third parties. The BUWOG Group also rents a limited amount of space for offices, retail facilities and parking.

Since the property portfolio consists primarily of residential buildings in Germany and Austria, the lease agreements area relatively standardised. Some of the rental leases include purchase options which are based on national residential subsidy laws. Extension and price adjustment clauses are negotiated individually with each lessee.

All leases in which the BUWOG Group serves as the lessor are classified as operating leases, and all rented properties are therefore carried on BUWOG's balance sheet. Additional details on the design of leases in the BUWOG Group is provided in note 5.1.1 *Rental income*.

6.2 INVESTMENT PROPERTY UNDER CONSTRUCTION

The development of the fair value of investment property under construction is shown in the following table:

INVESTMENT PROPERTY UNDER CONSTRUCTION

in TEUR	Germany	Austria	Total
Balance on 1 May 2016	**0.0**	**32,964.8**	**32,964.8**
Additions	9,206.9	21,800.3	31,007.2
Fair value adjustments	3,237.3	2,328.6	5,565.9
Reclassification	9,475.8	–22,713.7	–13,237.9
Balance on 30 April 2017	**21,920.0**	**34,380.0**	**56,300.0**
Balance on 1 May 2017	**21,920.0**	**34,380.0**	**56,300.0**
Additions	26,663.6	21,668.0	48,331.6
Fair value adjustments	8,237.5	11,364.2	19,601.7
Reclassification	30,700.3	–21,572.1	9,128.2
Balance on 30 April 2018	**87,521.4**	**45,840.1**	**133,361.5**

The additions reported under this position represent capitalised construction costs. As of 30 April 2018, investment property under construction with a carrying amount of TEUR 45,840.0 (30 April 2017: TEUR 30,130.0) served as collateral for liabilities.

Investment property under construction is valued according to the residual value method. The first step in this method involves estimating the fair value of the completed project based on a DCF calculation. In a second step, all costs related to the construction or completion of the project as well as the developer's profit are deducted from this fair value. Additional details on the residual value method are provided in note 6.1.2 *Valuation methods and input factors*.

BASIS FOR SENSITIVITY ANALYSIS OF INVESTMENT PROPERTY UNDER CONSTRUCTION

	30 April 2018		
in TEUR	Total	Germany	Austria
Investment property under construction	**133,361.5**	**87,521.4**	**45,840.1**
Other	–5,301.5	–2,061.4	–3,240.1
Basis for sensitivity analysis	**128,060.0**	**85,460.0**	**42,600.0**

SENSITIVITY ANALYSIS: GERMANY

in TEUR

Sensitivity analysis 2017/18 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Market rent	85,460.0	+10%	33.2%	113,800.0
		–10%	–33.0%	57,240.0
Capitalisation rate	85,460.0	+10%	–21.7%	66,900.0
		–10%	24.4%	106,350.0
Construction costs/sqm	85,460.0	+10%	–21.6%	67,040.0
		–10%	21.5%	103,800.0
Developer's profit	85,460.0	+500	–16.9%	71,030.0
		–500	16.9%	99,900.0

SENSITIVITY ANALYSIS: AUSTRIA

in TEUR

Sensitivity analysis 2017/18 – Parameters	Original value	Change in basis points/in %	Change in value	Fair value after change in value
Market rent	42,600.0	+10%	12.9%	48,100.0
		–10%	–12.9%	37,100.0
Capitalisation rate	42,600.0	+10%	–8.7%	38,900.0
		–10%	9.9%	46,800.0
Construction costs/sqm	42,600.0	+10%	–9.9%	38,400.0
		–10%	9.9%	46,800.0
Developer's profit	42,600.0	+500	–6.6%	39,800.0
		–500	6.6%	45,400.0

Explanations of the parameters used:

Market rent: Under the residual value model, the first step involves the determination of the fair value of the completed property. This value is based primarily on the rents realisable on the market.

Capitalisation rate: The discount rate is the interest rate used to capitalise the annual net yield on a specific property.

Construction costs/sqm: Construction costs represent the construction costs per sqm which are required to erect the building. These costs are based on the standard market construction costs applicable as of each valuation date.

Developer's profit: The developer's profit is the expected margin for the developer on a specific project in relation to the planned selling proceeds.

In 2017/18 a stress test was also introduced for the major input parameters applied to property under construction. This reflects the strong expansion of property construction over the previous year and the related increase in the importance for an understanding of the year-on-year development of the Group's asset, financial and earnings position.

6.3 OTHER TANGIBLE ASSETS

The following table shows the development of other tangible assets:

OTHER TANGIBLE ASSETS

in TEUR	Tangible assets under construction	Office buildings used by the BUWOG Group	Furniture, fixtures and office equipment	Total
Cost as of 1 May 2017	**8,649.6**	**12,184.0**	**7,857.6**	**28,691.2**
Additions	3,681.7	0.0	877.1	4,558.8
Disposals	0.0	0.0	–3,845.6	–3,845.6
Reclassification	0.0	3.3	0.0	3.3
Cost as of 30 April 2018	**12,331.3**	**12,187.3**	**4,889.1**	**29,407.7**
Accumulated depreciation as of 1 May 2017	**0.0**	**–7,270.8**	**–6,472.4**	**–13,743.2**
Disposals	0.0	0.0	3,844.7	3,844.7
Reclassification	0.0	0.0	0.0	0.0
Depreciation for the year	0.0	–175.7	–455.2	–630.9
Accumulated depreciation as of 30 April 2018	**0.0**	**–7,446.5**	**–3,082.9**	**–10,529.4**
Carrying amount as of 30 April 2018	**12,331.3**	**4,740.8**	**1,806.2**	**18,878.3**

OTHER TANGIBLE ASSETS – PREVIOUS YEAR

in TEUR	Tangible assets under construction	Office buildings used by the BUWOG Group	Furniture, fixtures and office equipment	Total
Cost as of 1 May 2016	**0.0**	**12,170.5**	**7,349.1**	**19,519.6**
Additions	8,649.6	0.0	653.8	9,303.4
Disposals	0.0	0.0	–154.3	–154.3
Reclassification	0.0	13.5	9.0	22.5
Cost as of 30 April 2017	**8,649.6**	**12,184.0**	**7,857.6**	**28,691.2**
Accumulated depreciation as of 1 May 2016	**0.0**	**–6,732.9**	**–6,093.1**	**–12,826.0**
Disposals	0.0	0.0	126.2	126.2
Reclassification	0.0	0.0	–13.1	–13.1
Depreciation for the year	0.0	–537.9	–492.4	–1,030.3
Accumulated depreciation as of 30 April 2017	**0.0**	**–7,270.8**	**–6,472.4**	**–13,743.2**
Carrying amount as of 30 April 2017	**8,649.6**	**4,913.2**	**1,385.2**	**14,948.0**

Other tangible assets consist chiefly of tangible assets under construction as well as the office buildings, furniture, fixtures and office equipment used by the BUWOG Group. The tangible assets under construction represent the new administrative building in 1010 Vienna, Rathausstrasse 1. Depreciation is reported on the income statement under other not directly attributable expenses (see note 5.5 *Other not directly attributable expenses*). No impairment losses or revaluations were recognised to other tangible assets in 2017/18 and 2016/17. As of 30 April 2018 a property used by the BUWOG Group with a carrying amount of TEUR 15,309.3 (30 April 2017: TEUR 3,119.5) was assigned as collateral for liabilities.

6.4 INTANGIBLE ASSETS

Intangible assets comprise the following:

INTANGIBLE ASSETS

in TEUR	30 April 2018	30 April 2017
Goodwill	5,644.5	5,644.5
Other intangible assets	11,681.7	8,962.7
Total	**17,326.2**	**14,607.2**

6.4.1 Goodwill

Information on the accounting policies applied to goodwill is provided in note 2.2.4 *Business combinations (initial consolidations)* and note 2.4.8 *Impairment*.

The development of goodwill is as follows:

GOODWILL

in TEUR	Goodwill
Balance on 1 May 2016	**5,644.5**
Balance on 30 April 2017	**5,644.5**
Balance on 1 May 2017	**5,644.5**
Balance on 30 April 2018	**5,644.5**

Impairment testing involves determining the recoverable value of the cash-generating unit through the value in use. The calculation of the value in use is based on cash flow forecasts that are approved by the Executive Board and, at the time of the impairment test, reflect the current medium-term planning for a five-year period. Cash flows after this period are extrapolated based on a growth rate. The major assumptions used by management to calculate the value in use of the cash-generating unit are projected revenues, the EBIT margin and discount rates. The calculation includes an appropriate EBIT margin that is based on regional performance.

The impairment test carried out as of 30 April 2018 did not identify any indications of impairment.

6.4.2 Other intangible assets

The development of other intangible assets (excluding goodwill) is shown in the following table:

OTHER INTANGIBLE ASSETS

in TEUR	Other intangible assets
Cost as of 1 May 2017	**18,660.8**
Additions	4,722.7
Disposals	–7.7
Reclassification	1,174.9
Cost as of 30 April 2018	**24,550.7**
Accumulated amortisation as of 1 May 2017	**–9,698.1**
Disposals	0.2
Amortisation for the year	–3,128.3
Impairment losses	–42.8
Accumulated amortisation as of 30 April 2018	**–12,869.0**
Carrying amount as of 30 April 2018	**11,681.7**

OTHER INTANGIBLE ASSETS – PREVIOUS YEAR

in TEUR	Other intangible assets
Cost as of 1 May 2016	**12,161.1**
Additions	6,564.1
Disposals	–64.4
Cost as of 30 April 2017	**18,660.8**
Accumulated amortisation as of 1 May 2016	**–8,359.9**
Disposals	28.4
Amortisation for the year	–1,366.6
Accumulated amortisation as of 30 April 2017	**–9,698.1**
Carrying amount as of 30 April 2017	**8,962.7**

Other intangible assets consist entirely of assets acquired from third parties. Neither impairment losses nor the reversal of impairment losses were recognised to these other intangible assets in 2017/18 and 2016/17.

The additions are related, in particular, to expenses which can be capitalised in connection with the implementation of SAP in the BUWOG Group.

In 2017/18 and 2016/17 none of the other intangible assets was pledged as collateral for liabilities. The BUWOG Group has unlimited ownership rights to all these assets.

6.5 TRADE AND OTHER RECEIVABLES

The following tables show the remaining terms of trade accounts receivables, other financial and non-financial receivables:

TRADE AND OTHER RECEIVABLES

in TEUR	30 April 2018	Thereof remaining term under 1 year	Thereof remaining term over 1 year
Trade accounts receivable			
Rents receivable	5,329.8	5,329.8	0.0
Miscellaneous	4,766.4	4,766.4	0.0
Total trade accounts receivable	**10,096.2**	**10,096.2**	**0.0**
Accounts receivable from joint operations	**327.5**	**327.5**	**0.0**
Other financial receivables			
Restricted funds	68,013.2	68,013.2	0.0
Outstanding purchase price receivables – sale of properties	56,757.4	56,757.4	0.0
Fair value of derivative financial instruments (receivables)	6.0	0.0	6.0
Miscellaneous	7,247.5	5,491.2	1,756.3
Total other financial receivables	**132,024.1**	**130,261.8**	**1,762.3**
Other non-financial receivables			
Tax authorities	9,396.2	9,396.2	0.0
Prepayments made for land purchases	77,482.7	0.0	77,482.7
Accrued property taxes	3,964.2	3,964.2	0.0
Miscellaneous	7,054.7	7,054.7	0.0
Total other non-financial receivables	**97,897.8**	**20,415.1**	**77,482.7**
Total	**240,345.6**	**161,100.6**	**79,245.0**

TRADE AND OTHER RECEIVABLES – PREVIOUS YEAR

in TEUR	30 April 2017	Thereof remaining term under 1 year	Thereof remaining term over 1 year
Trade accounts receivable			
Rents receivable	3,240.0	3,240.0	0.0
Miscellaneous	2,701.3	2,701.3	0.0
Total trade accounts receivable	**5,941.3**	**5,941.3**	**0.0**
Other financial receivables			
Restricted funds	39,435.1	39,435.1	0.0
Outstanding purchase price receivables – sale of properties	59,165.7	58,241.0	924.7
Miscellaneous	4,863.0	4,461.2	401.8
Total other financial receivables	**103,463.8**	**102,137.3**	**1,326.5**
Other non-financial receivables			
Tax authorities	10,886.3	10,886.3	0.0
Prepayments made for land purchases	360.1	0.0	360.1
Accrued property taxes	3,995.9	3,995.9	0.0
Miscellaneous	3,086.4	3,086.4	0.0
Total other non-financial receivables	**18,328.7**	**17,968.6**	**360.1**
Total	**127,733.8**	**126,047.2**	**1,686.6**

The restricted funds included in other financial receivables represent bank deposits with limitations on disposal.

The outstanding purchase price receivables from the sale of properties generally reflect the lengthy time required for the registration of real estate sales in the land register.

IFRS 7.37 requires an analysis of the contractual maturity of financial instruments that are past due but not impaired as of the reporting date as well as an analysis of the individual financial instruments that are considered to be impaired as of the reporting date. This analysis is shown below:

ANALYSIS OF AGE STRUCTURE

in TEUR	Carrying amount 30 April 2018	Thereof not overdue	Thereof overdue but not impaired	Thereof overdue and impaired	Impairment loss/ value allowance
Trade accounts receivable	10,096.2	8,178.1	629.9	6,473.3	–5,185.1
Accounts receivable from joint operations	327.5	327.5	0.0	0.0	0.0
Other financial receivables	132,024.1	132,132.5	0.0	0.0	–108.4
Other non-financial receivables	97,897.8	97,897.8	0.0	0.0	0.0
Total	**240,345.6**	**238,535.9**	**629.9**	**6,473.3**	**–5,293.5**

FINANCIAL INSTRUMENTS PAST DUE BUT NOT IMPAIRED

in TEUR	Carrying amount 30 April 2018	Overdue up to 3 months[1)]	Overdue between 3 and 6 months	Overdue between 6 and 12 months	Overdue more than 12 months
Trade accounts receivable	629.9	629.9	0.0	0.0	0.0
Total	**629.9**	**629.9**	**0.0**	**0.0**	**0.0**

1) The column "overdue up to 3 months" also includes receivables that are due immediately.

ANALYSIS OF AGE STRUCTURE – PREVIOUS YEAR

in TEUR	Carrying amount 30 April 2017	Thereof not overdue	Thereof overdue but not impaired	Thereof overdue and impaired	Impairment loss/ value allowance
Trade accounts receivable	5,941.3	1,179.9	1,452.1	9,106.9	–5,797.6
Other financial receivables	103,463.8	103,587.3	0.0	0.0	–123.5
Other non-financial receivables	18,328.7	18,328.7	0.0	0.0	0.0
Total	**127,733.8**	**123,095.9**	**1,452.1**	**9,106.9**	**–5,921.1**

FINANCIAL INSTRUMENTS PAST DUE BUT NOT IMPAIRED – PREVIOUS YEAR

in TEUR	Carrying amount 30 April 2017	Overdue up to 3 months[1)]	Overdue between 3 and 6 months	Overdue between 6 and 12 months	Overdue more than 12 months
Trade accounts receivable	1,452.1	1,167.0	4.7	280.4	0.0
Total	**1,452.1**	**1,167.0**	**4.7**	**280.4**	**0.0**

1) The column "overdue up to 3 months" also includes receivables that are due immediately.

The risk associated with accounts receivable due from tenants/customers is low because the respective credit standings are monitored on a regular basis. Furthermore, tenants are generally required to provide a deposit of one to five months' rent or an appropriate bank guarantee, or have made financing contributions. A valuation adjustment is recognised for receivables that carry a risk of default. Therefore, all doubtful and non-collectable receivables were adjusted as of the balance sheet date. These valuation adjustments are included in the Results of Asset Management.

With respect to the trade accounts receivable that were neither impaired nor overdue as of the balance sheet date, there are no indications that the debtors will be unable to meet their payment obligations.

Individual valuation adjustments were recognised to the rents receivable included under trade accounts receivable in 2017/18. Therefore, the balance sheet only includes these receivables at the expected collection amount. The valuation adjustments recognised through profit or loss amounted to TEUR 627.6 for the reporting year (2016/17: TEUR 281.5).

The valuation allowances consist solely of individual allowances.

The following table shows the change in valuation allowances recognised through profit or loss, classified by category of receivable:

DEVELOPMENT OF VALUATION ALLOWANCES

in TEUR	2017/18	2016/17
Trade accounts receivable	612.5	281.5
Other financial receivables	15.1	0.0
Total	**627.6**	**281.5**

6.6 OTHER FINANCIAL ASSETS

The components of other financial assets are shown below:

OTHER FINANCIAL ASSETS

in TEUR	30 April 2018	30 April 2017
Securities and interests	8.7	190.3
Originated loans	13,631.8	15,297.5
Total	**13,640.5**	**15,487.8**
Thereof current	1,085.7	1,265.3
Thereof non-current	12,554.8	14,222.5

The originated loans consist primarily of loans to buyers of apartments, whereby 86% (30 April 2017: 86%) of these loans are secured by mortgages. The respective interest rates range from 0% to 6.25% (30 April 2017: 0% to 6%).

6.7 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as of 30 April 2018 and 30 April 2017 result from the following temporary differences between the carrying amount in the IFRS consolidated financial statements and the respective tax base.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	30 April 2018		30 April 2017	
in TEUR	Assets	Liabilities	Assets	Liabilities
Investment property	0.3	391,094.4	242.8	339,027.2
Other financial assets and miscellaneous assets	23,961.2	608.4	29,795.8	481.4
Total	**23,961.5**	**391,702.8**	**30,038.6**	**339,508.6**
Other liabilities and provisions	15,975.1	1,232.8	15,878.9	864.5
Financial liabilities	18,435.0	2,495.3	19,022.8	2,644.9
Total	**34,410.1**	**3,728.1**	**34,901.7**	**3,509.4**
Tax loss carryforwards	13,855.6	0.0	13,395.0	0.0
Deferred tax assets and deferred tax liabilities	**72,227.2**	**395,430.9**	**78,335.3**	**343,018.0**
Offset of deferred tax assets and deferred tax liabilities due to the same taxation authority	–72,227.2	–72,227.2	–78,162.0	–78,162.0
Net deferred tax assets and deferred tax liabilities	**0.0**	**323,203.7**	**173.3**	**264,856.0**

Most of the deferred tax assets and deferred tax liabilities are expected to reverse over the long-term.

Deferred tax assets are recognised for tax loss carryforwards and temporary differences when it is probable that sufficient taxable income will be available to utilise these tax loss carryforwards in the foreseeable future (within five years). Deferred tax assets are also recorded in cases where an equal amount of deferred tax liabilities had been recognised and these obligations relate to the same tax subject and taxation authority, and the deferred tax assets and deferred tax liabilities are assumed to reverse at the same.

The recognition of deferred tax assets by group companies that recorded losses for the reporting period is dependent on future taxable profits which are higher than the earnings effects from the reversal of existing taxable temporary differences. These deferred tax assets amount to TEUR 0.0 (30 April 2017: TEUR 131.9).

The tax effects related to actuarial gains and losses from defined benefit plans for employee severance compensation benefits were included under other comprehensive income at the amount of TEUR 54.3 (30 April 2017: TEUR 52.4).

Deferred tax assets were not recognised for corporate tax loss carryforwards of TEUR 73,197.4 (30 April 2017: TEUR 134,811.9) or for trade tax loss carryforwards of TEUR 57,207.4 (30 April 2017: TEUR 129,202.0). These tax loss carryforwards have an indefinite term. The inability to utilise tax loss carryforwards in Germany due to the takeover by Vonovia SE was taken into account, as far as possible based on the available information, in determining the balance of loss carryforwards (see note 7.4.2 *Tax risks*).

Temporary differences of TEUR 4,961.2 (30 April 2017: TEUR 5,239.9) were not recognised as deferred tax assets or deferred tax liabilities.

The calculation of deferred taxes for Austrian companies is based on a tax rate of 25.00%. The applicable local tax rate is used for foreign companies. The tax rates used to value deferred taxes in the individual countries are as follows:

TAX RATES

	Applicable tax rate 2017/18	Applicable tax rate 2016/17
Germany[1]	15.825% – 31.575%	15.825% – 32.275%
Austria	25.000%	25.000%

1) The tax rate in Germany can vary and is dependent on the company's headquarters and liability under trade tax. The property companies in Germany are not subject to trade tax on rental income due to the extended reduction provided by Section 9 No. 1 sentence 2 ff. of the German Trade Tax Act.

Deferred tax liabilities arising from investments in subsidiaries, joint ventures or associates (outside-basis differences) are not included if the reversal can be controlled by the BUWOG Group and is not probable in the near term. Therefore, deferred taxes were not recognised for temporary differences of TEUR 855,806.7 (30 April 2017: TEUR 755,405.7).

Information on group taxation in Austria
Through a group and tax assessment agreement, BUWOG - Süd GmbH (formerly: ESG Wohnungsgesellschaft mbH Villach) (head of the group) and 17 additional Austrian companies (group members) included in the consolidated financial statements joined together into a corporate group pursuant to Section 9 of the Austrian Corporate Tax Act (*Körperschaftsteuergesetz*). The group was effectively established during the 2013/14 financial year. At the end of the 2017/18 financial year, the tax group consisted of the head company and 18 (30 April 2017: 17) other companies.

A corporate group pursuant to Section 9 of the Austrian Corporate Tax Act was established as of 1 May 2014 between BUWOG AG (head of the group) and five other Austrian companies which are included in the consolidated financial statements (group members). At the end of the 2017/18 financial year, the tax group comprised the head of the group and seven (30 April 2017: 6) other companies.

The group and tax assessment agreement regulates tax settlements between the head company and the members of the tax group. The tax charge/credit for positive and negative results equals 25.00% of the respective group member's taxable profit.

6.8 INCOME TAX RECEIVABLES

Tax refund claims equalled TEUR 14,649.6 as of 30 April 2018 (30 April 2017: TEUR 3,941.8) and relate mainly to refund claims for corporate income tax.

6.9 NON-CURRENT ASSETS AND FINANCIAL LIABILITIES HELD FOR SALE

The classification of investment property as held for sale assumes a high probability of sale within 12 months of the balance sheet date. In other words, the Executive Board or Supervisory Board has approved the sale and the contract has already been signed or is expected to be signed soon after the balance sheet 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. This position included no properties as of 30 April 2018.

Non-current assets classified as held for sale amounted to TEUR 0.0 as of 30 April 2018 (30 April 2017: TEUR 15,661.1). The liabilities classified as held for sale totalled TEUR 0.0 as of 30 April 2018 (30 April 2017: TEUR 147.0).

6.10 REAL ESTATE INVENTORIES

Real estate inventories had a carrying amount of TEUR 377,566.9 as of 30 April 2018 (30 April 2017: TEUR 355,531.4).

VALUATION OF REAL ESTATE INVENTORIES

in TEUR	Germany	Austria	Total
2017/2018			
Write-downs	0.0	–366.8	–366.8
Reversals of write-downs	0.0	0.0	0.0
Expenses for discontinued projects	0.0	0.0	0.0
Total	**0.0**	**–366.8**	**–366.8**
2016/2017			
Write-downs	0.0	–708.0	–708.0
Reversals of write-downs	0.0	48.8	48.8
Expenses for discontinued projects	0.0	–55.7	–55.7
Total	**0.0**	**–714.9**	**–714.9**

In 2017/18, write-downs were recorded to the production cost of real estate inventories with a carrying amount of TEUR 1,100.0 (30 April 2017: TEUR 26,892.9); all of these inventories had been sold by 30 April 2018. There were no reversals of write-downs to real estate inventories in 2017/18 (2016/17: TEUR 48.8). Real estate inventories include a carrying amount of TEUR 201,783.0 (30 April 2017: TEUR 204,988.8) which will presumably be realised after 12 months. As of 30 April 2018 real estate inventories with a carrying amount of TEUR 210,652.5 (30 April 2017: TEUR 189,998.2) were pledged as collateral for liabilities.

6.11 CASH AND CASH EQUIVALENTS

The balance sheet as of 30 April 2018 shows cash and cash equivalents of TEUR 219,260.4 (30 April 2017: TEUR 211,397.2), which include TEUR 14,380.9 (30 April 2017: TEUR 25,085.8) that are designated for construction financing. In addition, other financial receivables include bank deposits whose use is restricted (see note 6.5 *Trade and other receivables*).

6.12 EQUITY

The development of equity in BUWOG AG during the 2017/18 and 2016/17 financial years is shown on the consolidated statement of changes in equity, which represents an integral part of the consolidated financial statements as of 30 April 2018.

The share capital of BUWOG AG totalled EUR 124,149,546.00 as of 30 April 2018 (30 April 2017: EUR 99,773,479.00) and is divided into 124,149,546 (30 April 2017: 99,773,479) zero par value shares. All shares are fully paid. The appropriated capital reserves of BUWOG AG totalled EUR 1,457,776,966.88 as of 30 April 2018 (30 April 2017: EUR 873,923,312.44) and may only be used to cover a balance sheet loss.

The annual general meeting on 7 March 2014 authorised the Executive Board, subject to the approval of the Supervisory Board, to increase the company's share capital by up to EUR 21,582,922.00 through the issue of up to 21,582,922 new shares in exchange for contributions in cash or in kind. This authorisation is valid up to 25 March 2019. It also permits the exclusion of subscription rights when the capital increase is carried out in exchange for cash contributions and the newly issued shares do not exceed 10% of the company's share capital or when the capital increase is carried out in exchange for contributions in kind for servicing a greenshoe option or for the settlement of peak amounts.

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. Share capital equalled EUR 112,245,164 at that time. 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.

Transaction costs of TEUR 9,336.1, which were incurred in connection with the capital increase, were offset against capital reserves after the deduction of tax benefits totalling TEUR 2,334.0. The net amount of the offset equalled TEUR 7,002.1.

Vonovia SE exchanged convertible bonds issued by BUWOG AG with a nominal value of EUR 298,800,000 based on a conversion declaration issued on 16 April 2018. This transaction increased the number of BUWOG shares outstanding by 11,904,382 to 124,149,546 as of 17 April 2018.

The annual general meeting on 17 October 2017 revoked the previous authorisation of the Executive Board to carry out a capital increase (unused volume: EUR 9,111,237.00) and issued a new authorisation to increase share capital by up to EUR 56,122,582.00 (authorised capital). Similarly, the previous authorisation to issue convertible bonds (unused volume: EUR 90,000,000) was revoked and replaced by a new authorisation to issue convertible bonds with a total nominal amount of up to EUR 700,000,000.00 and exchange and/or subscription rights for up to 22,449,032 shares – i.e. for an increase of EUR 22,449,032.00 in share capital (conditional capital). Moreover, the Executive Board was authorised to purchase and sell treasury shares.

All BUWOG AG shareholders have one vote per share at the company's annual general meetings.

For information on capital management, see note 7.3 *Capital management*.

The Executive Board will propose a dividend distribution of EUR 0.69 per share for the 2017/18 financial year to the annual general meeting on 2 October 2018. A dividend of EUR 0.69 per share was paid for the 2016/17 financial year.

In 2015/16 non-controlling interests increased by TEUR 1,534.7 through the acquisition of a 94,8% stake in Indian Ridge Investment S.A.. The purchase of the shares in Indian Ridge Investment S.A. does not represent a business combination, but principally involves a single identifiable asset (land in Berlin, Schöneweide, Treptow-Köpenick district). In 2016/17 BUWOG also acquired the remaining shares in Indian Ridge Investment S.A., which reduced non-controlling interests by TEUR 1,544.3.

6.13 SHARE-BASED REMUNERATION AGREEMENTS

6.13.1 Remuneration with settlement through equity instruments

The annual general meeting of BUWOG AG on 14 October 2014 approved a variable remuneration scheme in the form of stock options for members of the Executive Board. The approval of this remuneration scheme, which is designated as the Long-Term Incentive Programme 2014, allows the Supervisory Board to grant option rights to the members of the Executive Board. The option rights were granted on 16 December 2014 through a written agreement between the Supervisory Board and the member of the Executive Board Daniel Riedl. The key parameters of the Long-Term Incentive Programme 2014 are presented in the following table:

LONG-TERM INCENTIVE PROGRAMME 2014

	Basis options	Bonus options Tranche I	Bonus options Tranche II	Bonus options Tranche III
Number of granted options				
Daniel Riedl	75,000	100,000	130,000	175,000
Exercise conditions – bonus options				
Duration of target achievement	The share price equals or exceeds the target price on at least five trading days in the respective period.			
Period	–	FY 2014/15	FY 2015/16	FY 2016/17
Share price target[1]	–	85% of the EPRA NAV as of 30 April 2014	92.5% of the EPRA NAV as of 30 April 2015	100% of the EPRA NAV as of 30 April 2016
Exercise period	The Executive Board members may only exercise these options between 1 May 2018 and 30 April 2019 and only if their Executive Board position or contract remains intact. Different exercise conditions apply for certain circumstances connected with the termination of the Executive Board position or contract.			
Other conditions	In addition, the bonus options in Tranches II and III can only be exercised when EPRA NAV for the period is higher than EPRA NAV as of 30 April 2014. Another requirement for the exercise of the bonus options is that the share price target was reached during the Executive Board member's term of office.			
Exercise conditions – basis options				
	The basis options are not tied to any further exercise conditions and are therefore considered earned on the granting date (16 December 2014).			
Own investment				
	A further requirement of the option scheme is an own investment in shares of BUWOG AG equal to 50% of the Executive Board member's gross annual salary for the 2014/15 financial year. This own investment can be built up over a period of three years and must be held until the options are exercised.			
Exchange ratio/exercise price				
	Each option entitles the holder to purchase one BUWOG share for an exercise price of EUR 13.00 per share.			

1) The calculation of EPRA NAV is based on the same method used for the IFRS consolidated financial statements of BUWOG AG as of 30 April 2014.

The number of issued stock options developed as follows in 2017/18 and in 2016/17:

DEVELOPMENT OF ISSUED STOCK OPTIONS

	Daniel Riedl	
	Number of stock options	Exercise price in EUR
Balance on 1 May 2016	**480,000**	
Issue	0	0.0
Exercise	0	0.0
Forfeiture	0	0.0
Balance on 30 April 2017	**480,000**	
Balance on 1 May 2017	**480,000**	
Issue	0	0.0
Exercise	0	0.0
Cash settlement	–480,000	0.0
Forfeiture	0	0.0
Balance on 30 April 2018	**0**	

The obligations arising from the share-based remuneration agreements with settlement through equity instruments were paid out in cash at EUR 16.05 per stock option (share price as per takeover offer: EUR 29.05; exercise price EUR 13.00) in connection with the takeover by Vonovia SE.

6.13.2 Remuneration with cash settlement

The members of the Executive Board, Daniel Riedl, Andreas Segal and Herwig Teufelsdorfer, were granted stock options within the context of the Long-Term Incentive Programme 2017 through a circular resolution by the Personnel and Nominating Committee of the Supervisory Board of BUWOG AG on 7/8 March 2017. The stock options will be settled primarily through cash payments and will equal up to 40% of the respective Executive Board member’s total remuneration. The options were formally granted with a written agreement between the Supervisory Board and the three Executive Board members on 10 March 2017.

LONG-TERM INCENTIVE PROGRAMME 2017

	Basis options	Bonus options Tranche I	Bonus options Tranche II	Bonus options Tranche III
Number of granted options				
Daniel Riedl[1)]	0	For all Executive Board members, the allocation of the bonus options depends on the fulfilment of performance targets and on the target attainment. Options will only be allocated when the target attainment equals at least 80%; moreover, the target attainment is limited to 120%.		
Andreas Segal	8,754			
Herwig Teufelsdorfer	15,632			
Exercise conditions – bonus options				
Performance targets	The following performance targets were defined for the option tranches in the 2016/17, 2017/18 and 2018/19 financial years based on the EPRA NAV per BUWOG share at the end of the respective financial year:			
Period		FY 2016/17	FY 2017/18	FY 2018/19
EPRA NAV target per share		EUR 20.52 as of 30 April 2017	EUR 21.57 as of 30 April 2018	EUR 23.07 as of 30 April 2019
Target attainment	A so-called basis amount is calculated for each option tranche based on the difference between (i) the EPRA NAV per BUWOG share in accordance with the target for the financial year and (ii) the EPRA NAV per BUWOG share at the end of the preceding financial year. In addition, a so-called "actual amount" is calculated as the difference between the EPRA NAV per BUWOG share for the financial year of the respective option tranche and the EPRA NAV per BUWOG share at the end of the preceding financial year. The following formula is used to calculate the target attainment (TA) relevant for the granting of options in a specific financial year: TA= (Actual amount/Basis amount) x 100. If TA < 80%, no options will be granted. If 80% <= TA<= 120%, the number of options will be calculated as follows: Number of options ("O") = (S/R) * TA whereby S = (the salary component relevant for the options, i.e. the annual gross base salary plus the annual short-term variable remuneration as defined in the respective member's Executive Board contract as of the first month in the financial year)/60 x 40 R = reference price, i.e. volume-weighted average price of the BUWOG share on the Vienna Stock Exchange during the period from January to March of the respective financial year, but at least EUR 10.00. If TA >= 120%, the TA used to determine the number of options "O" is limited to 120%.			
Exercise period	The exercise of the allocated options is contingent upon a waiting period of three years beginning on the granting date and is followed by an exercise period of three financial years.			
Other conditions	BUWOG can choose between the following alternatives for the settlement of exercised options: a) It can settle the exercised options through cash payment and transfer the appropriate amount to the Executive Board member. b) It can utilise its substitution right and deliver BUWOG shares instead of a cash payment. The amount of the cash settlement equals the volume-weighted average price of the BUWOG share on the Vienna Stock Exchange during the three months before the exercise date multiplied by the number of exercised options.			
Exercise conditions – basis options				
	The allocation of basis options is not subject to any conditions. The options can be exercised during the exercise period which begins in the 2018/19 financial year.			
Own investment				
	A further condition for the exercise of the options is an investment in BUWOG shares equal to 50% of annual gross base salary of the Executive Board member for the 2016/17 financial year. This own investment is to be compiled over two financial years beginning with 2017/18 and must be held until the options are exercised.			

1) Daniel Riedl only receives bonus options for the 2017/18 and 2018/19 financial years.

The obligations towards Executive Board member Daniel Riedl and former Executive Board member Andreas Segal arising from the share-based remuneration agreements with cash settlement were paid out at EUR 29.05 per option in connection with the takeover by Vonovia SE. Daniel Riedl received EUR 1,043,330.75 and Andreas Segal EUR 1,923,047.58 (each excl. ancillary payroll costs). A provision of EUR 1,784,432.42 was recognised for obligations to Executive Board member Herwig Teufelsdorfer.

The total cost of the share-based remuneration agreements in 2017/18 is reported in note 5.6 *Personnel expenses*.

6.14 LIABILITIES FROM CONVERTIBLE BONDS

BUWOG AG issued non-subordinated, unsecured five-year convertible bonds on 6 September 2016 (ISIN: AT0000A1NQH2). 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 were initially convertible into 9,554,140 zero par value bearer shares, which represented approx. 9.58% of the share capital outstanding at that time. The book building process set the initial conversion premium at 35% over the reference price of EUR 23.2592 with a zero coupon. The initial conversion price therefore equalled EUR 31.40. The convertible bonds have a term of five years and will be redeemed at 100% of the nominal value. The bond terms include a cash settlement option for BUWOG AG.

In March 2018 BUWOG AG announced that the conversion price for the EUR 300 million bonds had been adjusted to EUR 25.10 in accordance with the bond terms due to the takeover by Vonovia SE.

Vonovia SE converted 2,988 bond certificates on 16 April 2018. This conversion increased the number of BUWOG AG shares outstanding by 11,904,382 to a total of 124,149,546 zero par value, voting shares as of 17 April 2018.

In accordance with IAS 32.11 in connection with IAS 32.22 and IAS 39.11, the convertible bonds 2016 – 2021 consist of a debt component and embedded derivatives which must be separated. The derivatives embedded in the convertible bonds are reported under other financial liabilities (see note 6.16 *Trade payables and other liabilities*). The effective interest rate on the convertible bond equals 0.94%.

CONVERTIBLE BONDS

in TEUR	
Carrying amount on 1 May 2016	**0.0**
Issue amount of convertible bonds 2016 – 2021	300,000.0
Transaction costs	-3,037.5
Separation of the embedded derivatives	-10,691.2
Net amount	**286,271.3**
Interest growth using the effective interest rate method	1,716.2
Carrying amount on 30 April 2017	**287,987.5**
Interest growth using the effective interest rate method	2,605.3
Increase in converted convertible bonds to nominal value	9,370.0
Conversion into shares of BUWOG AG	-298,800.0
Carrying amount on 30 April 2018	**1,162.8**

6.15 FINANCIAL LIABILITIES

The following table shows the composition and classification of financial liabilities by remaining term as the balance sheet date:

FINANCIAL LIABILITIES

in TEUR	30 April 2018	Thereof remaining term under 1 year	Thereof remaining term between 1 and 5 years	Thereof remaining term over 5 years
Amounts due to financial institutions	1,475,669.8	749,133.8	257,515.2	469,020.8
Amounts due to local authorities	412,613.9	19,391.4	106,115.2	287,107.3
Total	**1,888,283.7**	**768,525.2**	**363,630.4**	**756,128.1**

FINANCIAL LIABILITIES – PREVIOUS YEAR

in TEUR	30 April 2017	Thereof remaining term under 1 year	Thereof remaining term between 1 and 5 years	Thereof remaining term over 5 years
Amounts due to financial institutions	1,523,493.3	86,291.7	268,237.2	1,168,964.4
Amounts due to local authorities	439,884.8	32,440.8	103,303.8	304,140.2
Other financial liabilities	94.1	94.1	0.0	0.0
Total	**1,963,472.2**	**118,826.6**	**371,541.0**	**1,473,104.6**

As of 30 April 2018, collateral was provided in the form of land register entries for amounts due to financial institutions with a carrying amount of TEUR 1,384,605.8 (30 April 2017: TEUR 1,442,150.7) and amounts due to local authorities with a carrying amount of TEUR 392,875.8 (30 April 2017: TEUR 418,771.0).

The BUWOG Group did not violate any bank financing covenants in 2016/17, and all financial covenants were generally met in 2017/18. The late submission of annual financial statements (information covenants) would have entitled banks with a financing volume of EUR 658.8 million to exercise their contractual call right as of 30 April 2018. Therefore, the involved financing was reclassified from non-current to current financial liabilities. The call right was, in fact, not exercised, and the overdue information has since been submitted.

Of the total amount due to financial institutions and local authorities, EUR 42.1 million are due during the first quarter of the abbreviated financial year 2018 (due in the first quarter of 2017/18: EUR 54.0 million).

The major conditions of the financial liabilities as of 30 April 2018 and 30 April 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	1.71%	384,674.5	
	EUR	floating	1.02%	1,110,871.2	
Total amounts due to financial institutions				**1,495,545.7**	**1,475,669.8**
Amounts due to local authorities	**EUR**	**fixed**	**1.73%**	**408,018.9**	**412,613.9**
Total					**1,888,283.7**

CONDITIONS OF FINANCIAL LIABILITIES – PREVIOUS YEAR

	Currency	Interest rate fixed/floating	Average interest rate	Nominal value of remaining liability in TEUR	Balance in TEUR
	EUR	fixed	1.94%	348,589.2	
	EUR	floating	1.04%	1,200,549.1	
Total amounts due to financial institutions				**1,549,138.3**	**1,523,493.3**
Amounts due to local authorities	**EUR**	**fixed**	**1.60%**	**443,857.1**	**439,884.8**
Other					**94.1**
Total					**1,963,472.2**

The fair value of the financial liabilities shown in the above table totals TEUR 1,914,883.3 (30 April 2017: TEUR 1,989,287.4). The present value calculation was based on the following discount rates, which reflect market interest rates as of 30 April 2018 and 30 April 2017.

DISCOUNT RATES

in %	30 April 2018
Up to 31 October 2019	0.172%
Up to 31 October 2020	0.207%
Up to 31 October 2022	0.652%
Up to 31 October 2024	1.139%
Up to 31 October 2026	1.676%
Up to 31 October 2029	2.070%
Up to 31 October 2035	2.408%
As of 1 November 2035	2.556%

DISCOUNT RATES – PREVIOUS YEAR

in %	30 April 2017
Up to 31 October 2018	0.210%
Up to 31 October 2019	0.310%
Up to 31 October 2021	0.710%
Up to 31 October 2023	1.160%
Up to 31 October 2025	1.710%
Up to 31 October 2028	2.170%
Up to 31 October 2034	2.550%
As of 1 November 2034	2.720%

6.16 TRADE PAYABLES AND OTHER LIABILITIES

The following table shows the composition and classification of trade payables and other financial and non-financial liabilities by remaining term as the balance sheet date:

TRADE PAYABLES AND OTHER LIABILITIES

in TEUR	30 April 2018	Thereof remaining term under 1 year	Thereof remaining term over 1 year
Trade payables	**20,411.0**	**20,182.7**	**228.3**
Trade payables from joint operations	**131.8**	**131.8**	**0.0**
Other financial liabilities			
Fair value of derivative financial instruments (liabilities):	44,259.3	396.1	43,863.2
Interest rate swaps	44,061.5	198.3	43,863.2
Embedded derivatives in the convertible bonds	197.8	197.8	0.0
Property management	15,957.0	15,957.0	0.0
Deposits and guarantees received	30,535.5	30,535.5	0.0
Maintenance and improvement amounts received	40,015.4	4,003.4	36,012.0
Outstanding purchase prices (share deals)	5,381.2	5,381.2	0.0
Liabilities from financial contributions	106,228.0	99,483.5	6,744.5
Miscellaneous	126,825.0	97,132.6	29,692.4
Total other financial liabilities	**369,201.4**	**252,889.3**	**116,312.1**
Other non-financial liabilities			
Tax and other public authorities	8,978.5	8,978.5	0.0
Prepayments received on apartment sales	25,756.9	25,756.9	0.0
Prepayments received for rents and operating costs	58.8	58.8	0.0
Miscellaneous	159.2	159.2	0.0
Total other non-financial liabilities	**34,953.4**	**34,953.4**	**0.0**
Total	**424,697.6**	**308,157.2**	**116,540.4**

TRADE PAYABLES AND OTHER LIABILITIES – PREVIOUS YEAR

in TEUR	30 April 2017	Thereof remaining term under 1 year	Thereof remaining term over 1 year
Trade payables	**27,116.2**	**27,020.1**	**96.1**
Other financial liabilities			
Fair value of derivative financial instruments (liabilities):	76,826.9	19,222.7	57,604.2
Interest rate swaps	57,604.2	0.0	57,604.2
Embedded derivatives in the convertible bonds	19,222.7	19,222.7	0.0
Property management	14,476.7	14,476.7	0.0
Deposits and guarantees received	29,630.8	29,630.8	0.0
Maintenance and improvement amounts received	39,581.2	3,718.7	35,862.5
Outstanding purchase prices (share deals)	3,390.7	3,390.7	0.0
Outstanding purchase prices (acquisition of properties)	34,280.2	34,280.2	0.0
Liabilities from financial contributions	104,445.9	104,445.9	0.0
Miscellaneous	85,511.8	58,523.9	26,987.9
Total other financial liabilities	**388,144.2**	**267,689.6**	**120,454.6**
Other non-financial liabilities			
Tax and other public authorities	10,648.0	10,648.0	0.0
Prepayments received on apartment sales	37,919.5	37,919.5	0.0
Prepayments received for rents and operating costs	62.6	62.6	0.0
Miscellaneous	77.2	77.2	0.0
Total other non-financial liabilities	**48,707.3**	**48,707.3**	**0.0**
Total	**463,967.7**	**343,417.0**	**120,550.7**

The change in the carrying amounts of the embedded derivatives in the convertible bonds is attributable, above all, to the partial derecognition of bond certificates following conversion (see note 6.14 *Liabilities from convertible bonds*).

Maintenance and improvement amounts received from the tenants are recognised to profit or loss when the related work is performed.

In Austria, financial contributions are collected from the tenants in subsidised apartments; these contributions, less a usage-related deduction, are returned at the end of the lease. The refunded amount is then collected from the new tenants when the apartments are re-let. The leases for these apartments are generally open-ended, but can be cancelled by the tenant at any time. The liabilities arising from the financial contributions are therefore recognised at their nominal value and reported as current liabilities.

Miscellaneous other financial liabilities consist primarily of accrued liabilities (in particular accruals for services and maintenance) as well as liabilities arising from existing cancellation rights held by non-controlling interests.

6.17 CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

The following table shows the changes in liabilities from financing activities:

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

in TEUR	Non-current financial liabilities	Current financial liabilities	Liabilities from convertible bonds	Total liabilities from financing activities
Carrying amount on 30 April 2017	**1,844,645.6**	**118,826.6**	**287,987.5**	**2,251,459.7**
Changes through cash flows	**–38,237.9**	**–51,071.3**	**0.0**	**–89,309.2**
Cash inflows	55,937.8	25,687.0	0.0	81,624.8
Cash outflows	–94,175.7	–76,758.3	0.0	–170,934.0
Non-cash changes	**–686,649.2**	**700,769.9**	**–286,824.7**	**–272,704.0**
Reclassification[1]	–701,080.3	701,080.3	0.0	0.0
Changes in fair value	12,346.7	–722.6	0.0	11,624.1
Increase in converted convertible bonds to nominal value	0.0	0.0	9,370.0	9,370.0
Conversion into shares of BUWOG AG	0.0	0.0	–298,800.0	–298,800.0
Other changes	2,084.4	412.2	2,605.3	5,101.9
Carrying amount on 30 April 2018	**1,119,758.5**	**768,525.2**	**1,162.8**	**1,889,446.5**

1) Of this total, EUR 648.8 million represent a reclassification due to the violation of information covenants (see note 6.15 *Financial liabilities*).

There were no cash inflows from derivative financial instruments in 2017/18, only the cash outflows shown on the cash flow statement.

6.18 PROVISIONS

6.18.1 Classification of balance sheet amounts

The amounts reported under provisions on the balance sheet comprise the following:

BALANCE SHEET AMOUNTS

in TEUR	30 April 2018	30 April 2017
Employee benefits	6,421.6	6,543.3
Provisions for pensions	3,962.5	4,215.4
Provisions for severance payments	2,406.7	2,277.4
Provisions for long-service bonuses	52.4	50.5
Other provisions	8,762.0	8,077.0
Total	**15,183.6**	**14,620.3**
Thereof current	8,762.0	8,077.0
Thereof non-current	6,421.6	6,543.3

6.18.2 Obligations to employees

In the BUWOG Group, defined benefit pension and severance compensation plans represent the major obligations to employees.

Three companies in Germany have made pension commitments as part of individual employment contracts. These defined benefit obligations are reflected in the creation of provisions. The present value of the defined benefit obligation (DBO) is calculated on the basis of expected future trends in salaries and pensions because the entitlement earned up to retirement is dependent on these factors. If the benefit claims are covered by assets, the fair value of the plan assets is offset against the DBO. The following actuarial assumptions form the basis for the major parameters:

PROVISIONS FOR PENSIONS – PARAMETERS

	30 April 2018	30 April 2017
Discount rate	1.70%	1.64%
Salary increases	2.75%	2.00%
Pension increases	1.75%	1.75%
Remaining life expectancy according to mortality tables	Klaus Heubeck 2005-G	Klaus Heubeck 2005-G

The net obligations from the defined benefit pension plans developed as follows:

PROVISIONS FOR PENSIONS

	2017/2018			2016/2017		
in TEUR	Present value of the obligations (DBO)	Fair value of the plan assets	Net obligation	Present value of the obligations (DBO)	Fair value of the plan assets	Net obligation
Balance on 1 May	**4,531.1**	**-315.7**	**4,215.4**	**4,500.8**	**-295.6**	**4,205.2**
Current service cost	17.6	0.0	17.6	16.1	0.0	16.1
Interest cost/-income	72.0	-5.2	66.8	82.8	-5.7	77.1
Total expenses for pensions	**89.6**	**-5.2**	**84.4**	**98.9**	**-5.7**	**93.2**
Remeasurements	-43.1	-3.6	-46.7	208.7	-4.4	204.3
Contributions of the employer	0.0	-10.6	-10.6	0.0	-11.9	-11.9
Payments	-284.5	4.5	-280.0	-277.3	1.9	-275.4
Total other	**-327.6**	**-9.7**	**-337.3**	**-68.6**	**-14.4**	**-83.0**
Balance on 30 April	**4,293.1**	**-330.6**	**3,962.5**	**4,531.1**	**-315.7**	**4,215.4**
Thereof current			0.0			0.0
Thereof non-current			3,962.5			4,215.4

The pension expenses shown in the above table are reported on the income statement under personnel expenses. The actuarial opinions were prepared by Mercer Deutschland GmbH. The plan assets are held by UFBA Unterstützungskasse für betriebliche Altersversorgung e.V., which makes the pension payments.

Severance compensation provisions are also recognised for employees in Austria. In accordance with Austrian labour laws, staff members whose employment relationship started before 1 January 2003 are entitled to receive severance compensation on termination or retirement. The amount of this payment is dependent on the length of service and remuneration at the end of employment. The provisions for these termination benefits expose the BUWOG Group to risks that can influence the amount of these provisions in the future. However, these risks are not considered to be material because of the scope of the provisions for termination benefits. The provisions for severance compensation are not covered by plan assets; the related obligations will be financed from future cash flows. The calculation of the severance compensation provisions is based on assumptions and estimates made as of the balance sheet date. The following actuarial assumptions form the basis for the major parameters:

PROVISIONS FOR SEVERANCE COMPENSATION – PARAMETERS

	30 April 2018	30 April 2017
Discount rate	0.75%	0.50%
Salary increases	2.25%	2.00%
Turnover (salaried employees)	2.62%	7.90%
Turnover (wage employees)	2.62%	15.70%
Remaining life expectancy according to mortality tables	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

The present value of the obligations arising from the defined benefit severance compensation plans developed as follows:

PROVISIONS FOR SEVERANCE COMPENSATION

	2017/2018	2016/2017
in TEUR	Present value of the obligations (DBO)	Present value of the obligations (DBO)
Balance on 1 May	**2,277.4**	**2,121.8**
Current service cost	73.7	75.9
Interest cost	11.3	18.9
Total expenses for severance payments	**85.0**	**94.8**
Remeasurement of the obligation	244.7	133.1
Payments	–200.4	–72.3
Total other	**44.3**	**60.8**
Balance on 30 April	**2,406.7**	**2,277.4**
Thereof current	0.0	0.0
Thereof non-current	2,406.7	2,277.4

The severance compensation expenses shown in the above table are reported on the income statement under personnel expenses. The actuarial opinions were prepared by AKTUAR Versicherungsmathematik GmbH.

The remeasurement recorded under other comprehensive income in accordance with IAS 19R comprise the following:

REMEASUREMENTS

in TEUR	2017/18	2016/17
Pensions		
Remeasurements of the obligation		
from changes to demographic assumptions	0	0
from changes to financial assumptions	–25.3	124.7
Experience adjustments	–17.8	84.0
Remeasurements of the plan assets		
Return on plan assets excluding interest income	–3.6	–4.4
Total remeasurements pensions	**–46.7**	**204.3**
Severance payments		
Remeasurements of the obligation		
from changes to demographic assumptions	379.1	0.0
from changes to financial assumptions	–3.6	53.4
Experience adjustments	–130.8	79.7
Total remeasurements severance payments	**244.7**	**133.1**
Total remeasurements	**198.0**	**337.4**

For information on the tax effects related to the remeasurement of the pension and severance compensation provisions, see note 6.7 *Deferred tax assets and deferred tax liabilities.*

The amount of the provisions for pensions and severance compensation is significantly influenced by the selection of the actuarial parameters. The following section presents sensitivity analyses that show the effects resulting from changes in a single parameter, whereby all other parameters are held constant.

However, a complete lack of correlation between these parameters is unlikely. The projected unit credit method as defined in IAS 19 is used to calculate both the original obligation and the changed obligation. A change of +/–0.5% points in the indicated parameter changes the obligation as follows:

SENSITIVITY ANALYSIS

in TEUR	Change in parameter	Present value of obligation (DBO) 30 April 2018 Increase in parameter	Present value of obligation (DBO) 30 April 2018 Decrease in parameter	Present value of obligation (DBO) 30 April 2017 Increase in parameter	Present value of obligation (DBO) 30 April 2017 Decrease in parameter
Pensions					
Discount rate	+/– 0.5%	4,054.4	4,558.0	4,275.6	4,814.8
Salary increase	+/– 0.5%	4,296.5	4,289.7	4,534.6	4,527.6
Pension increase	+/– 0.5%	4,525.3	4,078.9	4,779.4	4,302.2
Severance payments					
Discount rate	+/– 0.5%	2,306.7	2,514.1	2,211.1	2,347.7
Salary increase	+/– 0.5%	2,505.9	2,313.3	2,340.6	2,217.1

The average remaining term of the defined benefit pension and severance compensation obligations as of the respective balance sheet dates is as follows:

AVERAGE REMAINING TERM

in Years	30 April 2018	30 April 2017
Pensions		
Germany	11.7	11.9
Severance payments		
Austria	8.7	6.0

The following table shows the due dates of the expected benefit payments:

PAYMENT ANALYSIS

in TEUR	30 April 2018 Pensions	30 April 2018 Severance payments	30 April 2017 Pensions	30 April 2017 Severance payments
Year 1	281.2	197.4	281.7	238.4
Year 2 through 5	1,051.2	711.9	1,093.9	1,080.1
Starting in year 6	1,111.2[1)]	1,894.7	1,170.8[1)]	1,281.1

1) Data for years 6 to 10.

6.18.3 Other provisions

The other provisions developed as follows:

OTHER PROVISIONS

in TEUR	Other provisions
Balance on 1 May 2016	**6,811.1**
Additions	3,910.0
Release	–1,223.1
Use	–1,421.0
Reclassification	0.0
Balance on 30 April 2017	**8,077.0**
Balance on 1 May 2017	**8,077.0**
Additions	2,160.0
Release	–407.9
Use	–1,067.1
Reclassification	0.0
Balance on 30 April 2018	**8,762.0**

Other provisions consist chiefly of provisions for legal disputes and miscellaneous provisions. All of these other provisions are classified as current, which indicates that they are expected to result in cash outflows during the next financial year.

6.19 TAX LIABILITIES

Tax liabilities totalled TEUR 12,444.8 as of 30 April 2018 (30. April 2017: TEUR 28,843.3) and relate primarily to corporate income tax obligations.

7. OTHER INFORMATION

7.1 INFORMATION ON FINANCIAL INSTRUMENTS

Financial instruments is a collective term used to represent financial assets and financial liabilities. A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. One or more companies may serve as the contract partner. This definition covers securities, receivables, liabilities, equity instruments and derivatives, regardless of whether the obligation is conditional or unconditional.

7.1.1 Classes and categories of financial instruments

IFRS 7.6 requires the breakdown of financial instruments by classes as well as the reconciliation of these classes with the line items shown on the balance sheet. Since the reporting company is entitled to define these classes, they generally differ from the categories defined by IAS 39 for the measurement of financial instruments.

Accordingly, similar financial instruments are grouped together in a single class. The classes are also defined to facilitate reconciliation with the line items shown on the balance sheet. These factors led to the definition of the following classes in these consolidated financial statements: trade accounts receivable, other receivables, securities and other investments, originated loans and cash and cash equivalents (asset classes) as well as liabilities from convertible bonds, liabilities with financial institutions, other financial liabilities, trade payables, derivative financial liabilities, miscellaneous other liabilities and financial liabilities held for sale (liability classes).

In addition to the assignment of financial instruments to classes, IFRS 7 requires disclosure of the carrying amount of the financial assets and financial liabilities in accordance with the categories defined by IAS 39. The following table shows the carrying amount and fair value of each class of financial assets and liabilities as well as each IAS 39 category and reconciles these amounts to the appropriate balance sheet line items. Since the balance sheet positions “trade and other receivables” and “trade payables and other liabilities” can contain both financial instruments and non-financial assets/liabilities (e.g. tax receivables), the column “Non-FI” allows for a full reconciliation with the balance sheet line items.

CLASSIFICATION OF FINANCIAL INSTRUMENTS BY IAS 39 CATEGORIES

in TEUR

		FA@FV/P&L					
	AFS	Fair value option	HFT	L&R	Non-FI		
ASSETS	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 2018	Fair value on 30 April 2018
Trade and other receivables	**0.0**	**0.0**	**6.0**	**142,441.8**	**97,897.8**	**240,345.6**	**240,345.6**
Trade accounts receivable	0.0	0.0	0.0	10,096.2	0.0	10,096.2	10,096.2
Accounts receivable from joint operations	0.0	0.0	0.0	327.5	0.0	327.5	327.5
Derivatives	0.0	0.0	6.0	0.0	0.0	6.0	6.0
Other receivables	0.0	0.0	0.0	132,018.1	97,897.8	229,915.9	229,915.9
Other financial assets	**8.7**	**7,204.4**	**0.0**	**6,427.4**	**0.0**	**13,640.5**	**16,353.3**
Securities and other investments	8.7	0.0	0.0	0.0	0.0	8.7	8.7
Originated loans	0.0	7,204.4	0.0	6,427.4	0.0	13,631.8	16,344.6
Cash and cash equivalents	**0.0**	**0.0**	**0.0**	**219,260.4**	**0.0**	**219,260.4**	**219,260.4**
TOTAL ASSETS	**8.7**	**7,204.4**	**6.0**	**368,129.6**	**97,897.8**	**473,246.5**	**475,959.3**

	FL@FV/P&L					
	Fair value option	HFT	FLAC	Non-FI		
LIABILITIES	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 2018	Fair value on 30 April 2018
Liabilities from convertible bonds	**0.0**	**0.0**	**1,162.8**	**0.0**	**1,162.8**	**1,188.1**
Financial liabilities	**453,818.4**	**0.0**	**1,434,465.3**	**0.0**	**1,888,283.7**	**1,914,883.3**
Amounts due to financial institutions	73,849.6	0.0	1,401,820.2	0.0	1,475,669.8	1,499,291.0
Other financial liabilities	379,968.8	0.0	32,645.1	0.0	412,613.9	415,592.3
Trade payables and other liabilities	**0.0**	**44,259.3**	**345,484.9**	**34,953.4**	**424,697.6**	**424,697.6**
Trade payables	0.0	0.0	20,411.0	0.0	20,411.0	20,411.0
Trade payables from joint operations	0.0	0.0	131.8	0.0	131.8	131.8
Derivatives	0.0	44,259.3	0.0	0.0	44,259.3	44,259.3
Miscellaneous other liabilities	0.0	0.0	324,942.1	34,953.4	359,895.5	359,895.5
Financial liabilities held for sale	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL LIABILITIES	**453,818.4**	**44,259.3**	**1,781,113.0**	**34,953.4**	**2,314,144.1**	**2,340,769.0**

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		
ASSETS	Fair value not 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
Trade and other receivables	**0.0**	**0.0**	**109,405.1**	**18,328.7**	**127,733.8**	**127,733.8**
Trade accounts receivable	0.0	0.0	5,941.3	0.0	5,941.3	5,941.3
Other receivables	0.0	0.0	103,463.8	18,328.7	121,792.5	121,792.5
Other financial assets	**190.3**	**8,113.3**	**7,184.2**	**0.0**	**15,487.8**	**18,678.4**
Securities and other investments	190.3	0.0	0.0	0.0	190.3	190.3
Originated loans	0.0	8,113.3	7,184.2	0.0	15,297.5	18,488.1
Cash and cash equivalents	**0.0**	**0.0**	**211,397.2**	**0.0**	**211,397.2**	**211,397.2**
TOTAL ASSETS	**190.3**	**8,113.3**	**327,986.5**	**18,328.7**	**354,618.8**	**357,809.4**

	FL@FV/P&L					
	Fair value option	HFT	FLAC	Non-FI		
LIABILITIES	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
Liabilities from convertible bonds	**0.0**	**0.0**	**287,987.5**	**0.0**	**287,987.5**	**290,281.3**
Financial liabilities	**492,947.9**	**0.0**	**1,470,524.3**	**0.0**	**1,963,472.2**	**1,989,287.4**
Amounts due to financial institutions	84,696.9	0.0	1,438,796.4	0.0	1,523,493.3	1,546,684.4
Other financial liabilities	408,251.0	0.0	31,727.9	0.0	439,978.9	442,603.0
Trade payables and other liabilities	**0.0**	**76,826.9**	**338,433.5**	**48,707.3**	**463,967.7**	**463,967.7**
Trade payables	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	76,826.9	76,826.9
Miscellaneous other liabilities	0.0	0.0	311,317.3	48,707.3	360,024.6	360,024.6
Financial liabilities held for sale	**0.0**	**0.0**	**147.0**	**0.0**	**147.0**	**147.0**
TOTAL LIABILITIES	**492,947.9**	**76,826.9**	**2,097,092.3**	**48,707.3**	**2,715,574.4**	**2,743,683.4**

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 shown in the above tables are determined by applying recognised financial valuation methods (see note 7.1.3 *Hierarchy of fair values of financial instruments*).

Trade accounts receivable are generally considered to be current or are recorded net of any necessary valuation allowances and, for this reason, fair value reflects the carrying amount. The same applies to cash and cash equivalents.

The fair value of other receivables also approximates the carrying value, since any necessary impairment losses have already been deducted.

The carrying amount of the originated loans included in other financial assets corresponds, with the exception of accepted liabilities, to the amortised cost. The fair value of the accepted liabilities represents the present value.

The liabilities from convertible bonds are carried at amortised cost. The fair value of the convertible bonds as of 30 April 2018 represents the present value of the future repayments.

The amounts due to financial institutions generally reflect amortised cost. Liabilities of TEUR 0.0 (30 April 2017: TEUR 20,374.4) due to financial institutions were deducted from cash and cash equivalents based on a settlement agreement. Liabilities to banks with annuity subsidies are measured at fair value through profit or loss (see note 2.4.17 *Financial liabilities, trade payables and other liabilities*).

Other financial liabilities consist primarily of amounts due to local authorities. These items are measured at fair value through profit or loss (see note 2.4.4 *Government grants*) or, in the case of market-based interest rates, at amortised cost.

The fair value of miscellaneous other liabilities and trade payables basically corresponds to the carrying amount. The carrying amount of the liabilities held for sale generally reflects the fair value.

The fair values of all assets and liabilities not carried at fair value on the balance sheet represent level 3 on the fair value hierarchy. Information on the valuation methods and input factors is provided in note 7.1.3 *Hierarchy of fair values of financial instruments*.

The recognition and measurement principles are described in note 2. *Accounting policies*.

7.1.2 Net gains and losses

IFRS 7.20 (a) requires the disclosure of net gains and losses for each category of financial instrument defined in IAS 39.9. This information is provided in the following table:

NET GAINS AND LOSSES

2017/18

in TEUR		Measurement at fair value	Impairment loss/value allowance	Revaluation	Income from disposals/ repurchase	Other gains/ losses	Net gain/ loss
AFS	**Fair value not recognised in profit or loss**	**0.0**	**0.0**	**0.0**	**151.4**	**0.0**	**151.4**
	Thereof recognised to the income statement	0.0	0.0	0.0	151.4	0.0	151.4
	Thereof recognised directly in equity	0.0	0.0	0.0	0.0	0.0	0.0
FA@FV/P&L	**Fair value through profit or loss**	**389.7**	**0.0**	**0.0**	**–82.3**	**0.0**	**307.4**
	Thereof fair value option	277.5	0.0	0.0	–82.3	0.0	195.2
	Thereof HFT	112.2	0.0	0.0	0.0	0.0	112.2
L&R	**Amortised cost**	**0.0**	**627.6**	**260.4**	**–3,927.4**	**514.1**	**–2,525.3**
FL@FV/P&L	**Fair value through profit or loss**	**–27,648.8**	**0.0**	**0.0**	**–683.1**	**0.0**	**–28,331.9**
	Thereof fair value option	–11,624.2	0.0	0.0	–683.1	0.0	–12,307.3
	Thereof HFT	–16,024.6	0.0	0.0	0.0	0.0	–16,024.6
FLAC	**Amortised cost**	**0.0**	**0.0**	**0.0**	**177.4**	**–1,730.2**	**–1,552.8**

NET GAINS AND LOSSES – PREVIOUS YEAR

2016/17

in TEUR		Measurement at fair value	Impairment loss/value allowance	Revaluation	Income from disposals/ repurchase	Other gains/ losses	Net gain/ loss
AFS	**Fair value not recognised in profit or loss**	**0.0**	**0.0**	**0.0**	**–2.5**	**0.0**	**–2.5**
	Thereof recognised to the income statement	0.0	0.0	0.0	–2.5	0.0	–2.5
	Thereof recognised directly in equity	0.0	0.0	0.0	0.0	0.0	0.0
FA@FV/P&L	**Fair value through profit or loss**	**199.1**	**0.0**	**0.0**	**–87.9**	**0.0**	**111.2**
	Thereof fair value option	199.1	0.0	0.0	–87.9	0.0	111.2
	Thereof HFT	0.0	0.0	0.0	0.0	0.0	0.0
L&R	**Amortised cost**	**0.0**	**–72.8**	**112.6**	**–2,810.7**	**552.1**	**–2,218.8**
FL@FV/P&L	**Fair value through profit or loss**	**–9,351.4**	**0.0**	**0.0**	**–824.1**	**0.0**	**–10,175.5**
	Thereof fair value option	–11,127.7	0.0	0.0	–824.1	0.0	–11,951.8
	Thereof HFT	1,776.3	0.0	0.0	0.0	0.0	1,776.3
FLAC	**Amortised cost**	**0.0**	**0.0**	**0.0**	**244.0**	**–209.6**	**34.4**

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

7.1.3 Hierarchy of fair values of financial instruments

The following section includes an analysis of the financial instruments carried at fair value.

HIERARCHY OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

in TEUR

30 April 2018	Level 1	Level 2	Level 3	Total
Financial assets available for sale				
Securities and other investments	0.0	0.0	8.7	8.7
Financial assets at fair value through profit or loss				
Fair value option				
Originated loans	0.0	7,204.4	0.0	7,204.4
Financial liabilities at fair value through profit or loss				
Fair value option				
Amounts due to financial institutions	0.0	73,849.6	0.0	73,849.6
Other financial liabilities	0.0	379,968.8	0.0	379,968.8
Held for trading				
Derivatives	0.0	44,253.3	0.0	44,253.3

HIERARCHY OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE – PREVIOUS YEAR

in TEUR

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

The following table provides a reconciliation of the financial instruments measured in accordance with level 3 from the beginning to the ending amounts as of 30 April 2018:

RECONCILIATION OF FINANCIAL INSTRUMENTS

in TEUR	Securities and other investments
Balance on 1 May 2016	**2.1**
Additions/Disposals	188.2
Balance on 30 April 2017	**190.3**
Balance on 1 May 2017	**190.3**
Additions/Disposals	–181.6
Balance on 30 April 2018	**8.7**

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

VALUATION METHODS AND INPUT FACTORS

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 30 April 2018. 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 determine the CDS spreads are observable on the market, the financial liabilities carried at fair value represent 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. Information on the applied discount rates is provided in note 6.15 *Financial liabilities*.

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 valued on the basis of available market quotations for the convertible bonds. The fair value of the derivatives represents the difference between the quoted price for the convertible bond and the calculated fair value of the underlying item (i.e. the bond). The fair value of the underlying item equals the present value of the repayments. The fair value of the derivatives calculated on this basis is also verified with an option 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.

7.1.4 Collateral

The individual companies normally provide collateral for loans related to financing, and every company or property is responsible for the related debt service. As security for the loan, the lending bank receives a package of collateral that can be used to satisfy the receivable in the event the loan is called. This package can include the following types of collateral:

- Mortgage on the land or the land and building
- Pledge of shares in the respective company
- Pledge of receivables from rental agreements
- Pledge of receivables from the sale of apartments
- Pledge of bank accounts

The conditions, type and scope of collateral is defined on an individual basis (for each company and property) and is dependent on the financing volume and the amount and term of the loan. Additional information on collateral is provided in note 7.2.3. *Capital market and financing risk*.

The BUWOG GmbH shares were pledged to the Republic of Austria in connection with the repayment of federal loans granted during the course of the acquisition in 2004; the use of the pledge is not expected.

The BUWOG Group had issued guarantees of EUR 23.7 million as of 30 April 2018 (30 April 2017: EUR 38.1 million) as security for prepayments by apartment buyers, for guarantee obligations and for the acquisition of property.

7.2 FINANCIAL RISK MANAGEMENT

7.2.1 General information

IFRS 7.31 requires the disclosure of information that enables the users of financial statements to evaluate the nature and extent of risks arising from financial instruments to which the company is exposed as of the balance sheet date.

As a real estate owner and developer, the BUWOG Group is exposed to a variety of risks which, at the same time, can also represent opportunities. A strong and effective risk management process ensures the timely identification of developments that could endanger the realisation of strategic and operating goals and also allows for the inclusion of important information in decision-making processes. Risk management therefore not only covers risk control, but also the systematic handling of the related opportunities.

Risk management takes place at all levels in the BUWOG Group and is the responsibility of the Executive Board. The BUWOG Group has also further optimised the ICS to support the early identification and monitoring of risk (see the management report for a description of the ICS). Internal auditors evaluate the functioning and efficiency of the ICS.

The Group-wide risk management system is designed to support rational decisions in dealing with risks and opportunities. The BUWOG Group views risk as an event which will negatively influence the attainment of goals. Risk management is also responsible for the identification of opportunities. The BUWOG Group views an opportunity as an event which will positively influence the attainment of goals – i.e. it can lead to the preservation or creation of value. The assessment of risks and opportunities includes the probability of occurrence and the potential damage. “Risk management” and “risk” are only used in the following sections to improve readability. Both form an integral part of management activities in the BUWOG Group.

Risk management in the BUWOG Group represents a systematic, value-oriented and profit-oriented approach for the analysis and handling of risks and opportunities. Risk management in the BUWOG Group is based on the COSO framework. This reference model is classified in five components: governance and culture, strategy and objective-setting, performance, review and revision, and information, communication and reporting. The related activities take place in both a pre-defined process and an ad-hoc process.

The most significant risk factors are financial risks and market/property-specific risks. Further details on market- and property-specific risks can be found in the management report. The major financial risk factors result from changes in the interest landscape and in the credit standing and solvency of customers and business partners.

7.2.2 Default/credit risk

In accordance with IFRS 7.36, a company must disclose the following information for each class of financial instruments: the maximum exposure to credit risk as of the balance sheet date, excluding any credit enhancements; a description of the collateral received and any credit enhancements; and information on the carrying amount of the financial assets whose contract terms were amended and which would have been classified as past due or impaired under the previous contract terms. In accordance with IFRS 7.B9, the impairments losses recognised in accordance with IAS 39 must be deducted from the gross carrying amount of the financial assets. The remaining amount represents the maximum credit risk. Collateral and other credit enhancements are not included in this calculation, but only disclosed separately (IFRS 7.36[b]). Default/credit risks arise from the possibility that the counterparty to a transaction could fail to meet the related obligations and the BUWOG Group incurs financial damages as a result. This risk is minimised by the regular monitoring of overdue balances, the settlement of purchase price payments through trustees and, in some cases, through the provision of (mortgage) collateral in favour of the company. Default risks are reflected in appropriate valuation adjustments.

The risk of default on rents receivable is low because tenants are generally required to provide security deposits (for residential properties: cash deposits). The default risk associated with receivables due from banks is also considered to be low because all financing transactions are concluded with financial institutions that have good credit ratings. Despite the high quality of its financing partners, the BUWOG Group intends to increase its monitoring of their credit standing in the future. This approach reflects the significant volumes of funds invested with banks due to the Group's business model as well as the regulatory changes planned for the banking sector in the EU.

7.2.3 Capital market and financing risk

The ability to obtain refinancing on the capital markets is an important strategic factor for the BUWOG Group. Significant fluctuations on these markets can limit the availability of equity and/or debt. In order to minimise the refinancing risk, the BUWOG Group works to maintain a balance between equity and debt and distributes bank financing over various terms, thus ensuring a balanced maturity profile.

In order to receive or continue the use of funds, the BUWOG Group must meet certain obligations (covenants) defined by lending agreements. The BUWOG Group continuously monitors compliance with these covenants and remains in close contact with the lending institutions. If these obligations are not met, the lender may cancel the loan agreement under certain circumstances. The BUWOG Group is currently not aware of and does not expect a breach of any major covenants that could negatively influence its business activities.

As of 30 April 2018, the BUWOG Group had unused working capital credit lines of TEUR 0.0 (30 April 2017: TEUR 25,000.0). Additional unused credit lines of TEUR 225,441.5 (30 April 2017: TEUR 185,662.6) from construction financing are also available and are released in accordance with the progress of construction.

In order to eliminate the risks arising from non-compliance with capital market regulations, the BUWOG Group issued a compliance policy following its public listing in 2013/14. This policy is designed to ensure the fulfilment of all capital market obligations and, above all, prevent the misuse or distribution of insider information.

Measures implemented for this purpose included the establishment of a compliance organisation and the definition of authorisations and responsibilities for the compliance officer. Permanent and, where necessary, temporary areas of confidentiality were established and blackout periods and/or trading bans were specified and notified to people working in these areas.

7.2.4 Liquidity risk

Liquidity risks are minimised by the preparation of a medium-term (five-year) plan, an annual budget with monthly segmentation and monthly revolving liquidity reports that include variance analyses. Day-to-day cash management combined with regular extensive reporting to the BUWOG Group's management ensures that operating obligations are met, funds are optimally invested and the necessary flexibility is maintained for short-term acquisition opportunities.

The BUWOG Group also uses long-term financing which takes the financial capability of the properties (interest coverage ratio and/or debt service coverage ratio) and their fair values (loan-to-value ratio) into account (see note 7.3 *Capital management*). To avoid cost overruns and the resulting excess outflow of liquidity, the BUWOG Group routinely monitors budgets and the progress of construction on all development projects and maintenance work.

With regard to the term structure of liabilities, see note 6.15 *Financial liabilities* and 6.16 *Trade payables and other liabilities*.

The imminent outflow of funds from legal risks is continuously monitored by the legal department in consultation with the operating units and the Corporate Finance & Investor Relations Department.

The following table shows a term analysis of non-derivative and derivative financial liabilities based on contractually defined nominal (not discounted) cash outflows.

An economic approach was selected for the cash outflows. This presentation does not include the bank financing which could have been called, but was not called to date (see note 6.15 *Financial liabilities*).

CASH OUTFLOWS

in TEUR	Carrying amount on 30 April 2018	Outflows of funds under 1 year	Outflows of funds between 1 and 5 years	Outflows of funds over 5 years
Convertible bonds 2016–2021	**1,162.8**	**0.0**	**200.0**	**0.0**
Amounts due to financial institutions	1,475,669.8	119,559.7	365,817.4	1,239,325.9
Amounts due to local authorities	412,613.9	20,199.3	111,327.9	394,241.7
Miscellaneous	345,484.9	270,605.1	48,792.1	23,885.1
Total non-derivative financial liabilities	**2,233,768.6**	**410,364.1**	**525,937.4**	**1,657,452.7**
Derivative financial instruments (liabilities)	44,253.3	14,148.0	26,616.8	7,208.5
Total derivative financial liabilities	**44,253.3**	**14,148.0**	**26,616.8**	**7,208.5**
Financial liabilities held for sale	**0.0**	**0.0**	**0.0**	**0.0**
Total	**2,279,184.7**	**424,512.1**	**552,754.2**	**1,664,661.2**

CASH OUTFLOWS – PREVIOUS YEAR

	Carrying amount on 30 April 2017	Outflows of funds under 1 year	Outflows of funds between 1 and 5 years	Outflows of funds over 5 years
Convertible bonds 2016-2021	**287,987.5**	**0.0**	**300,000.0**	**0.0**
Amounts due to financial institutions	1,523,493.3	127,363.1	356,587.2	1,334,670.4
Amounts due to local authorities	439,884.8	33,329.5	109,361.4	433,541.4
Miscellaneous	338,527.6	275,581.1	23,723.9	39,222.6
Total non-derivative financial liabilities	**2,301,905.7**	**436,273.7**	**489,672.5**	**1,807,434.4**
Derivative financial instruments (liabilities)	76,826.9	15,361.0	38,015.5	11,286.8
Total derivative financial liabilities	**76,826.9**	**15,361.0**	**38,015.5**	**11,286.8**
Financial liabilities held for sale	**147.0**	**147.0**	**0.0**	**0.0**
Total	**2,666,867.1**	**451,781.7**	**827,688.0**	**1,818,721.2**

Other financial liabilities include financing contributions of TEUR 106,228.0 (30 April 2017: TEUR 104,445.9). These contributions are refunded to the tenant at the end of the lease and collected from the next tenant when the apartment is re-let.

The generation of liquidity from the operating business represents a central element of the BUWOG Group's strategy. Processes to evaluate opportunities for optimisation or a further reduction in operating costs are continuously developed and improved. Internal procurement guidelines for the operating businesses, above all in the area of property services, and construction and facility management, form an important part of these cost reduction and optimisation measures.

7.2.5 Interest rate and market price risk

The BUWOG Group is exposed to the **risk of interest rate changes** in German-speaking regions. Interest rates increases can have a negative impact on Group earnings by raising the cost of existing floating rate loans. A change in interest rates has a direct influence on the BUWOG Group's financial results through its impact on floating rate loans. The BUWOG Group uses fixed interest rate financing contracts and derivative financial instruments (swaps) to limit the risk associated with rising interest rates – which would lead to higher interest expenses and adversely impact financial results. Based on the floating rate financing that is not hedged with derivative financial instruments, an increase/decrease of one percentage point in the interest rate as of the balance sheet date would have led to an increase/decrease of EUR 2.5 million/EUR -1.2 million (2016/17: EUR 3.0 million/EUR –1.3 million) in interest expense. The derivative financial instruments are recognised at fair value as standalone (rather than hedging) transactions, and any changes in the fair value therefore have a direct impact on financial results. Fair value hedge accounting and cash flow hedge accounting as described in IAS 39.71ff are not applied since the requirements are not met. In addition, the cost-covering rent stipulated for the predominant, but decreasing, part of the residential portfolio reduces interest rate risk because these interest changes can be offset through the rent defined by the Austrian Non-Profit Housing Act.

Derivative financial instruments are recognised and measured at fair value. Derivative financial instruments with a negative fair value are recorded in the consolidated balance sheet under other financial liabilities (see note 6.16 *Trade payables and other liabilities*). Changes in the fair values of derivatives, which are used exclusively for financing purposes, are recognised through profit or loss and included in financial results.

The classification of financial liabilities by type of interest rate is shown in the following table:

FIXED/FLOATING INTEREST RATE

in TEUR	30 April 2018	30 April 2017
Fixed interest financial liabilities	798,030.4	788,171.6
Variable interest financial liabilities	1,090,253.3	1,175,300.6
Total interest-bearing financial liabilities	**1,888,283.7**	**1,963,472.2**

The following table shows the market values and conditions of all derivative financial instruments that were purchased and still held at the balance sheet date to hedge interest rate risk:

DERIVATIVES/INTEREST RATE SWAPS

	Variable element	Fair value as of 30 April 2018 in EUR	Reference value as of 30 April 2018 in EUR	Fixed interest rate in %	Maturity
Interest rate of 0.5%-3%					
Interest rate swap (Helaba)	3-M-Euribor	5,968	7,471,530	0.63	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	–5,351	4,386,671	0.69	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	–3,063,016	183,600,829	0.72	30 April 2024
Interest rate swap (Helaba)	3-M-Euribor	–3,046,209	180,515,970	0.72	30 April 2024
Interest rate swap (UniCredit Bank Austria)	3-M-Euribor	–2,033,124	100,905,000	0.84	28 February 2025
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–2,093,287	127,912,500	0.99	2 January 2025
Interest rate swap (UniCredit Bank)	3-M-Euribor	–492,650	15,863,600	1.03	30 April 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	–1,212,070	29,088,400	1.17	31 January 2023
Interest rate swap (Deka Bank)	3-M-Euribor	–164,350	3,545,000	1.39	31 December 2021
Interest rate swap (Deka Bank)	3-M-Euribor	–910,333	19,633,000	1.39	31 December 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	–1,139,249	12,629,900	2.13	29 September 2023
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–2,417,240	19,000,000	2.50	31 December 2036
Interest rate swap (UniCredit Bank Austria)	6-M-Euribor	–3,400,321	25,143,141	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–2,526,980	20,952,618	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–3,115,917	25,143,141	2.54	30 November 2036
Interest rate swap (BAWAG)	6-M-Euribor	–1,267,069	9,750,000	2.85	31 December 2030
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–2,824,137	14,108,000	2.99	30 September 2039
Number of derivatives: 17		**–29,705,335**	**799,649,300**		
Interest rate of 3%-4.5%					
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–1,350,506	7,363,000	3.01	30 September 2039
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–3,371,867	22,102,000	3.09	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–6,083,559	42,119,000	3.11	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–3,345,980	23,166,000	3.11	30 September 2031
Number of derivatives: 4		**–14,151,912**	**94,750,000**		
Interest rate above 4.5%					
Interest rate swap (Commerzbank)	3-M-Euribor	–198,267	24,220,000	4.58	29 June 2018
Number of derivatives: 1		**–198,267**	**24,220,000**		
Total derivatives: 22		**–44,055,514**	**918,619,300**	**1.41**	

DERIVATIVES/INTEREST RATE SWAPS – PREVIOUS YEAR

	Variable element	Fair value as of 30 April 2017 in EUR	Reference value as of 30 April 2017 in EUR	Fixed interest rate in %	Maturity
Interest rate of 0.5%-3%					
Interest rate swap (Helaba)	3-M-Euribor	–106,227	4,062,439	0.63	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	–83,867	858,262	0.69	30 April 2024
Interest rate swap (Berlin Hyp)	3-M-Euribor	–5,045,242	187,129,238	0.72	30 April 2024
Interest rate swap (Helaba)	3-M-Euribor	–5,011,174	183,925,061	0.72	30 April 2024
Interest rate swap (UniCredit Bank Austria)	3-M-Euribor	–3,281,214	102,165,000	0.84	28 February 2025
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–2,684,838	129,937,500	0.99	2 January 2025
Interest rate swap (UniCredit Bank)	3-M-Euribor	–661,892	16,237,200	1.03	30 April 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	–1,625,628	29,771,400	1.17	31 January 2023
Interest rate swap (Deka Bank)	3-M-Euribor	–218,304	3,632,500	1.39	31 December 2021
Interest rate swap (Deka Bank)	3-M-Euribor	–1,209,139	20,117,000	1.39	31 December 2021
Interest rate swap (UniCredit Bank)	3-M-Euribor	–1,443,278	12,953,150	2.13	29 September 2023
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–2,910,003	20,000,000	2.50	31 December 2036
Interest rate swap (UniCredit Bank Austria)	6-M-Euribor	–4,021,956	26,072,576	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–2,896,718	21,727,146	2.51	28 November 2036
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–3,566,574	26,072,576	2.54	30 November 2036
Interest rate swap (BAWAG)	6-M-Euribor	–1,547,626	10,500,000	2.85	31 December 2030
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–3,256,155	14,513,000	2.99	30 September 2039
Number of derivatives: 17		**–39,569,835**	**809,674,048**		
Interest rate of 3%-4.5%					
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–1,574,132	7,574,000	3.01	30 September 2039
Interest rate swap (Hypo Steiermark)	6-M-Euribor	–4,046,518	23,291,000	3.09	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–7,096,358	44,384,000	3.11	30 September 2031
Interest rate swap (RLB NÖ-Wien)	6-M-Euribor	–3,903,013	24,411,000	3.11	30 September 2031
Number of derivatives: 4		**–16,620,021**	**99,660,000**		
Interest rate above 4.5%					
Interest rate swap (Commerzbank)	3-M-Euribor	–1,414,380	24,640,000	4.58	29 June 2018
Number of derivatives: 1		**–1,414,380**	**24,640,000**		
Total derivatives: 22		**–57,604,236**	**933,974,048**	**1.42**	

The reference value forms the basis value for derivatives outstanding as of the balance sheet date. The fair value represents the amount the respective company would receive or be required to pay if the transaction were settled as of the balance sheet date.

A change in the market interest rate influences the valuation of interest rate derivatives and financial liabilities that are associated with property subsidies and recognised at fair value. Net present value methods based on the DCF model, which are also used to value interest rate derivatives and financial liabilities, determine fair value by discounting future cash flows with current discount curves. These discount curves consist of a reference interest rate curve and a BUWOG-specific interest premium (credit spread) (see note 7.1.3 *Hierarchy of fair values of financial instruments*). Increasing (decreasing) interest rates result in a higher (lower) discount factor and a reduction (increase) in the negative fair value of the derivatives or financial liabilities. Sensitivity analyses are used to illustrate the risk associated with interest rate fluctuations. They show the effects of changes in the market interest rates on fair values, interest payments, interest income and interest expenses.

The following sensitivity analysis shows the impact of a change in the interest level on the market values of interest derivatives (interest swaps). A change of 10, 25 or 50 basis points in the interest rate is assumed.

INTEREST RATE RISK FOR DERIVATIVES/INTEREST RATE SWAPS

in TEUR

Sensitivity analysis 2017/18	Negative fair value 30 April 2018	Interest rate scenarios +/– 10 BP	+/–25 BP	+/– 50 BP
Change in negative fair value on increase in interest rate	–44,055.5	+2,495.5	+10,941.3	+25,249.3
Change in negative fair value on decrease in interest rate	–44,055.5	–8,536.6	–16,681.9	–30,191.0

Sensitivity analysis 2016/17	Negative fair value 30 April 2017	+/– 10 BP	+/– 25 BP	+/– 50 BP
Change in negative fair value on increase in interest rate	–57,604.2	+2,798.5	+12,463.5	+28,795.1
Change in negative fair value on decrease in interest rate	–57,604.2	–9,862.1	–19,250.5	–34,873.5

The following table shows the sensitivity of the fair value of the derivatives embedded in the convertible bonds to changes in the interest level. A change of 10, 25 or 50 basis points in the interest rate is assumed.

INTEREST RATE RISK FOR DERIVATIVES EMBEDDED IN THE CONVERTIBLE BONDS

An analysis of the interest rate risk for the embedded derivatives remaining after the partial conversion is not provided because the related amount is immaterial (30 April 2018: TEUR 197.8).

in TEUR

Sensitivity analysis 2016/17	Negative fair value 30 April 2017	Interest rate scenarios +/– 10 BP	+/– 25 BP	+/– 50 BP
Change in negative fair value on increase in interest rate	–19,222.7	–138.8	–492.2	–868.5
Change in negative fair value on decrease in interest rate	–19,222.7	+129.8	+379.2	+947.6

An additional sensitivity analysis shows the effect of a change in the interest rate on the fair values of the financial liabilities carried at fair value through profit or loss. A change of 50 or 100 basis points in the interest rate is assumed.

INTEREST RATE RISK FOR FINANCIAL LIABILITIES

in TEUR

Sensitivity analysis 2017/18	Fair value 30 April 2018	Interest rate scenarios +/– 50 BP	+/– 100 BP
Change in fair value on change in interest rate	–453,818.4	+/–21,626.8	+/–41,800.7

Sensitivity analysis 2016/17	Fair value 30 April 2017	+/– 50 BP	+/– 100 BP
Change in fair value on change in interest rate	–492,947.9	+/–23,317.3	+/–45,026.4

Details on the conditions of financial liabilities are provided in note 6.15 *Financial liabilities.*

In addition to financial liabilities, securities and other receivables – above all financing receivables (loans granted to third parties) – can be sensitive to interest rate changes. The existing financing receivables generally carry fixed interest rates and are therefore exposed to no risk or only limited risk.

The fair value of the derivatives embedded in the convertible bonds is also subject to a **market price risk.** An increase/decrease of 10 percentage points in the share price as of 30 April 2017 would have increased/decreased the negative fair value of the derivatives embedded in the convertible bonds by EUR 7.6 million/EUR -5.8 million.

An analysis of the share price risk for the embedded derivatives remaining after the partial conversion is not provided because the related amount is immaterial (30 April 2018: TEUR 197.8).

7.3 CAPITAL MANAGEMENT

The goal of BUWOG's Executive Board is to protect the Group's liquidity over the short-, medium- and long-term. Hedging instruments such as swaps are used to manage liquidity, above all when interest rates are low. The financial targets also include a maximum loan-to-value ratio (LTV) of 45%.

DEBT-EQUITY-RATIO

in TEUR	30 April 2018	30 April 2017
Debt	2,664,976.2	3,023,894.0
Equity	2,822,329.3	1,995,809.5
Debt equity ratio	**94.4%**	**151.5%**

The following table shows the calculation of the loan-to-value ratio:

LOAN-TO-VALUE

in TEUR	30 April 2018	30 April 2017
Liabilities from convertible bonds	1,162.8	287,987.5
Long-term financial liabilities	1,119,758.5	1,844,645.6
Short-term financial liabilities	768,525.2	118,826.6
Liabilities held for sale	0.0	147.0
Less cash and cash equivalents	–219,260.4	–211,397.2
Total net financial liabilities	**1,670,186.1**	**2,040,209.5**
Investment property	4,452,276.5	4,203,921.9
Investment property under construction	133,361.5	56,300.0
Non-current assets held for sale	0.0	15,661.1
Real estate inventories	377,566.9	355,531.4
Total investment properties	**4,963,204.9**	**4,631,414.4**
LTV	**33.7%**	**44.1%**

The BUWOG Group is not subject to any minimum capital requirements defined by external sources. There were no changes in the Group's capital management approach during the reporting year.

7.4 LEGAL, TAX, POLITICAL AND REGULATORY RISKS

7.4.1 Legal risks

As a real estate investor and developer, the BUWOG Group is exposed to a variety of legal risks. These risks include, among others, risks related to the acquisition or sale of properties and legal disputes with tenants or other contract partners.

Rental and housing laws as well as construction, civil, tax and environmental laws are particularly important for the BUWOG Group's business activities. The BUWOG Group therefore monitors changes in laws and supreme court decisions very closely to allow for timely reaction to binding changes in legal framework conditions.

The results of pending civil and administrative proceedings and/or out-of-court settlement discussions with tenants, contractors and development partners cannot be predicted with certainty. There is a risk that decisions by the courts or public authorities or settlement agreements could lead to expenses that could have an unplanned effect on the earnings of the BUWOG Group. The BUWOG Group minimises the risks for buildings and undeveloped land under its ownership through building insurance, resp. property liability insurance.

7.4.2 Tax risks

Tax audits for previous years are still in progress or have not yet started for a number of BUWOG Group companies. These audits may result in additional tax payments.

The limits on the deductibility of interest expense for the determination of income taxes could also lead to additional tax payments for the German Group companies in the future.

Changes in shareholder and/or organisational structures could result in a property transfer tax liability or the inability to utilise loss carryforwards. The recognition of deferred taxes on loss carryforwards could be limited or eliminated by fundamental changes in tax regulations, which would lead to expenses at an amount equal to the impairment losses on the related deferred tax assets.

Vonovia SE acquired over 50% of the share capital of BUWOG AG with the settlement on 26 March 2018 and, consequently, now also holds an indirect investment in the German companies of the BUWOG Group. This represents a detrimental acquisition in the sense of Section 8c of the German Corporate Income Tax Act and will most likely result in the inability to utilise corporate tax loss carryfowards of approx. EUR 60 million and trade tax loss carryforwards of approx. EUR 78 million.

Risks that could lead to an outflow of resources are accounted for in accordance with IAS 37 Provisions or IAS 12 Income Taxes. In order to minimise tax risks, the BUWOG Group relies on its tax departments in Germany and Austria and on the services of well-known external consultants.

7.4.3 Political and regulatory risks

The BUWOG Group is exposed to general risks arising from changes in its operating environment as the result of laws or other regulations (among others, rental, construction, environmental and tax laws). Since the business activities of the BUWOG Group are limited to Austria and Germany and these types of changes generally do not take place over the short-term or without notice, there is normally sufficient time for appropriate reaction.

7.5 FINANCIAL OBLIGATIONS

7.5.1 Contingent liabilities and guarantees

Contingent liabilities represent possible or existing obligations arising from past events, in cases where it is not probable that an outflow of resources will be required to settle the obligation. In accordance with IFRS 3, contingent liabilities are only recorded on the balance sheet if they are assumed in connection with the acquisition of a company and their fair value on the acquisition date can be measured with sufficient reliability. Contingent liabilities and guarantees are subsequently measured through profit or loss at the higher of the expected value determined in accordance with IAS 37 (see note 2.4.18 *Provisions*) and the initially recognised amount less accumulated amortisation in accordance with IAS 18. For practical reasons the information concerning the uncertainty of the amount and the maturity breakdown according to IAS 37.86(b) was omitted (also see note 7.1.4 *Collateral*).

7.5.2 Outstanding construction costs

The following table shows the outstanding construction costs by segment for all real estate projects where the start of construction has already been scheduled. The expert opinions for these projects were prepared using the residual value method. The outstanding construction costs were taken from the expert opinions and therefore reflect the appraiser's estimate of the expected costs required to complete the respective project. The appraisals for the real estate projects without a scheduled starting date were based only on the land and reflect the use of the comparative method. No outstanding construction costs were included for these projects.

OUTSTANDING CONSTRUCTION COSTS

	2017/18		2016/17	
in TEUR	Real estate inventories	Investment property under construction	Real estate inventories	Investment property under construction
Germany	81,692.0	74,291.0	144,943.1	11,859.0
Austria	106,873.6	23,240.9	79,891.2	17,041.3
Total	**188,565.6**	**97,531.9**	**224,834.3**	**28,900.3**

The following table shows the current obligations arising from outstanding construction costs for investment property under construction and real estate inventories for 2017/18 and 2016/17:

OUTSTANDING CONSTRUCTION COSTS – DETAILS

Outstanding construction costs 2017/18	Number of properties	Carrying amount in TEUR	Carrying amount in %	Outstanding construction costs in TEUR	Planned rentable/ sellable space in sqm	Expected fair value after completion in TEUR
Germany	10	152,430.1	50.7%	155,983.0	78,168	390,798.6
Austria	13	148,103.6	49.3%	130,114.5	89,090	329,991.1
Total	**23**	**300,533.7**	**100.0%**	**286,097.5**	**167,258**	**720,789.7**

Outstanding construction costs 2016/17	Number of properties	Carrying amount in TEUR	Carrying amount in %	Outstanding construction costs in TEUR	Planned rentable/ sellable space in sqm	Expected fair value after completion in TEUR
Germany	8	83,417.6	49.1%	156,802.1	54,459	210,447.4
Austria	9	86,626.5	50.9%	96,932.5	68,161	226,010.2
Total	**17**	**170,044.1**	**100.0%**	**253,734.6**	**122,620**	**436,457.6**

7.5.3 Other financial obligations

The future minimum lease payments arising from operating rental and leasing agreements are as follows:

FUTURE MINIMUM PAYMENTS[1]

in TEUR	30 April 2018	30 April 2017
Less than 1 year	5,659.7	5,829.6
Less than 5 years	24,237.9	26,618.2
Over 5 years	80,730.6	83,353.8

1) A remaining term of five years is applied to unlimited tenancy relationships.

Expenses of TEUR 5,299.2 (2016/17: TEUR 3,897.1) were recognised to the income statement during the reporting year. Most of the rental and lease agreements are related to administrative buildings, construction rights and motor vehicle leasing.

Contractual obligations for the acquisition of investment properties totalled TEUR 26,970.0 as of 30 April 2018. As of 30 April 2017 obligations for the acquisition of investment properties amounted to TEUR 4,722.0.

In addition, the BUWOG Group had obligations of TEUR 8,077.9 (30 April 2017: TEUR 8,320.1) for maintenance in the investment properties.

7.6 SUBSEQUENT EVENTS

7.6.1 Capital increase from convertible bonds

A total of 32,030 new BUWOG shares were issued as of 29 May 2018 (following a further conversion of the convertible bond 2016-2021). This increased the number of BUWOG shares outstanding by 32,030 to a total of 124,181,576 as of 29 May 2018 and also represents a similar increase of EUR 32,030.00 in share capital to EUR 124,181,576.00.

7.6.2 Takeover by Vonovia SE – request for exclusion of minority shareholders pursuant to Section 1 para. 1 of the Austrian Squeeze-out Act (Gesellschafterausschlussgesetz)

Vonovia SE (“Vonovia”) communicated a written request to BUWOG AG on 20 June 2018 pursuant to Section 1 para. 1 of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG AG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement.

Vonovia held a total of 112,672,652 BUWOG shares as a result of the successful takeover offer and the additional shares delivered during the extension period. This represents an investment of 90.7% in the share capital of BUWOG and makes Vonovia the principal shareholder of BUWOG AG in the sense of Section 1 para. 1 of the Austrian Squeeze-out Act.

On 12 August 2018 BUWOG AG announced that its Executive Board, together with Vonovia SE as its principal shareholder, had established a price of EUR 29.05 per share as the appropriate cash settlement to be paid to the remaining minority shareholders in connection with the initiated squeeze-out and approved the joint report required by Section 3 (1) of the Austrian Squeeze-out Act. The correctness of the joint report and the appropriateness of the cash settlement must still be reviewed by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the court-appointed auditor.

7.6.3 Changes on the Executive Board

The company and Executive Board member Herwig Teufelsdorfer concluded a termination agreement which provides for the cancellation of the current employment contract by mutual consent when the squeeze out is recorded in the company register. The cancellation is to take effect on the last day of the fourth month following the recording, but on 31 March 2019 at the latest.

7.6.4 Early redemption of the convertible bonds

On 11 July 2018 BUWOG AG announced its intention to prematurely call the zero coupon bonds with conversion rights into zero par value common bearer shares of BUWOG AG (ISIN: AT0000A1NQH2, due in 2021) in accordance with Section 5 (d) of the issue terms. The bonds will be redeemed at their nominal value. The call will take effect on 10 August 2018, which also represents the voluntary redemption date.

The conversion period as defined in Section 8 (a)(iv) of the issue terms closed at the end of the day on 6 August 2018. One outstanding convertible bond certificate was converted into 3,203 new BUWOG shares by that date. Share capital therefore equalled EUR 124,184,779.00 as of 8 August 2018. The holder of one convertible bond certificate did not exercise his conversion right by the end of the day on 6 August 2018. This convertible bonds was therefore redeemed at the nominal value on 10 August 2018 (voluntary redemption date).

7.6.5 Conversion of the financial year

The extraordinary general meeting of BUWOG AG on 4 May 2018 approved the conversion of the financial year to the calendar year beginning with 1 January 2019.

7.6.6 Purchase of land for property development

In order to further strengthen the development pipeline, the BUWOG Group acquired full or partial ownership of five land sites, respectively real estate companies in Vienna. Three of the properties were purchased through share deals and two in the form of an asset deal. Two of the sites will be developed together with a cooperation partner.

7.7 RELATIONS WITH RELATED PARTIES

Related parties as defined in IAS 24 are understood to mean all companies included in the consolidated financial statements. In addition to persons who have a significant influence over the BUWOG Group, related parties also include the members of the Executive Board and Supervisory Board of BUWOG AG and their close family members.

All transactions carried out with related parties during the reporting year reflected arm’s length conditions.

7.7.1 Transactions with related parties

Vitus Eckert, Chairman of the Supervisory Board, is a shareholder in Eckert Fries Prokopp Rechtsanwälte GmbH, a law firm located in Baden bei Wien. This law firm charged fees of EUR 4,141.20 (2016/17: EUR 9,663.95) for legal advising provided to the BUWOG Group companies in 2017/18. The terms of these fees, above all the hourly rates, reflect standard market conditions.

The BUWOG Group provides management services for Serone International Ltd. The chairman of the Supervisory Board, Vitus Eckert, serves on a corporate body of Serone International Ltd. The terms for these services 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.

7.7.2 Information on corporate bodies and remuneration

Executive Board
- Daniel Riedl – CEO
- Andreas Segal – Deputy CEO, CFO (up to 26 March 2018)
- Herwig Teufelsdorfer – COO

Supervisory Board
- Rolf Buch – Chairman (since 4 May 2018)
- Vitus Eckert – Chairman (up to 4 May 2018)
- A. Stefan Kirsten – Vice-Chairman (since 4 May 2018)
- Klaus Hübner – Member (Vice-Chairman up to 4 May 2018)
- Helene von Roeder – Member (since 4 May 2018)
- Fabian Heß – Member (since 4 May 2018)
- Sabine Gleiß – Member (since 4 May 2018)
- Volker Riebel – Member (up to 4 May 2018)
- Jutta Dönges – Member (up to 4 May 2018)
- Stavros Efremidis – Member (up to 4 May 2018)
- Caroline Mocker – Member (from 17 October 2017 to 4 May 2018)
- Markus Sperber – Member
- Raphael Lygnos – Member
- Carina Eibl – Member

The members of the Executive Board and Supervisory Board held no BUWOG shares as of 30 April 2018 (30 April 2017: 98,713 shares).

Remuneration for the Executive Board of BUWOG AG
The total Executive Board remuneration for the 2017/18 and 2016/17 financial years is as follows:

EXECUTIVE BOARD REMUNERATION

	Daniel Riedl				Andreas Segal			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	720.0	720.0	720.0	720.0	450.0	450.0	450.0	450.0
Remuneration in kind	11.5	11.5	11.5	11.5	23.8	23.8	23.8	32.3
Pension fund contributions	72.0	72.0	72.0	72.0	45.0	45.0	45.0	45.0
Total fixed remuneration	**803.5**	**803.5**	**803.5**	**803.5**	**518.8**	**518.8**	**518.8**	**527.3**
Short-term incentive	300.0	0.0	300.0	300.0	250.0	0.0	250.0	250.0
Total variable remuneration	**300.0**	**0.0**	**300.0**	**300.0**	**250.0**	**0.0**	**250.0**	**250.0**
Total remuneration	**1,103.5**	**803.5**	**1,103.5**	**1,103.5**	**768.8**	**518.8**	**768.8**	**777.3**

	Herwig Teufelsdorfer			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	289.3	289.3	289.3	250.0
Remuneration in kind	11.5	11.5	11.5	11.5
Pension fund contributions	25.0	25.0	25.0	25.0
Total fixed remuneration	**325.8**	**325.8**	**325.8**	**286.5**
Short-term incentive	291.7	0.0	291.7	250.0
Total variable remuneration	**291.7**	**0.0**	**291.7**	**250.0**
Total remuneration	**617.5**	**325.8**	**617.5**	**536.5**

An accrued liability of TEUR 2,520.0 was recognised for the severance payment to Andreas Segal as settlement for the remaining term of his employment contract and in exchange for his agreement to waive the special cancellation right.

Long-Term Incentive Programme for the Executive Board of BUWOG AG
The expenses for the Long-Term Incentive Programme for the Executive Board members totalled TEUR 9,256.2 in 2017/18 (2016/17: TEUR 1,974.5) and included TEUR 7,244.8 (2016/17: TEUR 278.5) for Daniel Riedl, TEUR 1,064.2 (2016/17: TEUR 858.8) for Andreas Segal and TEUR 947.2 (2016/17: TEUR 837.2) for Herwig Teufelsdorfer. Additional details on this programme are provided in note 6.13 *Share-based remuneration agreements*.

Remuneration for the Supervisory Board of BUWOG AG
A provision of TEUR 397.0 was recognised for remuneration related to the 2017/18 financial year. The annual general meeting on 2 October 2018 will be asked to approve this remuneration. The members of the Supervisory Board received remuneration of TEUR 309.5 for the 2016/17 financial year.

7.8 AUDITOR'S FEES

The fees charged by PwC Wirtschaftsprüfung GmbH during the 2017/18 financial year include TEUR 246.0 for the audit of the separate and consolidated financial statements, TEUR 187,0 for other assurance services and TEUR 49.0 for miscellaneous consulting services. No tax advising services were provided.

The fees charged by Deloitte Austria during the 2016/17 financial year comprise TEUR 269.0 for the audit of the separate and consolidated financial statements, TEUR 279.1 for other assurance services, TEUR 442.7 for services in connection with the capital increase carried out by BUWOG AG in June 2017 and TEUR 1,245.2 for other services.

8. GROUP COMPANIES OF BUWOG AG

The following list of Group companies was prepared pursuant to Section 245a (1) Austrian Commercial Code in conjunction with Section 265 (2) of the Austrian Commercial Code and includes the fully consolidated subsidiaries of BUWOG AG as well as the subsidiaries which are not included in the consolidated financial statements.

GROUP COMPANIES OF BUWOG AG

Company	Country	Head-quarters	Interest in capital 30. April 2018	Interest in capital 30. April 2017	Type of consolidation
BUWOG AG	AT	Vienna	–	–	F
Parthica Immobilien GmbH	AT	Vienna	100.00%	100.00%	F
Gena Zwei Immobilienholding GmbH	AT	Vienna	100.00%	100.00%	F
Gena Sechs Immobilienholding GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Seefeld GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Seefeld Verwaltungs GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Berlin GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Breitenfurter Straße 239 GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Brunnenstraße GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Brunnenstraße Verwaltungs GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Chausseestraße 88 GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Chausseestraße 88 Verwaltungs GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Deutschland GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Gerhard – Bronner Straße GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Gervinusstraße Development GmbH	DE	Berlin	90.00%	90.00%	F
Neptun Beteiligungsgesellschaft 4 GmbH i.L. (formerly: BUWOG – Gervinusstraße Verwaltungs GmbH)	DE	Berlin	90.00%	90.00%	F
BUWOG – Humboldt Palais GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Lindenstraße Development GmbH	DE	Berlin	90.00%	90.00%	F
Neptun Beteiligungsgesellschaft 1 GmbH i.L. (formerly: BUWOG – Lindenstraße Verwaltungs GmbH)	DE	Berlin	90.00%	90.00%	F
BUWOG – Bauträger GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Palais/Scharnhorststraße Verwaltungs GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Penzinger Straße 76 GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Projektholding GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – PSD Holding GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Regattastraße Development GmbH	DE	Berlin	90.00%	90.00%	F
Neptun Beteiligungsgesellschaft 2 GmbH i.L. (formerly: BUWOG – Regattastraße Verwaltungs GmbH)	DE	Berlin	90.00%	90.00%	F
BUWOG – Scharnhorststraße 26-27 Development GmbH	DE	Berlin	90.00%	90.00%	F
Neptun Beteiligungsgesellschaft 3 GmbH i.L. (formerly: BUWOG – Scharnhorststraße 26-27 Verwaltungs GmbH)	DE	Berlin	90.00%	90.00%	F
BUWOG – Scharnhorststraße 4 Townhouse GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Scharnhorststraße 4 Verwaltungs GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Scharnhorststraße 4 Wohnbauten GmbH & Co. KG	DE	Berlin	90.00%	90.00%	F
BUWOG – Bauen und Wohnen Gesellschaft mbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Immobilien Beteiligungs GmbH & Co. KG	AT	Vienna	94.00%	94.00%	F
BUWOG – High-Deck Verwaltungs GmbH	DE	Kiel	90.06%	90.06%	F
BUWOG – High-Deck Residential GmbH & Co. KG	DE	Kiel	94.65%	94.65%	F
BUWOG – Süd GmbH (formerly: ESG Wohnungsgesellschaft mbH Villach)	AT	Villach	99.98%	99.98%	F
BUWOG – Holding Niederlande B.V.	NL	Amsterdam	94.90%	94.90%	F
BUWOG – Gewerbeimmobilien Zwei GmbH (formerly: Heller Beteiligungsverwaltung GmbH)	AT	Vienna	99.98%	99.98%	F
Heller Fabrik Liegenschaftsverwertungs GmbH	AT	Vienna	99.98%	99.98%	F
Heller Geriatrie GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Demophon Immobilienvermietungs GmbH	AT	Vienna	99.98%	99.98%	F
Buwog Lux I S.à.r.l.	LU	Esch-sur-Alzette	94.00%	94.00%	F

Company	Country	Head-quarters	Interest in capital 30. April 2018	Interest in capital 30. April 2017	Type of consolidation
BUWOG – Spandau 1 GmbH & Co. KG	DE	Kiel	94.00%	94.00%	F
BUWOG – Spandau 2 GmbH & Co. KG	DE	Kiel	94.00%	94.00%	F
BUWOG – Spandau 3 GmbH & Co. KG	DE	Kiel	94.00%	94.00%	F
BUWOG – Spandau Primus GmbH	DE	Kiel	94.00%	94.00%	F
REVIVA Immobilien GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Altprojekte GmbH (formerly: Rosasgasse 17 Projektentwicklungs GmbH)	AT	Vienna	99.98%	99.98%	F
Tempelhofer Feld GmbH für Grundstücksverwertung	DE	Kiel	94.54%	94.54%	F
BUWOG – Projektentwicklung GmbH (formerly: P & U Büro- und Wohnparkerrichtungsges.m.b.H.)	AT	Vienna	99.98%	99.98%	F
Quinta Immobilienanlagen GmbH i.L.	AT	Vienna	100.00%	100.00%	F
BUWOG – Syke GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Lüneburg GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Gewerbeimmobilien Eins GmbH (formerly: BUWOG – Betriebs GmbH)	AT	Vienna	99.98%	99.98%	F
BUWOG – Kassel I GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Kassel II GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Kassel Verwaltungs GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Management GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Kiel I GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Berlin I GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Berlin Kreuzberg I GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Brandenburg I GmbH & Co. KG	DE	Kiel	94.90%	94.90%	F
BUWOG – Westendpark Development GmbH	DE	Berlin	90.00%	90.00%	F
BUWOG – Norddeutschland GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – NDL I GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL II GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL III GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL IV GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL V GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL VI GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL VII GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL VIII GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL IX GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL X GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL XI GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL XII GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – NDL XIII GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Immobilien Management GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Hausmeister GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Berlin II GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Braunschweig I GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Hamburg Umland I GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Hamburg Umland II GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Herzogtum Lauenburg GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Kiel II GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Kiel III GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Kiel IV GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Kiel V GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Lübeck Hanse I GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Lübeck Hanse II GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Lübeck Hanse III GmbH	DE	Kiel	94.90%	94.90%	F
BUWOG – Lübeck Hanse IV GmbH	DE	Kiel	94.90%	94.90%	F
PRE Andromeda Real Estate GmbH i.L.	DE	Kiel	–	94.90%	F
PRE Aries Real Estate GmbH i.L.	DE	Kiel	–	94.90%	F
PRE Aquarius Real Estate GmbH i.L.	DE	Kiel	–	100.00%	F
BUWOG – Niedersachsen/Bremen GmbH (formerly: BUWOG – Braunschweig II GmbH)	DE	Kiel	100.00%	100.00%	F
BUWOG – Heidestraße Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Goethestraße GmbH	DE	Berlin	100.00%	100.00%	F
Blitz B14-347 GmbH	DE	Berlin	100.00%	90.00%	F
BUWOG – Hamburg Wohnen GmbH (formerly: Blitz B14-348 GmbH)	DE	Kiel	100.00%	90.00%	F

Company	Country	Head-quarters	Interest in capital 30. April 2018	Interest in capital 30. April 2017	Type of consolidation
BUWOG – Schulzestraße Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Lückstraße Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Parkstraße Development GmbH (formerly: aptus Heidestraße GmbH)	DE	Berlin	100.00%	100.00%	F
Indian Ridge Investments S.A.	LU	Luxembourg	100.00%	100.00%	F
BUWOG – Harzer Straße Develpment GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Mariendorfer Weg Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Weidenbaumsweg Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG Seeparkquartier Holding GmbH (formerly: aspern Seestadt U-Bahnquartier Baufeld 1 Holding GmbH)	AT	Vienna	99.98%	99.98%	F
BUWOG Seeparkquartier GmbH (formerly: aspern Seestadt U-Bahnquartier Baufeld 1 Entwicklungs-GmbH)	AT	Vienna	99.98%	99.98%	F
BUWOG – Pfeiffergasse 3-5 GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Deutschland II GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Schleswig-Holstein GmbH (formerly: BUWOG – Flensburg Umland GmbH)	DE	Kiel	100.00%	100.00%	F
BUWOG – Hamburg-Süd GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Kiel Meimersdorf GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Döblerhofstraße GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Himbergerstraße GmbH	AT	Vienna	99.98%	99.98%	F
BUWOG – Berlin Wohnen GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Rathausstraße GmbH	AT	Vienna	100.00%	100.00%	F
BUWOG – Gartenfeld Development GmbH	DE	Berlin	100.00%	100.00%	F
BUWOG – Gartenfeld Wohnen GmbH	DE	Kiel	100.00%	100.00%	F
BUWOG – Breitenfurterstraße Eins, GmbH & Co. KG	AT	Vienna	99.98%	99.98%	F
BUWOG – Breitenfurterstraße Zwei, GmbH & Co. KG	AT	Vienna	99.98%	–	F
BUWOG – Breitenfurterstraße Drei, GmbH & Co. KG	AT	Vienna	99.98%	99.98%	F
BUWOG – Breitenfurterstraße Vier, GmbH & Co. KG	AT	Vienna	99.98%	–	F
BUWOG – Jahnstraße Development GmbH (formerly: Jahnstraße Living GmbH)	DE	Berlin	100.00%	–	F
BUWOG – Berlin Wohnen II GmbH (formerly: Jahnstraße 15 Vermögensverwaltungs GmbH)	DE	Kiel	100.00%	–	F
Planungsgemeinschaft “Das-Neue-Gartenfeld” GmbH & Co. KG	DE	Berlin	27.48%	–	P
Planungsgemeinschaft “Das-Neue-Gartenfeld” Verwaltungs GmbH	DE	Berlin	27.48%	–	P
BUWOG – Versicherungsmakler GmbH	AT	Vienna	100.00%	–	F
BUWOG – Grundstücks- und Betriebs GmbH	DE	Kiel	100.00%	–	F
BUWOG – Berlin Wohnen III GmbH	DE	Kiel	100.00%	–	F
Marina Spreestraße GbR	DE	Berlin	–	–	N

F = Full Consolidation
A = Proportional Consolidation
N = Not included in the scope of consolidation

The consolidated financial statements were completed and signed by the Executive Board of BUWOG AG on 28 August 2018 and approved for subsequent distribution to the Supervisory Board. The Supervisory Board is responsible for examining the consolidated financial statements, informing the Executive Board as to whether there are any grounds for material objections and reporting its findings to the annual general meeting.

Vienna, 23 August 2018

The Executive Board of BUWOG AG

Daniel Riedl
CEO

Herwig Teufelsdorfer
COO

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of BUWOG AG, Vienna, and its subsidiaries (the BUWOG Group), which comprise the consolidated balance sheet as at 30 April 2018 the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 30 April 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach and key observations
- Reference to related disclosures

1. Measurement of investment properties and investment properties under construction

- Description

The consolidated financial statements of BUWOG AG, Vienna, as at 30 April 2018 include investment properties amounting to EUR 4,452,276.5k and investment properties under construction amounting to EUR 133,361.5k. The BUWOG Group measures investment property that is included in the aforementioned items at fair value. In the fiscal year 2017/2018, fair value adjustments arising from the re-measurement of investment properties in the amount of EUR 242,020.1k and from the re-measurement of investment properties under construction in the amount of EUR 19,601.7k were positive overall.

Investment properties and investment properties under construction are measured by an external appraiser. The fair values of the investment properties are calculated using a discounted cash flow model which corresponds to the rental models prevailing and applied depending on the property in the markets of the BUWOG Group. The fair value of the investment properties under construction is determined using the residual value method based on the stage of completion of the properties under construction at the reporting date.

Numerous relevant assumptions and input parameters contribute to the measurement of the investment properties and investment properties under construction that to some extent are subject to considerable estimation uncertainties and judgments. Even small changes in the assumptions that are relevant in the measurement can result in significant changes in the current values.

For the consolidated financial statements, there is the risk that the measurement of investment properties and investment properties under construction is not appropriate due to the estimation uncertainties and judgements. Furthermore, for the consolidated financial statements there is the risk that the disclosures in the notes required according to IAS 40 and IFRS 13 with regard to the measurement of investment properties and investment properties under construction are not complete and appropriate.

- Audit approach and key observations

We convinced ourselves of the technical qualification and objectivity of the external appraisers. Together with our internal property measurement experts, we assessed the appropriateness of the measurement models as regards mathematical and actuarial accuracy and verified that property-specific basis data and assumptions relevant for the measurement were appropriately considered in the measurement at the measurement date.

The property-specific data are primarily kept and maintained in the ERP systems of the BUWOG Group and submitted to the external appraiser. They thus represent the basis for the measurement at fair value. We satisfied ourselves that the relevant implemented IT and process controls in asset management and property development are appropriate and effective and assessed the key controls implemented in the processes.

Based on a risk-oriented selection, we assessed individual measurement opinions as to the appropriateness of their measurement assumptions. Additionally, we conducted market analyses in the significant local markets of the BUWOG Group, particularly in Germany, and compared the findings established to the measurement assumptions of the external appraiser. For the German portfolio, we particularly checked the appraiser’s assumptions regarding the development of future vacancies, recognition of market rent as well as the discount rates by referring to our German real estate measurement experts. The Austrian portfolio mainly consists of residential property that can be classified under the regulated rental segment of the Austrian Limited Profit Housing Act (WGG). The selling price potentials of the individual units represent a significant parameter in the measurement of these properties, in accordance with the BUWOG property sales business model. We assessed and analysed these selling price potentials across the entire Austrian portfolio by referring to our Austrian real estate measurement experts and compared them with the current revenue of the BUWOG Group as well as with property price listings available in the market.

We inspected selected properties on-site together with representatives of the Company and the external appraiser to satisfy ourselves of the condition of the individual properties and the measurement methods applied by the external appraiser in this context.

In addition to control procedures, we examined the individual project calculations and the costs already incurred compared to the planned total investment costs, to satisfy ourselves of the stage of completion of individual investment properties under construction that were selected on a risk-based approach.

Moreover, both for the German as well as for the Austrian portfolio the significant individual fair value adjustments as compared to the prior year were determined and the reasons for the differences were analysed.

Furthermore, we examined completeness and appropriateness of the disclosures on investment property required according to IAS 40 and IFRS 13.

The respective measurement model used by the external appraiser is adequate and the fair values of investment properties and investment properties under construction are appropriate. We consider the disclosures in the notes with regard to investment property that are required according to IAS 40 and IFRS 13 to be complete and appropriate.

- Reference to related disclosures

Disclosures made by the management board with regard to investment properties and investment properties under construction are shown under 2.4.2, 2.5, 5.7, 6.1 and 6.2 in the notes to the consolidated financial statements.

2. Measurement of financial liabilities stated at fair value through profit or loss

- Description

The BUWOG Group states low-interest loans received from public authorities as well as financial liabilities received from credit institutions with annuity subsidies – related to the funding of real estate properties – at fair value through profit or loss according to IAS 39. As at 30 April 2018, financial liabilities shown in the consolidated balance sheet amounting to EUR 1,888,283.7k include financial liabilities stated at fair value through profit or loss in the amount of EUR 453,818.4k.

BUWOG AG, Vienna, calculates the fair values by discounting future cash flows using an internal measurement model based on a net present value method. The measurement takes into account interest rate curves observable in the market, probabilities of default, default rates as well as exposure at the time of default as significant input parameters.

The significant input parameters are based on parameters that can be observed in the market at the reporting date. When deriving these input parameters, various assumptions and estimates are used that might have a significant impact on the amounts of the current values and consequently on the asset and earnings position of the BUWOG Group.

For the consolidated financial statements, there is the risk that the recognised amounts of the financial liability stated at fair value through profit or loss are not appropriate. Furthermore, for the consolidated financial statements there is the risk that the disclosures in the notes that are required according to IAS 39, IFRS 7 and IFRS 13 with regard to the measurement of the financial liabilities stated at fair value through profit or loss are not complete and appropriate.

- Audit approach and key observations

Together with our internal experts on financial instruments, we assessed the appropriateness of the measurement model used by BUWOG AG, Vienna, with regard to its mathematical and actuarial accuracy. Furthermore, we satisfied ourselves that the loan or credit specific basic data and assumptions relevant in the measurement were appropriately considered in the measurement as at 30 April 2018. We compared the significant input parameters to data available in the market. By using our own model, we recalculated samples of individual low-interest loans and bank credits with annuity subsidies. Assessment of basis data and completeness of the low-interest loans received from public authorities as well as financial liabilities received from credit institutions with annuity subsidies that serve as basis for the measurement was performed by examining the appropriateness and effectiveness of relevant implemented IT and process controls as well as by means of samples using external bank confirmations.

Furthermore, we examined completeness and appropriateness of the disclosures with regard to the measurement of financial liabilities stated at fair value through profit or loss required according to IAS 39, IFRS 7 and IFRS 13.

The measurement model used by the BUWOG Group is adequate, and we consider the fair values of financial liabilities stated at fair value to be appropriate. Disclosures to the notes with regard to financial instruments stated at fair value through profit or loss that are required according to IAS 39, IFRS 7 and IFRS 13 are complete and appropriate.

- Reference to related disclosures

Disclosures made by the management board with regard to financial liabilities stated at fair value through profit or loss are shown in disclosures 2.4.17, 2.5, 5.8, 6.15, 7.1.1, 7.1.2 and 7.1.3 in the notes to the consolidated financial statements.

Other Matter

The consolidated financial statements of BUWOG AG, Vienna, for the fiscal year ended 30 April 2017 were audited by another auditor who issued an unqualified audit opinion dated 23 August 2017 on these financial statements.

Our audit opinion is not qualified in respect of this matter.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s re-port unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as statutory auditor at the ordinary general meeting dated 17 October 2017. We were engaged by the supervisory board on 11 December 2017. We have audited the Company for an uninterrupted period since 2017/18.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, 23 August 2018

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.
Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version.
This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group.
For deviating versions, the provisions of Section 281 (2) UGB apply.

STATEMENT BY THE EXECUTIVE BOARD

We confirm to the best of our knowledge that the consolidated financial statements of BUWOG provide a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the BUWOG group management report provides a true and fair view of the development and performance of the business and position of the group, together with a description of the principal risks and uncertainties faced by the group.

Vienna, 23 August 2018

The Executive Board of BUWOG AG

Daniel Riedl CEO	Herwig Teufelsdorfer COO

SEPARATE FINANCIAL STATEMENTS 2017/18 BUWOG AG

BALANCE SHEET AS OF 30 APRIL 2018

ASSETS	30 April 2018 in EUR	30 April 2017 in TEUR
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Concessions, industrial property rights and similar rights and advantages as well as related licenses	8,704,539.35	511
2. Prepayments made	0.00	6,334
	8,704,539.35	**6,845**
II. Property, plant and equipment		
Other equipment, furniture, fixtures and office equipment	700,289.49	458
III. Financial assets		
Investments in subsidiaries	1,357,742,125.48	1,357,607
	1,367,146,954.32	**1,364,910**
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade receivables	308,659.68	8
Thereof with a remaining term of more than one year: EUR 0.00; prior year: TEUR 0		
2. Receivables due from subsidiaries	421,349,464.29	176,877
Thereof with a remaining term of more than one year: EUR 323,982,001.25; prior year: TEUR 117,436		
3. Other receivables and assets	7,238,645.04	3,352
Thereof with a remaining term of more than one year: EUR 0.00; prior year: TEUR 0		
	428,896,769.01	**180,237**
II Deposits with financial institutions	42,164,260.39	**103,049**
	471,061,029.40	**283,286**
C. PREPAID EXPENSES AND DEFERRED CHARGES	539,358.12	**10,376**
D. DEFERRED TAX ASSETS	580,373.61	**245**
	1,839,327,715.45	**1,658,817**

EQUITY AND LIABILITIES	30 April 2018 in EUR	30 April 2017 in TEUR
A. EQUITY		
I. Share capital called and paid-in		
Subscribed share capital	124,149,546.00	99,773
II. Capital reserves		
1. Appropriated	1,457,776,966.88	873,923
2. Unappropriated	2,926,233.23	88,627
	1,460,703,200.11	**962,550**
III. Revenue reserves		
Other reserves (voluntary)	108,735,180.89	157,205
IV. Option reserve	0.00	1,923
V. Profit/(loss) account	98,170,725.10	89,920
Thereof profit carried forward: EUR 12,470,725.10; TEUR 12,470		
	1,791,758,652.10	**1,311,371**
B. PROVISIONS		
1. Provisions for termination benefits	2,012,225.50	1,934
2. Provisions for taxes	0.00	17,662
3. Other provisions	17,291,357.03	10,618
	19,303,582.53	**30,214**
C. LIABILITIES		
Thereof with a remaining term up to one year: EUR 27,022,715.82; prior year: TEUR 6,541		
Thereof with a remaining term of more than one year: EUR 1,242,765.00; prior year: TEUR 310,691		
1. Bonds	1,200,000.00	300,000
Thereof convertible: EUR 1,200,000.00; prior year: TEUR 300,000		
Thereof with a remaining term up to one year: EUR 0.00; prior year: TEUR 0		
Thereof with a remaining term of more than one year: EUR 1,200,000.00; prior year: TEUR 300,000		
2. Trade liabilities	2,758,480.41	1,381
Thereof with a remaining term up to one year: EUR 2,758,480.41; prior year: TEUR 1,381		
Thereof with a remaining term of more than one year: EUR 0.00; prior year: TEUR 0		
3. Liabilities with subsidiaries	8,357,700.31	3,195
Thereof with a remaining term up to one year: EUR 8,357,700.31; prior year: TEUR 3,195		
Thereof with a remaining term of more than one year: EUR 0.00; prior year: TEUR 0		
4. Other liabilities	15,949,300.10	12,656
Thereof from taxes: EUR 1,477,891.54; prior year: TEUR 460		
Thereof from social security: EUR 576,933,84; prior year: TEUR 550		
Thereof with a remaining term up to one year: EUR 15,906,535.10; prior year: TEUR 1,964		
Thereof with a remaining term of more than one year: EUR 42,765.00; prior year: TEUR 10,691		
	28,265,480.82	**317,232**
	1,839,327,715.45	**1,658,817**

INCOME STATEMENT FOR THE 2017/18 FINANCIAL YEAR

	2017/18 in EUR	2016/17 in TEUR
1. Revenues	23,843,657.71	22,112
2. Other operating income		
a) Income from the reversal of provisions	173,336.27	183
b) Miscellaneous	3,171,772.07	1,118
	3,345,108.34	**1,301**
3. Personnel expenses		
a) Salaries	-33,718,788.58	-22,524
b) Other employee benefits	-8,690,579.03	-6,546
Thereof expenses for pensions: EUR -290,726.93; previous year: TEUR -269		
Thereof expenses for termination payments and contributions to employee pension funds: EUR -590.409,04; previous year: TEUR -532		
Thereof costs for legally required social security and payroll-related duties and mandatory contributions: EUR -5,403,384.86; previous year: TEUR -4,644		
	-42,409,367.61	**-29,070**
4. Depreciation and amortisation	-2,693,973.18	-654
5. Other operating expenses	-44,422,293.06	-20,296
Thereof non-income-based taxes: EUR 0.00; previous year: TEUR 0		
6. Subtotal of no. 1 to 5	**-62,336,867.80**	**-26,607**
7. Income from investments in other companies	0.00	69,000
Thereof from subsidiaries: EUR 0.00; previous year: TEUR 69,000		
8. Interest and similar income	3,401,190.41	376
Thereof from subsidiaries: EUR 3,385,215.51; previous year: TEUR 365		
9. Interest and similar expenses	-2,314,378.87	-4,551
Thereof to subsidiaries: EUR 0.00; prior year: TEUR -156		
10. Subtotal of no. 7 to 9	**1,086,811.54**	**64,825**
11. Profit before tax (subtotal of no. 6 and no. 10)	**-61,250,056.26**	**38,218**
12. Income tax expense	12,780,590.79	6,417
Thereof from tax charge: EUR 20,820,690.22; prior year: TEUR 29,309		
Thereof deferred taxes: EUR 335,526.14; prior year: TEUR 245		
13. Profit after tax	**-48,469,465.47**	**44,635**
14. Profit/(loss) for the year	**-48,469,465.47**	**44,635**
15. Release of capital reserves	85,700,000.00	77,450
16. Release of revenue reserves	48,469,465.47	0
17. Addition to revenue reserves	0.00	-44,635
18. Profit carried forward from previous year	12,470,725.10	12,470
19. Profit/(loss) account	**98,170,725.10**	**89,920**

NOTES

A. GENERAL PRINCIPLES

The separate financial statements of BUWOG AG as of 30 April 2018 were prepared by the Executive Board in accordance with the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch) in the current version.

The company is classified as a large corporation in accordance with Section 221 of the Austrian Commercial Code.

The previous form of presentation was retained in preparing these separate financial statements.

These separate financial statements were prepared in accordance with principles of correct accounting and the general objective to present a true and fair view of the company's assets, financial and earnings position.

The accounting and valuation procedures reflect generally accepted Austrian accounting principles. The principles of correct bookkeeping which are codified in Section 201 (2) of the Austrian Commercial Code were observed, as were the classification and valuation requirements defined by the Sections 195 to 211 and 222 to 235 of the Austrian Commercial Code for the balance sheet and income statement. The income statement was prepared in accordance with the nature of expense method under which "total costs" are shown.

The principle of completeness was observed in preparing the separate financial statements.

All assets and liabilities were valued individually.

The principle of conservatism was observed, in particular, by only recording gains actually realised as of the balance sheet date. The separate financial statements include all identifiable risks and impending losses that occurred in the reporting year or a previous financial year.

In accordance with Section 223 (2) of the Austrian Commercial Code, the comparable prior year data are presented in EUR 1,000.

The company elected to utilise the option provided by Section 223 (4) of the Austrian Commercial Code, which permits the inclusion of additional positions when their content is not covered by a required position.

Valuation was based on the going concern principle.

B. GROUP RELATIONSHIPS

The company is a parent company in the sense of Section 244 of the Austrian Commercial Code and, as such, is required to prepare consolidated financial statements. BUWOG AG prepares its consolidated financial statements in agreement with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of Section 245a of the Austrian Commercial Code.

The company is a subsidiary of Vonovia SE, Bochum. It forms a corporate group together with its shareholder and that company's subsidiaries.

Vonovia SE, Bochum, prepares consolidated financial statements for the largest circle of companies. These consolidated financial statements are filed with the commercial register in Bochum, Germany.

BUWOG AG, Vienna, prepares consolidated financial statements for the smallest circle of companies. These consolidated financial statements are filed with the commercial register in Vienna.

C. ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation methods previously applies were retained, with the following exception.

For reasons of clarity and to provide a better understanding of the earnings position, the Group charges previously recorded under miscellaneous other operating income are now reported under revenues. The effect on the prior year amounts totals TEUR 22,113. Accordingly, the related receivables from subsidiaries included under Point D. 2 are reported as trade receivables instead of other receivables.

1. NON-CURRENT ASSETS

1.1. Intangible assets

Intangible assets are only recorded on the balance sheet if they were purchased for consideration. These assets are valued at cost less scheduled amortisation and any necessary impairment losses. Impairment losses are recognised in cases where the impairment is considered lasting and reduce the carrying amount of the asset to the lower fair value as of the balance sheet date.

Scheduled amortisation is calculated on a straight-line basis beginning with the month of acquisition, respectively terminated in the month of disposal.

1.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at acquisition cost, less scheduled straight-line depreciation and any necessary impairment losses. Depreciation is calculated beginning with the month of acquisition, respectively terminated in the month of disposal. Impairment losses are recognised in cases where the impairment is considered lasting and reduce the carrying amount of the asset to the lower fair value as of the balance sheet date.

Low-value assets with an individual cost of under EUR 400 are written off in full during the year or purchase or production and recorded as an addition and disposal on the schedule for the development of non-current assets.

Straight-line depreciation for depreciable non-current assets is based on the following useful lives:

	Useful life in years
Intangible assets: software and licenses	3–5
Property, plant and equipment: other equipment, furniture, fixtures and office equipment	4–10

1.3. FINANCIAL ASSETS

Financial assets are carried at the lower of cost or fair value as of the balance sheet date. These assets are written down to the lower fair value in cases of lasting impairment. The shares in subsidiaries represent, for the most part, indirect investments in companies which hold and/or develop real estate in Austria and Germany. The most important drivers for the fair value of these shares in subsidiaries are the fair values of the underlying investment property and property assets under construction. The possible need for an impairment loss is determined by comparing the carrying value of the revalued equity interest (equity as reported on the balance sheet, adjusted for any undisclosed reserves in the investment property and/or property under construction) in the subsidiary.

1.4. Write-ups to property, plant and equipment

Items of property, plant and equipment are revalued when the reasons for the impairment loss have ceased to exist. The amount of the revaluation is limited to the net carrying amount which would have resulted from the application of scheduled depreciation.

2. CURRENT ASSETS

2.1. Receivables and other assets

Receivables and other assets are carried at their nominal amounts. Individual value adjustments are recognised to account for identifiable default risks..

3. PREPAID EXPENSES AND DEFERRED CHARGES

Prepaid expenses and deferred charges represent expenditures made prior to the balance sheet date for expenses which will be incurred after that date.

This item includes a discount related to the issue of the convertible bond. The discount is being released over the term of the liability based on the effective interest rate method.

4. DEFERRED TAX ASSETS

Deferred tax assets are calculated for differences between the carrying amounts of assets, provisions, liabilities, prepaid expenses and deferred charges and deferred income under commercial law and tax law in cases where these differences are expected to decrease in later financial years. The measurement of deferred taxes is based on a tax rate of 25% (previous year: 25%), without discounting.

Deferred tax assets and deferred tax liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities.

Deferred taxes on temporary differences between the carrying amounts of shares in subsidiaries under commercial law and tax law are not recognised in accordance with Section 198 (10) of the Austrian Commercial Code if the company is in a position to influence the timing of the temporary differences and if it is probable that the temporary difference will not reverse in the foreseeable future.

5. PROVISIONS

5.1. PROVISIONS FOR TERMINATION BENEFITS

The **provisions for termination benefits** are calculated in accordance with AFRAC Opinion 27 "Provisions for Pensions, Termination Benefits, Long-Service Bonuses and comparable long-term Obligations under the Commercial Code" (*Rückstellungen für Pensions-, Abfertigungs-, Jubiläumsgeld- und vergleichbare langfristig fällige Verpflichtungen nach den Vorschriften des Unternehmensgesetzbuches*, June 2016) based on actuarial principles and the application of the projected unit credit method as defined in IAS 19. The calculation is based on the earliest possible retirement age defined by current legal regulations as well as a discount rate of 0.75% (previous year: 0.50%), planned salary increases of 2.25% (previous year: 2.00%) and service-based turnover of 0.00% to 5.00%.

The calculation of the provision also reflects the AVÖ 2008-P biometric accounting parameters in the version "mixed wage-salary workforce". The average remaining term (duration) of the termination benefit obligations is 8.9 years.

The applied discount rate represents a rate as of the balance sheet date. It is the interest rate for which a company with a high credit standing would generally be able to arrange for borrowed capital as of the closing date to cover the average remaining term of the obligations.

5.2. OTHER PROVISIONS

The **other provisions** are created in accordance with the principle of prudence. They cover all risks and liabilities identified when the financial statements are prepared whose amount and/or cause is uncertain. These other provisions reflect the best possible estimate of the expected settlement amount

6. LIABILITIES

Liabilities are carried at their repayment amount in keeping with the principle of conservatism.

The accounting treatment of the obligations arising from share-based remuneration is based on AFRAC Opinion 3 “Share-based remuneration” (Anteilsbasierte Vergütung, Austrian Commercial Code, December 2015).

D. NOTES TO THE BALANCE SHEET

ASSETS

1. NON-CURRENT ASSETS

The development of **non-current assets** is shown on the attached schedule (Attachment 1). The additions and reclassifications under intangible assets are related primarily to the capitalisation of a new ERP system.

No impairment losses were recognised during the reporting year or the previous year.

The following table shows the **financial obligations** resulting from the use of property, plant and equipment not recorded on the balance sheet:

	In the following financial year EUR	In the following five financial years EUR
Obligations arising from leases	185,558.84	383,140.86
Obligations arising from rental contracts	341,328.36	1,400,199.70
	526,887.20	**1,783,340.56**

Previous year	In the following financial year EUR	In the following five financial years EUR
Obligations arising from leases	66,643.92	161,550.96
Obligations arising from rental contracts	319,068.36	1,486,669.67
	385,712.28	**1,648,220.63**

Financial assets

The **shares in subsidiaries** are listed in the following table:

Company	Carrying amount in EUR	Share owned	Equity as of the balance sheet date[1)] in EUR	Profit/loss for the year[1)] in EUR
Parthica Immobilien GmbH, Vienna	80,248,500.00	100%	80,210,088.03	-1.57
GENA SECHS Immobilienholding GmbH, Vienna	1,277,358,625.48	100%	957,448,133.84	-12,534.86
BUWOG Versicherungsmakler GmbH, Vienna	135,000.00	100%	231,351.23	96,351.23

1) Preliminary values for 2017/18

Previous year

Company	Carrying amount in EUR	Share owned	Equity as of the balance sheet date in EUR	Profit/loss for the year in EUR
Parthica Immobilien GmbH, Vienna	80,248,500.00	100%	80,210,089.60	-6,223.99
GENA SECHS Immobilienholding GmbH, Vienna	1,277,358,625.48	100%	957,460,668.70	62,446,704.94

BUWOG AG indirectly holds all shares in BUWOG – Bauen und Wohnen GmbH through its two subsidiaries: 94.9% through GENA SECHS Immobilienholding GmbH and the remaining 5.1% through Parthica Immobilien GmbH.

BUWOG Versicherungsmakler GmbH, Vienna, was founded as a wholly owned subsidiary of BUWOG AG through articles of association dated 17 November 2017.

2. CURRENT ASSETS

Receivables and other assets

There are no receivables securitised through bills of exchange and no general valuation adjustments were recorded.

Receivables due from subsidiaries comprise the following:

	30 April 2018 EUR	30 April 2017 TEUR
Tax charge as per Section 9 of the Austrian Corporate Income Tax Act	66,669,613.96	45,530
Trade receivables	22,526,956.54	9,724
VAT tax group	4,403,184.14	2,201
Other receivables	3,767,708.40	1,986
Financing	323,982,001.25	117,436
Total	**421,349,464.29**	**176,877**

Similar to the previous year, the receivable from financing involves a loan to BUWOG - Bauen und Wohnen Gesellschaft mbH, Vienna.

Information on the VAT tax group and the tax charge is provided under Points F. 8. and F. 9.

Trade receivables consist primarily of charges for administrative services and personnel expenses.

Other receivables and assets consist chiefly of corporate tax receivables due from the taxation authorities (EUR 4,480,276.42; previous year: TEUR 0) and receivables unassessed VAT/ input tax (EUR 2,740,443.40; previous year: TEUR 3,347).

Prepaid expenses and deferred charges

This item includes a discount of EUR 28,930.34 (previous year: TEUR 9,349) related to the convertible bond as well as other accruals of EUR 510,427.78 (previous year: TEUR 1,027).

Deferred tax assets

The deferred tax assets are based primarily on differences in the provisions for termination benefits and vacations.

There are no tax carryforwards.

Similar to the previous year, no deferred taxes were recognised for shares in subsidiaries.

EQUITY AND LIABILITIES

1. EQUITY

Information on the development of equity is provided on the statement of changes in equity (see appendix 2).

The share capital of BUWOG AG is divided into 124,149,546 (30 April 2017: 99,773,479) zero par value bearer shares with voting rights, each of which represents a proportional share of EUR 1.00 in share capital. All of the shares are paid in. All of the company's shares (ISIN AT00BUWOG001) are admitted for official trading on the Vienna Stock Exchange, on the regulated market of the Frankfurt Stock Exchange and in the main market (*Rynek podstawowy)* of the Warsaw Stock Exchange (regulated markets as defined by Section 1 (2) of the Austrian Stock Exchange Act, *Börsegesetz*).

The annual general meeting on 7 March 2014 authorised the Executive Board, with the consent of the Supervisory Board, pursuant to Section 169 of the Austrian Stock Corporation Act, to increase the company's share capital by up to EUR 21,582,922.00 through the issue of up to 21,582,922 new shares in exchange for cash or contributions in kind, also with the exclusion of subscription rights. This authorisation is valid until 25 March 2019. Share capital may be increased on the basis of this authorisation under the following conditions: if the capital increase takes place in exchange for cash contributions and the number of shares issued do not exceed 10% of the company's share capital; for contributions in kind; to service a greenshoe option; or for the settlement of peak amounts.

In accordance with resolutions of the Executive Board and Supervisory Board on 15 May 2017 and 2 June 2017, the company's share capital of EUR 99,773,479.00 was increased by EUR 12,471,685.00 from authorised capital. This increase took effect with recording in the company register on 3 June 2017 and resulted in share capital of EUR 112,245,164.00. Following this increase, share capital was divided into 112,245,164 zero par value shares. The issue price equalled EUR 24.50. The proceeds from the issue which exceeded the proportional share of share capital totalled EUR 293,084,597.50 and were recorded under appropriated capital reserves.

BUWOG AG issued non-subordinated, unsecured five-year convertible bonds on 6 September 2016 (ISIN: AT0000A1NQH2). 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 were initially convertible into 9,554,140 zero par value bearer shares, which represented approx. 9.58% of the share capital outstanding at that time. The book building process set the initial conversion premium at 35% over the reference price of EUR 23.2592 with a zero coupon. The conversion price initially equalled EUR 31.40 and changed to EUR 31.22 after the capital increase. The convertible bonds have a term of five years and will be redeemed at 100% of the nominal value. If they are not converted, redeemed or repurchased and cancelled prematurely, the bonds will be redeemed at their nominal value on 9 September 2021. The bond terms include a cash settlement option for BUWOG AG.

In March 2018, BUWOG AG announced that the conversion price for the EUR 300 million, zero coupon convertible bonds with conversion rights which are due in 2021 had been adjusted to EUR 25.10 in accordance with section 15 of the bond terms due to the takeover by Vonovia SE.

Vonovia SE converted BUWOG convertible bonds with a total nominal value of EUR 298,800,000.00 into shares on 16 April 2018. This conversion increased the number of BUWOG AG shares outstanding by 11,904,382 to a total of 124,149,546 shares as of 17 April 2018.

The annual general meeting on 17 October 2017 revoked the previous authorisation of the Executive Board to carry out a capital increase (unused volume: EUR 9,111,237.00) and issued a new authorisation to increase share capital by up to EUR 56,122,582.00 (authorised capital). Similarly, the previous authorisation to issue convertible bonds (unused volume: EUR 90,000,000) was revoked and replaced by a new authorisation to issue convertible bonds with a total nominal amount of up to EUR 700,000,000.00 and exchange and/or subscription rights for up to 22,449,032 shares – i.e. for an increase of EUR 22,449,032.00 in share capital (conditional capital). Moreover, the Executive Board was authorised to purchase and sell treasury shares at an amount equalling up to 10% of share capital.

The appropriated capital reserves of BUWOG AG totalling EUR 1,457,776,966.88 (previous year: TEUR 873,923) may only be released to cover a balance sheet loss that would otherwise be reportable.

The unappropriated capital reserves resulted from restructuring steps during 2013/14 in connection with the spin-off of BUWOG AG from the IMMOFINANZ Group. Since the option provided by Section 202 (2) of the Austrian Commercial Code to continue the carrying amount was elected, the appropriated capital reserves are not subject to any restrictions on distribution.

The Executive Board will make a recommendation to the Annual General Meeting on 2 October 2018, calling for the distribution of a EUR 0.69 dividend per share for the 2017/18 financial year. A dividend of EUR 0,69 per share was paid for the 2016/17 financial year.

As in the previous year, the profit/(loss) account is not subject to any restrictions on distribution in accordance with Section 235 of the Austrian Commercial Code.

2. LONG-TERM INCENTIVE PROGRAMMES FOR THE EXECUTIVE BOARD OF BUWOG AG

Long-Term Incentive Programme 2014 (LTIP 2014)

The annual general meeting of BUWOG AG on 14 October 2014 approved a variable remuneration scheme in the form of stock options for members of the Executive Board. The approval of this remuneration scheme, which is designated as the Long-Term Incentive Programme 2014, allows the Supervisory Board to grant option rights to the members of the Executive Board. The option rights were granted on 16 December 2014 through a written agreement between the Supervisory Board and the member of the Executive Board Daniel Riedl. The key parameters of the Long-Term Incentive Programme 2014 are shown in the following table:

	Basis options	Bonus options Tranche 1	Bonus options Tranche 2	Bonus options Tranche 3
Number of granted options				
Daniel Riedl[1]	75,000	100,000	130,000	175,000
Exercise conditions – bonus options				
Period	–	FY 2014/15	FY 2015/16	FY 2016/17
Target share price[1)2)]	–	85% of EPRA NAV as of 30 April 2014	92.5% of EPRA NAV as of 30 April 2015	100% of EPRA NAV as of 30 April 2016

1) The method used to calculate the EPRA NAV is explained in the IFRS consolidated financial statements of BUWOG AG as of 30 April 2014.
2) The share price reaches or exceeds the target price for the period on at least five trading days in the respective period.

The Executive Board member may only exercise these options between 1 May 2018 and 30 April 2019 and only if his Executive Board position or contract remains intact. Different exercise conditions apply for certain circumstances connected with the termination of the Executive Board position or contract.

In addition, the bonus options in Tranches II and III can only be exercised when EPRA NAV for the period is higher than EPRA NAV as of 30 April 2014. Another requirement for the exercise of the bonus options is that the share price target was reached during the Executive Board member's term of office.

The basis options are not tied to any further exercise conditions and are therefore considered earned on the granting date (16 December 2014).

A further requirement of the option scheme is an own investment in shares of BUWOG AG equal to 50% of the Executive Board member's gross annual salary for the 2014/15 financial year. This own investment can be built up over a period of three years and must be held until the options are exercised.

Each option entitles the holder to purchase one BUWOG share for an exercise price of EUR 13.00 per share.

The obligations arising from the share-based remuneration agreements with settlement through equity instruments were paid out in cash at EUR 16.05 per stock option (share price as per takeover offer: EUR 29.05; exercise price EUR 13.00) in connection with the takeover by Vonovia SE. Therefore, the number of outstanding stock options equalled zero as of 30 April 2018 (previous year: 480,000).

Long-Term Incentive Programme 2017

The members of the Executive Board, Daniel Riedl, Andreas Segal and Herwig Teufelsdorfer, were granted stock options within the context of the Long-Term Incentive Programme 2017 through a circular resolution by the Personnel and Nominating Committee of the Supervisory Board of BUWOG AG on 7/8 March 2017. The stock options will be settled primarily through cash payments and will equal up to 40% of the respective Executive Board member's total remuneration. The options were formally granted with a written agreement between the Supervisory Board and the three Executive Board members on 10 March 2017. The key parameters of the Long-Term Incentive Programme 2017 are shown in the following table.

	Basis options	Bonus options Tranche 1	Bonus options Tranche 2	Bonus options Tranche 3
Number of granted options				
Daniel Riedl[1]	0	For all Executive Board members, the allocation of the bonus options depends on the fulfilment of performance targets and on the target attainment. Options will only be allocated when the target attainment equals at least 80%; moreover, the target attainment is limited to 120%.		
Andreas Segal	8,754			
Herwig Teufelsdorfer	15,632			

Exercise conditions – bonus options			
Performance targets	The following performance targets were defined for the option tranches in the 2016/17, 2017/18 and 2018/19 financial years based on the EPRA NAV per BUWOG share at the end of the respective financial year:		
Period	FY 2016/17	FY 2017/18	FY 2018/19
EPRA NAV target per share[2]	EUR 20.52 as of 30 April 2017	EUR 21.57 as of 30 April 2018	EUR 23.07 as of 30 April 2019

1) Only for FY 2017/18 und 2018/19
2) The following performance targets were defined for the option tranches in the 2016/17, 2017/18 and 2018/19 financial years based on the EPRA NAV per BUWOG share at the end of the respective financial year.

A so-called basis amount is calculated for each option tranche based on the difference between (i) the EPRA NAV per BUWOG share in accordance with the target for the financial year and (ii) the EPRA NAV per BUWOG share at the end of the preceding financial year. In addition, a so-called “actual amount” is calculated as the difference between the EPRA NAV per BUWOG share for the financial year of the respective option tranche and the EPRA NAV per BUWOG share at the end of the preceding financial year. The following formula is used to calculate the target attainment (TA) relevant for the granting of options in a specific financial year:
TA= (Actual amount/Basis amount) x 100.
If TA < 80%, no options will be granted.
If 80% <= TA<= 120%, the number of options will be calculated as follows:
Number of options (“O”) = (S/R) * TA
whereby
S = (the salary component relevant for the options, i.e. the annual gross base salary plus the annual short-term variable remuneration as defined in the respective member’s Executive Board contract as of the first month in the financial year)/60 x 40
R = reference price, i.e. volume-weighted average price of the BUWOG share on the Vienna Stock Exchange during the period from January to March of the respective financial year, but at least EUR 10.00.
If TA >= 120%, the TA used to determine the number of options “O” is limited to 120%.
The exercise of the allocated options is contingent upon a waiting period of three years beginning on the granting date and is followed by an exercise period of three financial years.

BUWOG can choose between the following alternatives for the settlement of exercised options: a) It can settle the exercised options through cash payment and transfer the appropriate amount to the Executive Board member; b) It can utilise its substitution right and deliver BUWOG shares instead of a cash payment. The amount of the cash settlement equals the volume-weighted average price of the BUWOG share on the Vienna Stock Exchange during the three months before the exercise date multiplied by the number of exercised options.

The allocation of basis options is not subject to any conditions. The options can be exercised during the exercise period which begins in the 2018/19 financial year.

A further condition for the exercise of the options is an investment in BUWOG shares equal to 50% of annual gross base salary of the Executive Board member for the 2016/17 financial year. This own investment is to be compiled over two financial years beginning with 2017/18 and must be held until the options are exercised.

The obligations towards Executive Board member Daniel Riedl and former Executive Board member Andreas Segal arising from the share-based remuneration agreements with cash settlement were paid out at EUR 29.05 per option in connection with the takeover by Vonovia SE. Daniel Riedl received EUR 1,043,330.75 and Andreas Segal EUR 1,923,047.58 (each excl. ancillary payroll costs). A provision of EUR 1,784,432.42 was recognised for obligations to Executive Board member Herwig Teufelsdorfer.

3. PROVISIONS

Other provisions comprise the following:

	30 April 2018 EUR	30 April 2017 TEUR
Outstanding invoices	10,317,094.50	3,007
Unused vacation	2,338,343.53	2,151
Bonuses	776,465.96	1,364
13th/14th month salary payments	1,165,537.68	1,108
Audit fees	184,500.00	461
Overtime	198,587.39	143
Tax advising	58,800.00	101
Legal expenses	0.00	498
Share-based remuneration	1,962,875.66	1,785
Miscellaneous	289,152.31	0
	17,291,357.03	**10,618**

Similar to the previous year, the other provisions have a remaining term of less than one year.

4. LIABILITIES

As in the previous year, there are no liabilities with a remaining term of more than five years and no liabilities secured by collateral.

The convertible bond 2016 – 2021 consists of a debt component and an option premium. The option premium of EUR 42,765.00 (previous year: TEUR 10,691) from the convertible bond is reported under other liabilities. Option contracts generally require the recognition of a provision for impending losses when the fair value of the item held by the writer of the options exceeds the base price on the balance sheet date; this was not the case as of 30 April 2018. In addition, a provision is not required because of the cash settlement option when sufficient treasury shares are available to service the options or when there is an intention to issue new shares. If neither is applicable, the provision equals the difference between the conversion price and the current share price. As of 30 April 2018, a provision was not required.

Liabilities with subsidiaries comprise the following:

	30 April 2018 EUR	30 April 2017 TEUR
Other liabilities	66,504.12	0
Trade liabilities	32,569.76	322
VAT tax group	7,820,600.55	2,873
Tax charge as per Section 9 Austrian Corporate Income Tax Act	438,025.88	0
Total	**8,357,700.31**	**3,195**

Information on the VAT tax group and the tax charge is provided under Points F. 8. and F. 9.

Other liabilities include liabilities of EUR 15,899,380.10 (previous year: TEUR 1,964) which will only become due and payable after the balance sheet date. These liabilities consist primarily of the cash settlement for the Long-Term Incentive Programmes and expenses connected with the termination agreement with former Executive Board member Andreas Segal (in each case, incl. ancillary payroll costs) totalling EUR 12,620,050.75 (previous year: TEUR 0).

5. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

BUWOG AG issued a comfort letter to Oberbank AG for a loan contracted by BUWOG – Bauen und Wohnen GmbH. The amount outstanding under this facility as of 30 April 2018 equalled EUR 55,844,743.00 (previous year: TEUR 60,096). In addition, BUWOG AG issued a comfort letter as security for a EUR 550,000,000.00 loan granted to BUWOG Norddeutschland GmbH.

There are no other material financial obligations with the exception of the obligations from the use of property, plant and equipment not reported on the balance sheet (see Point D. 1.).

E. NOTES TO THE INCOME STATEMENT

1. REVENUES

As in the previous year, revenues were generated by services provided to a domestic subsidiary. The charges are based on the cost-plus method for development companies and on flat-rate amounts for standing investment and non-operating companies.

2. OTHER OPERATING INCOME

Other operating income of EUR 1,963,945.95 (previous year: TEUR 866) consists primarily of invoices for services performed by third parties for subsidiaries.

3. PERSONNEL EXPENSES

The increase in salaries from EUR 22,523,865.31 in the previous year to EUR 33,718,788.58 in 2017/18 is attributable, above all, to expenses for the cash settlement of the Long-Term Incentive Programme at EUR 9,256,238.01 (previous year: TEUR 1,785) as well as the termination payment for former Executive Board member Andreas Segal at EUR 2,520,000.00 (previous year: TEUR 0).

4. MISCELLANEOUS OTHER OPERATING EXPENSES

The reported miscellaneous other operating expenses include the following:

	2018 EUR	Prior year TEUR
Intragroup charges	1,208,474.23	1,695
Legal, auditing and consulting fees	33,153,057.17	7,876
Office, advertising and representation expenses	3,374,199.48	5,931
Other	6,686,562.18	5,423
	44,422,293.06	**20,925**

The legal, auditing and consulting fees include expenses of EUR 8,021,649.65 for the capital increase. In addition, consulting services with a total volume of EUR 10,640,547.37 were also incurred for strategic advising in connection with the takeover offer by Vonovia SE. These expenses consisted primarily of transaction advising by an international investment bank, legal advising by a major law firm and communication advising by a well-known agency.

5. INTEREST AND SIMILAR EXPENSES

The main components of interest and similar expenses are EUR 2,034,886.38 for the degressive amortisation of the option premium from the issue of the convertible bond.

6. INCOME TAX EXPENSE AND TAX CHARGES

In 2017/18 the members of the tax group transferred positive tax income of EUR 83,282,760.88 (previous year: TEUR 117,237) to the head of the group, BUWOG AG. This transfer resulted in tax charges of EUR 20,820,690.22 (previous year: TEUR 29,309). The head of the tax group recorded negative taxable income.

Following a change in the calculation method defined by the group contract during the reporting year, the head of the group settled losses previously held on record. These losses totalled EUR 102,364.46.

Corporate tax expense for the tax group amounted to EUR 8,273,261.12 (previous year: TEUR 23,134) after the allocation of the taxable income recorded by the individual group members.

F. OTHER DISCLOSURES

1. RELATED PARTY TRANSACTIONS

There are material business relationships with a number of BUWOG AG subsidiaries, in particular for the provision of administrative services and the granting of loans.

All transactions with related companies and persons took place at arm's length.

2. NUMBER OF EMPLOYEES

	Balance on 30 April 2018	Balance on 30 April 2017	Average for 2017/18	Average for 2016/17
Salaried employees (FTE)	341	30 April 2017	327	304

3. CORPORATE BODIES

The following persons were members of the corporate bodies of BUWOG AG in 2017/18:

Executive Board
- Daniel Riedl – Chairman
- Andreas Segal – Deputy Chairman (up to 26 March 2018)
- Herwig Teufelsdorfer

Supervisory Board
- Rudolf Buch – Chairman (since 4 May 2018)
- Vitus Eckert – Chairman (up to 4 May 2018)
- Stefan Kirsten – Vice-Chairman (since 4 May 2018)
- Klaus Hübner – Member (Vice-Chairman up to 4 May 2018)
- Helene von Roeder – Member (since 4 May 2018)
- Fabian Heß – Member (since 4 May 2018)
- Sabine Gleiß – Member (since 4 May 2018)
- Volker Riebel – Member (up to 4 May 2018)
- Jutta Dönges – Member (up to 4 May 2018)
- Stavros Efremidis – Member (up to 4 May 2018)
- Caroline Mocker – Member (from 17 October 2017 to 4 May 2018)
- Markus Sperber – Member
- Raphael Lygnos – Member
- Carina Eibl – Member

The members of the Executive and Supervisory Boards held no shares of BUWOG AG as of 30 April 2018 (30 April 2017: 98,713 shares).

No advances or loans were granted to the members of the Executive Board or Supervisory Board.

4. REMUNERATION OF THE EXECUTIVE BOARD OF BUWOG AG

The total remuneration of the Executive Board is as follows:

	Daniel Riedl				Andreas Segal			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	720.0	720.0	720.0	720.0	450.0	450.0	450.0	450,0
Remuneration in kind	11.5	11.5	11.5	11.5	23.8	23.8	23.8	32.3
Pension fund contributions	72.0	72.0	72.0	72.0	45.0	45.0	45.0	45.0
Total fixed remuneration	**803.5**	**803.5**	**803.5**	**803.5**	**518.8**	**518.8**	**518.8**	**527.3**
Short-term incentive	300.0	0.0	300.0	300.0	250.0	0.0	250.0	250.0
Total variable remuneration	**300.0**	**0.0**	**300.0**	**300.0**	**250.0**	**0.0**	**250.0**	**250.0**
Total remuneration	**1,103.5**	**803.5**	**1,103.5**	**1,103.5**	**768.8**	**518.8**	**768.8**	**777.3**

	Herwig Teufelsdorfer			
in TEUR	2017/18	2017/18 (Min.)	2017/18 (Max.)	2016/17
Fixed remuneration	289.3	289.3	289.3	250,0
Remuneration in kind	11.5	11.5	11.5	11.5
Pension fund contributions	25.0	25.0	25.0	25.0
Total fixed remuneration	**325.8**	**325.8**	**325.8**	**286.5**
Short-term incentive	291.7	0.0	291.7	250.0
Total variable remuneration	**291.7**	**0.0**	**291.7**	**250.0**
Total remuneration	**617.5**	**325.8**	**617.5**	**536.5**

An accrued liability of EUR 2,520,000.00 was recognised for the severance payment to Andreas Segal as settlement for the remaining term of his employment contract and in exchange for his agreement to waive the special cancellation right.

5. LONG-TERM INCENTIVE PROGRAMME FOR THE EXECUTIVE BOARD OF BUWOG AG

The expenses for the Long-Term Incentive Programme (excl. ancillary salary costs) for the Executive Board members totalled EUR 9,256,238.01 in 2017/18 (previous year: TEUR 1,975). This amount includes EUR 7,244,768.31 (previous year: TEUR 279) for Daniel Riedl, EUR 1,064,264.33 (previous year: TEUR 859) for Andreas Segal and EUR 947,205.37 (previous year: TEUR 837) for Herwig Teufelsdorfer. Additional details on this programme are provided in the relevant section of the notes to these separate financial statements.

6. REMUNERATION FOR THE SUPERVISORY BOARD OF BUWOG AG

A provision of EUR 397,000.00 was recognised for remuneration related to the 2017/18 financial year. The annual general meeting on 2 October 2018 will be asked to approve this payment. The members of the Supervisory Board received remuneration of EUR 309,450.00 for the 2016/17 financial year.

7. AUDITOR’S FEES

In accordance with the exemption provided by Section 237 no. 14 last sentence of the Austrian Commercial Code, information on the auditor’s fees is not provided.

8. INFORMATION ON THE VAT TAX GROUP (SECTION 2 OF THE AUSTRIAN VALUE ADDED TAX ACT)

Since the 01/2015 tax assessment period, BUWOG AG has served as the head of a VAT tax group as defined in Section 2 (2) of the Austrian Value Added Tax Act. As of 30 April 2018, this tax group had 17 members: REVIVA Immobilien GmbH, BUWOG – Bauen und Wohnen Gesellschaft mbH, BUWOG Süd GmbH, „Heller Fabrik“ Liegenschaftsverwertungs GmbH, BUWOG – Demophon Immobilienvermietungs GmbH, BUWOG

Schnirchgasse 11 Beta GmbH, BUWOG Altprojekte GmbH, BUWOG – Gerhard-Bronner Straße GmbH, BUWOG Breitenfurterstraße 239 GmbH, BUWOG – Penzinger Straße 76 GmbH, BUWOG Seeparkquartier GmbH, BUWOG Pfeiffergasse 3-5 GmbH, BUWOG Döblerhofstraße GmbH, BUWOG Himberger Straße GmbH, BUWOG Rathausstraße GmbH, BUWOG Breitenfurterstraße Zwei, GmbH & Co KG and BUWOG Breitenfurterstraße Vier, GmbH & Co KG.

9. INFORMATION ON GROUP TAXATION (SECTION 9 OF THE AUSTRIAN CORPORATE INCOME TAX ACT)

BUWOG AG has served as the head of a corporate tax group as defined in Section 9 (1) of the Austrian Corporate Income Tax Act since the 2014/15 financial year.

The new group contract concluded in 2017/18 includes a tax settlement agreement under which the tax equalisation between the group members (Parthica Immobilien GmbH, GENA ZWEI Immobilienholding GmbH, GENA SECHS Immobilienholding GmbH, BUWOG - Bauen und Wohnen Gesellschaft mbH, Quinta Immobilienanlagen GmbH in Liqu., BUWOG Rathausstraße GmbH, BUWOG Versicherungsmakler GmbH) and the head of the group is calculated in accordance with the stand-alone method. If earnings are positive, the member company must pay a tax charge equal to the corporate tax liability to the head of the group. Pre-group losses are offset up to the amount of the member's profit in accordance with Section 9 (6) no. 4 of the Austrian Corporate Income Tax Act. Any losses recorded by a group member require the head of the group to pay a tax charge equal to the amount of the corporate tax savings to the group member. The tax rate used to calculate the charge equalled 25% in 2017/18 (2016/17: 25%).

The group tax agreement which applied up to 2016/17 required any losses recorded by a group member to be registered and then offset in full against taxable profit recorded by the respective member in subsequent years. Due to this change in procedure during the reporting year, losses previously registered by the head of the group were settled.

BUWOG Versicherungsmakler GmbH joined the group as a member in 2017/18.

10. SUBSEQUENT EVENTS

10.1. CAPITAL INCREASE FROM CONVERTIBLE BONDS

A total of 32,030 new BUWOG shares were issued as of 29 May 2018 (following a further conversion of the convertible bond 2016-2021). This increased the number of BUWOG shares outstanding by 32,030 to a total of 124,181,576 as of 29 May 2018 and also represents a similar increase of EUR 32,030.00 in share capital to EUR 124,181,576.00.

10.2. TAKEOVER BY VONOVIA SE – REQUEST FOR EXCLUSION OF MINORITY SHAREHOLDERS PURSUANT TO SECTION 1 (1) OF THE AUSTRIAN SQUEEZE-OUT ACT (*GESELLSCHAFTERAUSSCHLUSSGESETZ*)

Vonovia SE ("Vonovia") communicated a written request to BUWOG AG on 20 June 2018 pursuant to Section 1 para. 1 of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG AG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement.

Vonovia held a total of 112,672,652 BUWOG shares as a result of the successful takeover offer and the additional shares delivered during the extension period. This represents an investment of 90.7% in the share capital of BUWOG and makes Vonovia the principal shareholder of BUWOG AG in the sense of Section 1 para. 1 of the Austrian Squeeze-out Act.

On 12 August 2018 BUWOG AG announced that its Executive Board, together with Vonovia SE as its principal shareholder, had established a price of EUR 29.05 per share as the appropriate cash settlement to be paid to the remaining minority shareholders in connection with the initiated squeeze-out and approved the joint report required by Section 3 (1) of the Austrian Squeeze-out Act. The correctness of the joint report and the appropriateness of the cash settlement must still be reviewed by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the court-appointed auditor.

10.3. CHANGES ON THE EXECUTIVE BOARD

The company and Executive Board member Herwig Teufelsdorfer concluded a termination agreement which provides for the cancellation of the current employment contract by mutual consent when the squeeze out is recorded in the company register. The cancellation is to take effect on the last day of the fourth month following the recording, but on 31 March 2019 at the latest.

10.4. EARLY REDEMPTION OF THE CONVERTIBLE BONDS

On 11 July 2018 BUWOG AG announced its intention to prematurely call the zero coupon bonds with conversion rights into zero par value common bearer shares of BUWOG AG (ISIN: AT0000A1NQH2, due in 2021) in accordance with Section 5 (d) of the issue terms. The bonds will be redeemed at their nominal value. The call will take effect on 10 August 2018, which also represents the voluntary redemption date.

The conversion period as defined in Section 8 (a)(iv) of the issue terms closed at the end of the day on 6 August 2018. One outstanding convertible bond certificate was converted into 3,203 new BUWOG shares by that date. Share capital therefore equalled EUR 124,184,779.00 as of 8 August 2018. The holder of one convertible bond certificate did not exercise his conversion right by the end of the day on 6 August 2018. This convertible bonds was therefore redeemed at the nominal value on 10 August 2018 (voluntary redemption date).

10.5. CONVERSION OF THE FINANCIAL YEAR

The extraordinary general meeting of BUWOG AG on 4 May 2018 approved the conversion of the financial year to the calendar year beginning with 1 January 2019.

Vienna, 23 August 2018

The Executive Board

Daniel Riedl
CEO

Herwig Teufelsdorfer
COO

ATTACHMENT 1)
DEVELOPMENT OF NON-CURRENT ASSETS FOR THE FINANCIAL YEAR FROM 1 MAY 2017 TO 30 APRIL 2018

	Acquisition and production costs				
	Balance on 1 May 2017 EUR	Additions EUR	Disposals EUR	Transfers EUR	Balance on 30 April 2018 EUR
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and advantages as well as related licenses	1,193,020.81	4,412,869.83	140,337.25	6,334,526.10	11,800,079.49
2. Prepayments made	6,334,526.10	0.00	0.00	-6,334,526.10	0,00
	7,527,546.91	**4,412,869.83**	**140,337.25**	**0.00**	**11,800,079.49**
II. Property, plant and equipment					
Other equipment, furniture, fixtures and office equipment *)	601,980.67	390,738.36	1,617.41	0.00	991,101.62
III. Financial assets					
Shares in subsidiaries	1,357,607,125.48	135,000.00	0.00	0.00	1,357,742,125.48
	1,365,736,653.06	**4,938,608.19**	**141,954.66**	**0.00**	**1,370,533,306.59**
*) Thereof low-value assets as per Section 204 (1a) of the Austrian Commercial Code		1,617.41	1,617.41		

ATTACHMENT 2)
DEVELOPMENT OF EQUITY AS OF 30 APRIL 2018

	Share capital	Appropriated capital reserve	Unappropriated capital reserve	Revenue reserves	Option reserve	Profit/(loss) account
Balance on 30.4.2017	**99,773,479.00**	**873,923,312.44**	**88,626,233.23**	**157,204,646.36**	**1,923,280.23**	89,919,888.26
Capital increase	12,471,685.00	293,084,597.50	0.00	0.00	0.00	0.00
Dividend	0.00	0.00	0.00	0.00	0.00	-77,449,163.16
Convertible bonds	11,904,382.00	290,259,391.01	0.00	0.00	0.00	0.00
Long-Term Incentive Programme	0.00	509,665.93	0.00	0.00	-1,923,280.23	0.00
Loss for the year	0.00	0.00	0.00	0.00	0.00	-48,469,465.47
Release of reserves	0.00	0.00	-85,700,000.00	-48,469,465.47	0.00	134,169,465.47
Balance on 30.4.2018	**124,149,546.00**	**1,457,776,966.88**	**2,926,233.23**	**108,735,180.89**	**0.00**	**98,170,725.10**

Accumulated depr./amort.				Carrying amounts	
Balance on 1 May 2017 EUR	Additions EUR	Disposals EUR	Balance on 30 April 2018 EUR	Balance on 30 April 2018 EUR	Balance on 30 April 2017 EUR
682,333.53	2,546,007.43	132,800.82	3,095,540.14	8,704,539.35	510,687.28
0.00	0.00	0.00	0.00	0.00	6,334,526.10
682,333.53	**2,546,007.43**	**132,800.82**	**3,095,540.14**	**8,704,539.35**	**6,845,213.38**
144,463.79	147,965.75	1,617.41	290,812.13	700,289.49	457,516.88
0.00	0.00	0.00	0.00	1,357,742,125.48	1,357,607,125.48
826,797.32	**2,693,973.18**	**134,418.23**	**3,386,352.27**	**1,367,146,954.32**	**1,364,909,855.74**
	1,617.41	1,617.41			

MANAGEMENT REPORT OF BUWOG AG

for the financial year ending on 30 April 2018

1) BUWOG AG AS THE PARENT COMPANY OF THE BUWOG GROUP

BUWOG AG has been the parent company of the newly established BUWOG Group since the spin-off of the BUWOG business from IMMOFINANZ Group at the end of April 2014 and the subsequent stock exchange listing.

ASSET, FINANCIAL AND EARNINGS POSITION OF BUWOG AG

The following section presents key data on the asset, financial and earnings position of BUWOG AG and on the audited separate financial statements as of 30 April 2018, which were prepared in accordance with the Austrian Commercial Code.

Asset position
The assets held by BUWOG AG consist primarily of investments in subsidiaries. BUWOG AG indirectly holds all shares in BUWOG – Bauen und Wohnen GmbH ("BUWOG GmbH") through two subsidiaries – Parthica Immobilien GmbH, Vienna, and GENA SECHS Immobilienholding GmbH, Vienna – and thereby also indirectly holds the shares attributable to the Group in all BUWOG operating companies. BUWOG Versicherungsmakler GmbH, Vienna, a wholly owned subsidiary, was founded during the reporting year.

The year-on-year changes in the asset position resulted chiefly from the following factors:

Receivables due from subsidiaries include claims of TEUR 323,982 (previous year TEUR 117,436) from intra-group financing provided to BUWOG – Bauen und Wohnen Gesellschaft mbH, Vienna.

The changes in equity resulted from the following factors: the capital increase (TEUR 24,377), the premature conversion of the convertible bond (TEUR 302,164), the reclassification of the option reserve to liabilities following the cash settlement of the Long-Term Incentive Programme 2014 (TEUR 1,414), the dividend payment (TEUR -48,470) and the loss of recorded for the year (TEUR -48,469).

BUWOG AG had an equity ratio of 97.4% as of 30 April 2018. The Executive Board will propose a dividend of EUR 0.69 per share (for a total distribution of TEUR 85,663) from the profit/(loss) account of TEUR 98,171 reported as of 30 April 2018 (previous year: TEUR 89,920).

Earnings position
Revenues of TEUR 23,844 (previous year: TEUR 22,112) represent intercompany deliveries which are classified as services.

Miscellaneous other operating income of TEUR 3,172 (previous year: TEUR 1,118) consists primarily of third-party services of TEUR 1,964 (previous year: TEUR 866) which are charged out.

The increase in personnel expenses from TEUR 29,069 to TEUR 42,409 resulted from the following factors:
- An increase of 38 employees during the reporting year
- The takeover of BUWOG AG by Vonovia SE, Bochum, led to the cash settlement of the LTI programmes in 2017/18 and, consequently, to non-recurring costs of TEUR 9,256 (excl. ancillary payroll costs) which are included under personnel expenses.
- The Executive Board contract with Andreas Segal was terminated by mutual consent, which led to additional costs of TEUR 2,520. (Also see the information under Point F. 4. Remuneration for the Executive Board of BUWOG AG and Point F. 5. Long-Term Incentive Programmes for the Executive Board of BUWOG AG.)

Other operating expenses rose to TEUR 44,422 (previous year: TEUR 20,296). The takeover by Vonovia SE led to additional costs in the form of consulting expenses, which totalled TEUR 10,641. This item also includes non-recurring transaction costs of TEUR 8,022 related to the capital increase carried out in 2017/18. (Also see the information under Point E. 4. Miscellaneous other operating expenses.)

Information on income taxes and the corporate tax group established in accordance with Section 9 (1) of the Austrian Corporate Income Tax Act is provided in the notes to the separate financial statements.

FINANCIAL POSITION AND OUTLOOK

Net cash flow from operating activities amounted to TEUR -69,330 in 2017/18 (previous year: TEUR -642). Cash flow from investing activities totalled TEUR -211,485 (previous year: TEUR -124,297), and cash flow from financing activities equalled TEUR 219,931 (previous year: TEUR 227,085).

The deterioration in cash flow compared with the previous financial year resulted primarily from a year-on-year decline of TEUR 69.000 in the dividends received from the investments in subsidiaries. Most of the above-mentioned special effects were not cash-effective as of the balance sheet date and therefore had no influence on cash flow for the reporting year. The development of cash flow from investing activities was shaped chiefly by a loan granted to a subsidiary, which was increased substantially in 2017/18. Cash flow from financing activities in 2017/18 was influenced mainly by the capital increase. Cash and cash equivalents declined by TEUR 60,884 (previous year: increase of TEUR 102,146) and equalled TEUR 42,164 as of 30 April 2018 (previous year: TEUR 103,049).

The cash flow statement was prepared in accordance with Opinion KFS/BW 2 issued by the Technical Committee for Business Administration and Organisation (Fachsenat für Betriebswirtschaft und Organisation).

Given the company's function as a holding company, the future development of the asset, financial and earnings position of BUWOG AG and any future dividend payments approved by the annual general meeting are dependent to a significant degree on the further successful development of the BUWOG Group and, in particular, on distributions / earnings contributions (subject to local Austrian and German accounting requirements and the Group's internal refinancing). The company currently has sufficient available capital reserves to pursue a successful dividend policy in the interests of shareholders.

2) BUWOG GROUP – ECONOMIC DEVELOPMENT, INTERNAL CONTROL SYSTEM, FINANCIAL AND RISK MANAGEMENT

INTRODUCTION

The BUWOG Group was established in its current structure at the end of April 2014. In connection with the spin-off from the IMMOFINANZ Group, the BUWOG Group was reorganised – with BUWOG AG serving as the parent company of the BUWOG Group.

A detailed analysis of the asset, financial and earnings position – based on the audited financial data in the IFRS consolidated financial statements and the group management report of BUWOG AG for the financial year ending on 30 April 2018 – is presented in the following sections.

In particular, these sections provide extensive information concerning developments on the real estate markets in Germany and Austria that are relevant for the BUWOG Group, on the development of the BUWOG Group's property portfolio and on the development of financial markets. Also included is a risk report, a description of the internal control system that was implemented by the company's Executive Board and rolled out throughout the Group and an outlook for the 2018/19 financial year.

GENERAL ECONOMIC ENVIRONMENT

STEADY GROWTH IN THE GLOBAL ECONOMY

The global economy continued its steady expansion in 2017 but, according to an estimate by the World Bank, will also be faced with fundamental challenges in 2018. The recent introduction of reciprocal tariffs by the USA and China, and the USA and the EU, are generally viewed as a danger for the economic outlook with a significant inherent potential for weakening growth. Other negative factors include the still unclear terms for Great Britain's exit from the EU, which would only have an adverse effect over the medium-term, as well as the uncertainty over the positions of the EU member states with regard to refugees.

Estimates by the World Bank indicate that the worldwide growth of 3.1% in 2017 should be followed by a generally stable trend with a plus of 3.1% in 2018 and 3.0% in 2019. In the USA, the economic upturn is continuing with forecasts pointing to a GDP increase of 2.7% in 2018 and 2.5% in 2019. The European Central Bank (ECB) has held its key interest rate at 0.0% since the current record low was reached in March 2016 – and at least up to the publication date for this report – in order to stimulate the economy and raise annual inflation to the targeted 2.0% over the medium-term. The European Commission is projecting growth of 2.1% for the EU and the Eurozone in 2018, with a slight decline to 2.0% in 2019.

ECONOMIC INDICATORS AT A GLANCE

	GDP growth 2017 in %	Forecasted growth rate 2018 in %	Forecasted growth rate 2019 in %	Unemployment rate May 2018 in %	Annual inflation rate May 2018 in %	Gross national debt to GDP 2017 in %	Change in gross national debt from previous year in PP
EU-28	2.4	2.1	2.0	7.0	2.0	81.6	-1.6
Eurozone (19 member countries)	2.4	2.1	2.0	8.4	1.9	86.7	-2.3
Germany	2.2	1.9	1.9	3.4	2.2	64.1	-4.1
Austria	3.0	2.8	2.1	4.6	2.1	78.3	-5.3

Source: European Commission, Eurostatt

GROWTH IN EUROPE EXCEEDS EXPECTATIONS

GDP growth rates surpassed all expectations in 2017 and, at 2.4%, reached the highest level in 10 years. Calculations by the European Commission in spring 2018 show a quarter-on-quarter increase of 2.7% on average for the 28 EU member states in the fourth quarter of 2017, which represents a continuation of the current growth course in spite of the regional differences. The positive trend on the Eurozone labour market is continuing: the unemployment rate in the EU-28 equalled 7.0% in May 2018, for a decline from 7.7% in the previous year. The number of unemployed persons in the EU-28 fell to 1.8 million in year-on-year comparison, which represents the highest level of employment since August 2008.

This sound development is supporting the reduction of government deficits and public sector debt and also improving conditions on the labour market. The overall budget deficit in the Eurozone currently equals less than one per cent of GDP and, according to expectations by the European Commission, should fall below three per cent in all Eurozone countries this year. The main drivers for this growth include a high degree of confidence on the part of consumers and companies, a stronger global economy, low financing costs, healthier finances in the private sector and better conditions on the employment market.

The Eurozone economy was stronger than expected at 2.4% in 2017 and should remain stable based on steady consumption and sound export and investment activity. Growth in both the EU and Eurozone states is projected to reach 2.3% this year, but the European Commission is expecting a slight decline to 2.0% in both areas for 2019. The labour market should show further improvement, supported by the favourable economic climate, rising domestic demand, structural reforms and public sector measures. The reforms and fiscal policies implemented by a number of member states are playing an important role in job creation and led to a decline in the unemployment rate in the Eurozone (EU 19) from 9.2% in the previous year to 8.4%. Consumer price inflation weakened during the first quarter of this year but, according to the European Commission, should rise slightly over the coming quarters as a result of the latest oil price increase. In total, the European Commission expects inflation in the Eurozone will reflect the 2017 level at 1.5% in 2018 before increasing slightly to 1.6% in 2019.

STABLE GROWTH IN GERMANY

The stable trend that took hold in Germany at year-end 2016 should continue during 2018, according to the European Commission. The German economy generated the strongest growth since 2011 with a sound plus of 2.2% in 2017, whereby dynamic private household consumption, favourable financing conditions, a stable employment market, construction investments and other public spending measures served as the main drivers. In its spring forecast, the German federal government is projecting real GDP growth of 2.3% in 2018 and 2.1% in 2019 (2017: 2.2%). The IfW Kiel issued a GDP estimate for 2018 at mid-year which reduced its forecast to 2.0%; in 2019 growth should return to 2.3%.

Developments on the German labour market were positive during the 2017/18 financial year. The working population grew by 638,000 year-on-year in 2017 according to the Federal Statistical Office and has now reached the highest level since reunification. In May 2018, the domestic economy presented a solid picture with stable unemployment of only 3.4% and low inflation of 0.6%. The seasonally adjusted unemployment rate based on national calculations equalled 5.0% in June 2018.

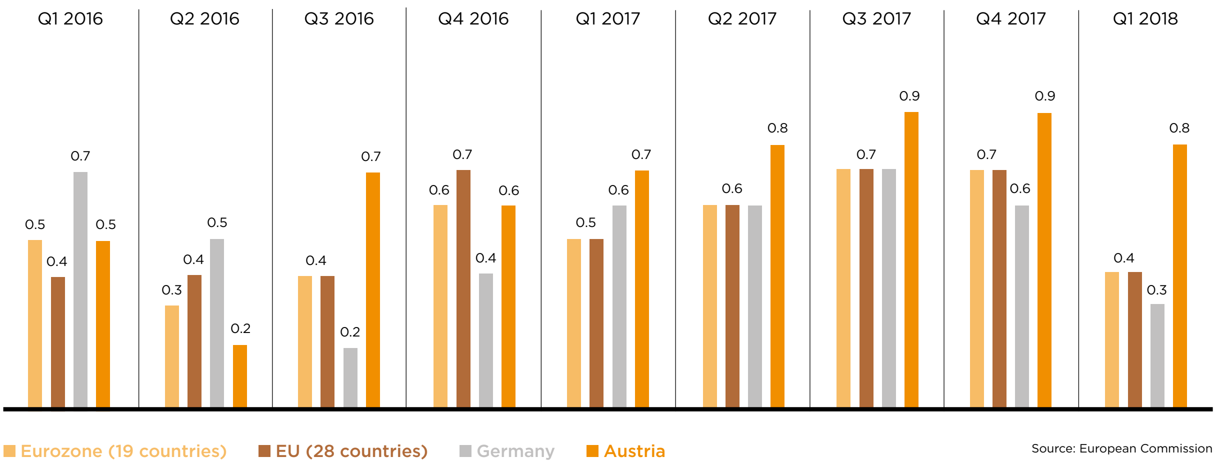
Inflation rose above the 2017 average of 1.8% to 2.2% in spring 2018. Higher prices, above all for heating oil, fuel and foodstuffs, were responsible for this increase. The investment sentiment among German companies is also expected to play an important role in economic growth over the coming years. Gross investments have risen steadily since 2010. Of special note is the price-adjusted rise of 3.4% in construction investments (2016: 3.1%), which reflects the strong development in the residential sector.

STRONG GROWTH IN AUSTRIA

The solid 1.5% increase in 2016 was followed by a near doubling of real GDP growth to 2.9% in 2017 and also led to an upward revision in the European Commission's forecasts for 2018 and 2019 to 2.8% and 2.1%. In its mid-year forecast, the economic research institute WIFO is projecting GDP growth of 3.2% in 2018, with weaker momentum for 2019. The positive development of the Austrian economy in 2017 was supported, above all, by public and private sector spending. Investment activity, rising public (+1.4%) and private (+1.6%) consumption, not least due to the additional expenditures for refugees, and the 2015/16 wage tax reform will be the main drivers for the projected acceleration of growth over the coming years. The unemployment rate fell substantially to 4.6% at the end of May 2018 and, according to the Austrian calculation method, the seasonally adjusted unemployment rate equalled 7.7% in May 2018. The annual inflation rate, based on the consumer price index, is projected to remain relatively constant at 2.1% in 2018 (2017: 2.2%), before declining slightly to 1.9% in 2019. The investment sentiment in the Austrian economy improved year-on-year, with gross investment rising to 23.5% of GDP.

DEVELOPMENT OF REAL GDP

in comparison to the previous quarter, in %



Source: European Commission

DEVELOPMENT OF THE PROPERTY MARKETS

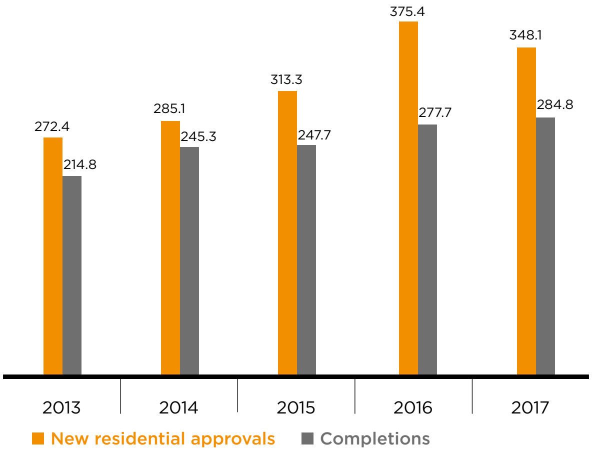
The BUWOG Group‘s strategic business model is focused on Asset Management (management of investment properties), Property Development (new construction projects) and Unit Sales (sale of individual apartments). These residential property markets in the BUWOG’s two segments – Austria and Germany – are described more closely in the following section, whereby the main emphasis is on the core regions that are particularly important for the BUWOG Group’s portfolio.

RESIDENTIAL MARKET – GERMANY

The interest of national and international investors in residential properties on the German market remained high during the 2017/18 financial year. A CBRE market study of the residential property investment market in Germany showed an increase in residential portfolio transactions (> 50 units) to the highest level since 2011 with a plus of 11% to EUR 15.2 billion in 2017 (2016: EUR 13.7 billion). The transaction volume was only higher in 2015, primarily due to a number of takeovers and the purchase of investments in larger housing corporations. Market developments in 2016 were influenced mainly by two multi-billion transactions, while the results for 2017 reflect a large number of transactions in the triple-digit million range. Berlin was again a key focal point for national and international investors, whereby rising interest was noted in properties under construction and in future development projects. A total of EUR 4.4 billion was invested in development projects in Germany during 2017 (2016: EUR 3.5 billion), including 50% or EUR 2.2 billion (2016: EUR 1.2 billion) in the growth and investment location Berlin.

For 2018, CBRE is expecting a transaction volume similar to 2017 based on individual takeovers and medium-sized portfolios that are current in the sale pipeline. Investments in residential property portfolios amounted to EUR 6.8 billion alone in the first quarter of 2018, with forward purchases and forward fundings of new construction projects responsible for EUR 1.8 billion of this total. Additionally, there is no end in sight to the upward trend in purchase prices for multi-family dwellings, residential property portfolios and residential development projects. The stable economic environment in Germany and the growing political uncertainty in other European countries will lead to a further influx of international investors on the German residential property market in the coming year. The current interest rate policies of the European Central Bank (ECB) are continuing to supply the financial markets with sufficient liquidity at historically low rates. The increase in real estate purchase prices has been substantially higher than the development of rental prices since 2015 and resulted in a yield compression combined with a sharp rise in purchase price multipliers and a decline in the purchase yields for residential portfolios. In particular, the low level of new construction and rising migration to most of the German cities has led to a continuation of the recent rental and purchase price trends at a high level.

NEW RESIDENTIAL APPROVALS AND COMPLETED APARTMENTS
in Germany, in 1,000



Source: Statistisches Bundesamt, Germany

Germany has been witnessing significant population growth since 2011 as a result of regular migration by workers, students and family members and an increased influx of refugees and asylum seekers. A total of 3.7 million persons relocated to Germany from 2011 to 2016, roughly 52% through regular migration. According to estimates by the Federal Statistical Office, the population totalled 82.8 million at year-end 2016 (no updates available; 2015: 82.2 million). The number of households has risen to roughly 41.0 million (2015: 40.8 million), which represents an average household size of two persons. The country had roughly 16.8 million single person households in 2016 (41%). Nearly 55% of all German households live in rented apartments, and the share of households in rented apartments is particularly high in the singles/ single parent plus children segment at over 70%.

Estimates by the Council of Real Estate Experts *(Rat der Immobilienweisen)* in their 2018 spring report show a year-on-year increase of 4.3% in rents across Germany during 2017 (2016: 2.6%) – which underscores the continuing, and stronger, growth in rents. Average rents equal roughly EUR 7.46 per sqm, which represents an increase of EUR 1.36 per sqm or 22% over the 2010 level. The top seven cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) have seen a further significant and strong upward trend in rental prices, which is the result of high immigration and internal migration to these popular cities as well as expectations of a further sharp rise in new contract rental prices, above all in Berlin, Hamburg and Munich. This development has been accompanied by a sharp drop in vacancies and rising demand for newly constructed buildings. Forecasts also point to a long-term increase in the prices for rental apartments and condominiums in Berlin and Munich.

The above report also shows a further year-on-year increase of 7.9% in real estate purchase prices during 2017 (2016: +8.8%) that exceeded the 4.3% growth in average rents. Nationwide purchase prices rose by 56% over the 2010 level in 2017, an increase which is explained by low interest rates or a catch-up effect and, according to the experts, not by a real estate bubble.

The Federal Statistical Office reported a reduction of 7.3% in the number of building permits to roughly 348,100 in 2017 (2016: 375,400). This decline was related, above all, to construction projects in existing buildings, residences, condominiums, single-family houses and multi-family dwellings. Completions in 2017 covered 284,800 apartments (2016: 277,700). In order to meet the current very strong demand, above all in the top cities, additional new construction of approx. 272,000 apartments per year up to 2020 is expected.

Berlin. With approx. 3,712,000 residents on over 892,000 sqm, Berlin is the largest city in Germany as well as the seat of the federal government and the country's capital. The Berlin-Brandenburg Statistical Office placed the growth in the city's population at nearly 41,000 in 2017, which represents the largest component of the country's migration surplus. The number of private households totalled nearly 2.0 million, including 1.1 million single person households and 0.6 million two person households. The average household currently has 1.8 persons. The latest demographic forecast for Berlin by the Berlin-Brandenburg Statistical Office projects a further, but slower increase in the population to approx. 3.9 million by 2030. Berlin is one of Europe's most important centres for politics, media, culture and science. With nearly 31.2 million overnight stays and over 13 million visitors in 2017, tourism is also a major factor and growth driver for the local economy. In addition to the high, attractive quality of life, Berlin's economic indicators – like the employment rate and income level – have improved substantially and explain the strong influx into the city.

The Berlin building supervisory authorities issued building permits for 24,473 apartments in 2017, which represents a slight decline of 1.3% compared with the previous year (2016: 25,063 apartments). The majority of 21,562 apartments represent new construction, while 3,181 apartments were created through construction in existing buildings (e.g. lofts). Most of the approved apartments are located in the Pankow, Berlin-Mitte and Lichtenberg districts. Building rights approvals are generally delayed by a lack of personnel resources in the city's planning agencies and the strict regulations defined by the Berlin model for cooperative site development. These regulations establish numerous requirements for investors which include the assumption of costs for site development, the creation of places in day care facilities and elementary schools as well as restrictions on rental prices and occupancy (approx. 30% of the living space). Further details are provided in the section on *Property Development.* In addition, the construction costs for new buildings and for maintenance and cosmetic repairs in existing buildings have risen significantly due to the high order levels in the involved companies. A total of 15,670 apartments were completed in Berlin during 2017 (+14.7% vs. 2016). However, the number of condominiums declined by 17.3% year-on-year to 4,785. Initial surveys by CBRE indicate that the rental market is continuing to gain momentum, following a longer focus of new construction in Berlin on condominiums. According to the 267 development projects analysed in the 2018 Berlin housing market report by CBRE and Berlin Hyp, more than half of the nearly 35,000 units planned for the coming years will be realised as rental apartments. This estimate is increased by the addition of the new condominiums which are purchased as investments and subsequently rented out. Another important trend is the growing involvement of public companies in new construction. For roughly 9,600 of the analysed apartments, these companies will develop projects internally or acquire properties from private sources after completion. Half of the planned apartments are under construction in the Berlin-Mitte, Lichtenberg and Friedrichshain-Kreuzberg districts. Neukölln, Steglitz-Zehlendorf and Reinickendorf together comprise less than 10% of the planned units.

The 2018 Berlin housing market report by CBRE and Berlin Hyp shows a continued increase in rents and prices on the Berlin housing market in 2017. The median level for quoted rents rose by 8.8%, compared with a plus of 5.6% in 2016. At the end of 2017, advertised rents in Berlin equalled EUR 9.79 per sqm on average. The median quoted rents in Friedrichshain-Kreuzberg, Berlin-Mitte and Charlottenburg-Wilmersdorf, the three districts with the largest city centres, exceeded EUR 11.00 per sqm, with Friedrichshain, Kreuzberg and the old Berlin-Mitte tending towards EUR 12 per sqm. Median rents below EUR 9.00 per sqm were only found in the four outlying districts, Marzahn-Hellersdorf, Reinickendorf, Spandau and Treptow-Köpenick. However, the general shortage is also driving quoted rents in these outlying areas.

Berlin's condominium market is also characterised by rising prices and a declining supply: the medium quoted prices per square metre were 12.7% higher year-on-year in the first three quarters of 2017 and last equalled over EUR 3,700 per sqm. The prices for newly built condominiums are increasing even stronger than rental prices.

A particularly high increase has been noted in quoted prices for the lower market segment: the median price rose by 17.2% and in individual districts by 25% or more due to the, in part, very low baseline; however in absolute numbers, the increase has remained below the market as a whole. Quoted prices in the top apartment segments of Berlin-Mitte and Friedrichshain-Kreuzberg rose by more than EUR 1,100 per sqm, but by a lower rate in other areas. Prices have also been influenced by the supply shortage. The number of advertised condominiums was 12.5% lower during the 2017 survey period than in the comparable months of 2016. Many owners are reluctant to sell due to a lack of investment alternatives and hopes of a further increase in value. In addition, many of the Berlin districts are attempting to limit the conversion from rental to condominium units with special regulations. New construction is seeing a clear shift from the condominium to the rental sector. The condominium market is concentrated in the inner city – from both quantity and price. More than 40% of the offering was recently focused on the three urbane districts of Charlottenburg-Wilmersdorf, Mitte and Friedrichshain-Kreuzberg. Charlottenburg-Wilmersdorf has the largest individual market by far with nearly one-fifth of all Berlin offers. The offer prices in these three districts plus Pankow are higher than the median level for the entire Berlin market. With the exception of Pankow, they amount to substantially more than EUR 4,000 per sqm.

In the upper segment of the most expensive one-tenth, the above districts (excl. Pankow) have median quoted prices over EUR 7,000 per sqm – as well as a peak value of over EUR 8,600 per sqm in Berlin-Mitte. Prices in the top areas of Pankow, Steglitz-Zehlendorf and Tempelhof-Schöneberg have risen to over EUR 6,000 per sqm. Average purchase prices on the market for apartment houses and single-family homes amounted to roughly EUR 2,800 per sqm in the first quarter of 2018 based on purchase price parameters of 28- to 30-times the annual net in-place rent.

Region Hamburg and Schleswig-Holstein. The Hanseatic city of Hamburg, the second largest city in Germany, had a population of 1,810,438 as of 31 December 2016 according to the Statistical Office North. Recent demographic developments indicate that the official city forecasts (Demografie-Konzept 2030) of 1,854,000 residents in 2030 will be reached in only a few years. The increase in the population and number of households reflects the city's stable and diverse economy as well as the high quality of life, which have led to a steadily expanding demand overhang on the housing market and a slight rise in rental prices in recent years.

The strong demand on the Hamburg housing market has led to a continuous increase in new development projects over recent years. The BUWOG Group entered this development market in April 2016 with the purchase of a 42,700 sqm site in Hamburg-Bergedorf to continue the expansion of its Property Development business area at a third location in line with the expected dynamic market trends and very robust socio-demographic framework. According to the Hamburg – Schleswig-Holstein Statistical Office, 7,920 new apartments were completed and building permits were issued for 12,465 new apartments in Hamburg during 2017. The CBRE-empirica vacancy index 2017 placed apartment vacancies in Hamburg at 0.6% at year-end 2016.

Quoted rents are rising due to the low level of vacancies and, according to CBRE, reached an average of EUR 11.00 per sqm at the end of 2017 (2016: EUR 10.50 per sqm). The quoted prices for condominiums are also increasing and averaged roughly EUR 4,140 per sqm (2016: EUR 3,915 per sqm). The demand for apartments remains focused on the central and inner city areas in popular residential districts. However, there is a growing interest in development areas with larger units at less central locations – which is also driving rental and purchase prices in these areas. At the present time there are no signs of a trend reversal in the strong demand for housing in Hamburg.

Surrounding areas of Hamburg. The tense situation on the housing market in Hamburg has also spread to the surrounding areas. The result has been further steady population growth and an increase in the number of households plus a rising demand for apartments and higher rental prices – and a trend that is expected to continue. The most important urban centres include Ahrensburg as well as the cities of Reinbek, Glinde, Norderstedt, Henstedt-Ulzburg and Kaltenkirchen, where the BUWOG Group holds standing investments. Average rents range from EUR 8.00 to 9.25 per sqm. In the Segeberg district, the average apartment rent equals EUR 8.50 per sqm, although higher rents can be realised depending on the proximity to Hamburg.

Kiel. This capital city and largest metropolitan area in the state of Schleswig-Holstein had a population of roughly 249,200 at the end of 2017. Kiel is a traditional commercial hub with a focus on engineering and shipping as well as an prominent university city with roughly 34,000 students. According to official forecasts (Statistik der Landeshauptstadt Kiel) the population is projected to rise to approx. 268,300 by 2030. The demand for housing will continue to increase, also due to the steady growth in the number of households. This development, in turn, will lead to an increase in rental prices because of the limited supply and the low level of vacancies and new completions.

According to CBRE, the average quoted monthly rent equalled EUR 7.76 per sqm in 2017 (2016: EUR 7.34 per sqm). The average quoted prices for condominiums have risen steadily for five years and reached a new record of nearly EUR 2,320 per sqm in 2017 (2016: EUR 2,160 per sqm). The CBRE-empirica vacancy index 2017 placed vacancies in Kiel at 1.5% at the end of 2016.

Lübeck. As the second largest city in Schleswig-Holstein, Lübeck is located in the direct catchment area of the Hamburg metropolitan region. The population has risen consistently in recent years and totalled 219,255 at the end of 2017. Lübeck has a number of attractive residential locations due to the expansive stretches of water and historic city centre. The economy is broadly diversified across sectors ranging from the food industry to trade, services and logistics. This solid economic foundation combined with four universities and the largest Baltic Sea port make Lübeck an interesting and stable growth location.

The average quoted rent equalled EUR 7.80 per sqm in 2017 according to CBRE (2016: EUR 7.29 per sqm). The average quoted prices for condominiums rose to a new high of nearly EUR 2,600 per sqm in 2017 (2016: EUR 2,080 per sqm), whereby the significant increase resulted in part from a higher volume of newly built apartments. The CBRE-empirica vacancy index 2017 reported a vacancy rate of 1.4% for Lübeck at the end of 2016.

Brunswick-Hannover region. The largest cities in this region are Hannover with approx. 532,900 residents and Brunswick with approx. 250,400 residents (each in 2017). Hannover, the capital city of Lower Saxony, is a very attractive and stable economic centre and the headquarters for numerous DAX- and MDAX-listed companies like Volkswagen, Continental, Talanx and TUI. It is also an important university city and the location of Hannover Medical School.

Quoted rents in Hannover averaged EUR 7.97 per sqm in 2017 (2016: EUR 7.67 per sqm). The average quoted prices for condominiums rose by almost 10% year-on-year to nearly EUR 2,690 per sqm in 2017 (2016: EUR 2,450 per sqm. According to the CBRE-empirica vacancy index 2017, the vacancy rate in Hannover equalled 1.6% at the end of 2016.

Brunswick is the economic and cultural centre of the south-eastern region of Lower Saxony. It is an administrative and service hub as well as a traditional university and research town which benefits, not least, from close proximity to the Volkswagen Group in Wolfsburg.

Quoted rents in Brunswick averaged EUR 7.78 per sqm in 2017 (2016: EUR 7.50 per sqm). The purchase prices for condominiums followed this development with a lag, but rose to an average of EUR 2,200 per sqm for new units in 2017 (2016: EUR 2,100 per sqm). The vacancy rate according to the CBRE-empirica vacancy index 2017 equalled 2.0% at the end of 2016.

RESIDENTIAL MARKET – AUSTRIA

The CBRE investment market report shows a record transaction volume of nearly EUR 5.0 billion for the Austrian real estate market in 2017 – which represents a substantial increase over both the previous high of EUR 3.8 billion in 2015 and the more moderate volume of EUR 2.8 billion recorded in 2016. Investors' interest was focused primarily on the office sector in the second half of 2017 (approx. 69%), followed by retail properties (approx. 13%) and residential properties (approx. 10%). In contrast, hotels and mixed-use properties comprised a substantially lower component of the total investment volume at under 5% for each of these two asset classes. All of the transactions were characterised by higher prices and a related slight decline in yields to a maximum of less than 4.0%.

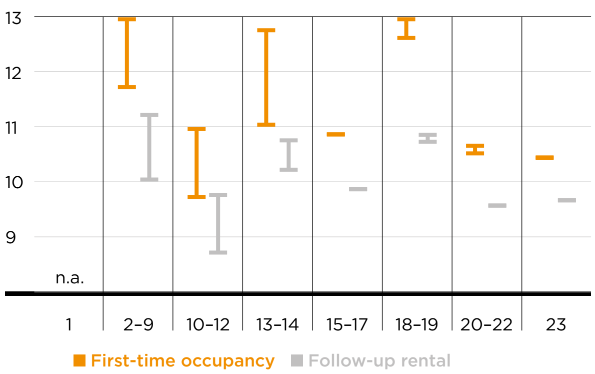
The residential market is still influenced by steady population growth, a continuous decline in the average household size and ongoing urbanisation. Statistik Austria reports an increase in the nation's population to 8,772,865 in 2017 (approx. 38% of this growth is attributable to the capital city of Vienna). The number of private households totalled 3.86 million, including 1.43 million single person households.

According to Statistik Austria, the average ownership rate on the Austrian housing market was comparatively low in international comparison at 57% in 2016. There is a substantial difference between regions: in rural areas (e.g. Burgenland) ownership ranges up to 80%, while in urban regions, especially Vienna, 79% of the population lives in rented housing. The high share of rentals in the metropolitan areas is explained, above all, by the high proportion of subsidised and social housing with low net cold rent, which is a result of the government's "affordable housing" policy. Roughly 60% of all households in rented properties live in subsidised council housing or cooperative apartments that are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz). The average rent (net cold rent plus operating costs) equalled EUR 7.70 per sqm in the fourth quarter of 2017 (Q4 2016: EUR 7.43 per sqm) or roughly EUR 510 per month. The increase in rental prices, especially in urban regions, is a direct result of the strong demand for housing that has resulted from migration, combined with an insufficient volume of completions (approx. 50,000 apartments per year in the entire country). This additional demand is developing primarily in the lower and middle price segments because the population growth is supported primarily by immigrants with low incomes and limited wealth. The extensive supply of subsidised, non-profit and municipally owned apartments in Vienna is also not large enough to satisfy the rising demand for affordable housing.

The amendment to the Austrian Non-Profit Housing Act passed by Austrian Parliament and enacted on 1 January and 1 July 2016 clarified several factors which are relevant for the rental market in this country – rental prices, the maintenance and improvement contribution and maintenance works. The most important effects of this amendment on the BUWOG Group are provided under *Asset Management.*

RENTAL PRICE LEVEL VIENNA

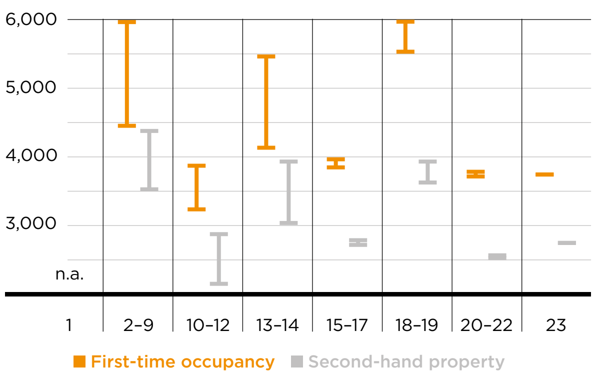
by district in EUR per sqm



Source: Erster Wiener Wohnungsmarktbericht 2017 by BUWOG Group/EHL

PURCHASE PRICE LEVEL VIENNA

by district in EUR per sqm



Source: Erster Wiener Wohnungsmarktbericht 2017 by BUWOG Group/EHL

Vienna. The population in Vienna rose to approx. 1.87 million at the beginning of 2017 as the result of immigration and an increase in the birth rate, and preliminary data published by Statistik Austria show further growth to roughly 1.89 million by the end of that year. Based on the number of residents, Vienna is now the sixth largest city in the EU and the second largest city in the German-speaking countries after Berlin. This population growth is creating new social and economic momentum. Vienna was recently rated the most liveable city in the world by the international "Quality of Living" study, the most thriving city in the world by the UN Habitat and one of the most innovative cities in the world by the "Innovation Cities Global Index". Robust economic development combined with a liveable environment lead to projections of continued growth in the city's population to two million by 2023. Statistics show roughly 905,000 private households at the end of 2017, with nearly 401,000 single person households, 504,000 multi-person households and an ownership rate of 19%. According to a joint study on the Vienna housing market by the BUWOG Group and EHL (Erster Wiener Wohnungsmarktbericht 2018), Vienna should have more than one million private households in 2030. The residential market in Vienna covers an area of approx. 415,000 sqm and is characterised by high building density in the inner city districts with few undeveloped areas for new construction projects. The steady population growth and resulting strong demand for housing led to a further increase in rental prices during the reporting year – also due to the still low level of new completions (2015: approx. 7,300).

There are still significant price differences in the condominium segment of the Vienna residential market which – similar to the rental segment – are dependent on the location of the property. The charts on the left show the price levels for rental and condominium apartments, aggregated by district and classified by rental units and condominiums.

GENERAL REFERENCES AND SOURCES

The data on Austria was obtained from Statistik Austria and a study published by the BUWOG Group in cooperation with EHL (Erste Wiener Wohnungsmarktberichts 2018), unless indicated otherwise. Information from the Federal Statistical Office and comparable state agencies was used to obtain consistent and comparable data on Germany. Property-specific data was taken from the CBRE market reports, unless indicated otherwise.

DEVELOPMENT OF THE FINANCIAL MARKETS

INTEREST RATES AND REFINANCING

The central banks have overshadowed the financial markets for a number of years. Their monetary policies – which, in some cases have included unconventional measures – have come to dictate the actions of the capital market players, while their decisions and, above all, their non-decisions have dominated market activities to a great extent.

Developments on the international stock, currency and financial markets during the 2017/18 financial year were influenced, among others, by the trade dispute with the USA, political tensions in Italy and the slow implementation of the results from the Brexit referendum as well as the continuing negative effects of migration on the political situation.

In the United States, the reporting year brought a further increase in stock prices and GDP growth as well as low unemployment. There is continuing uncertainty, however, over the effects of planned and partially implemented capital market measures and the gradual increase in interest rates by the US Federal Reserve. Three increases in 2017 raised the key interest rate to a range of 1.75% to 2.00% as of 13 June 2018, and further increases are expected to follow this year.

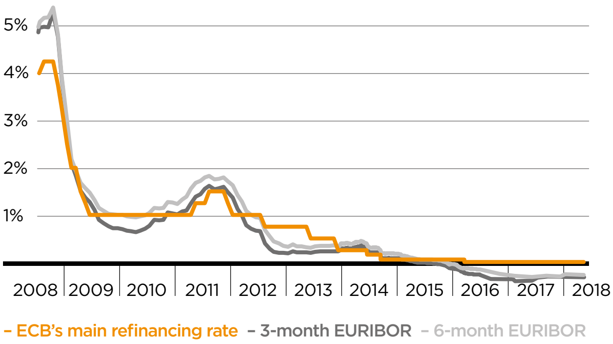
DEVELOPMENT OF KEY INTEREST RATES

The ECB's key interest rate remained unchanged at 0.00% during the 2017/18 financial year. The annual low was reached by the three-month EURIBOR at –0.332% on 19 July 2017 and by the six-month EURIBOR at –0.279% on 31 January 2018. Both rates also continued at a low level after the end of the reporting year on 30 April 2018.

An upward trend in long-term swap rates was noted in 2017/18. The development of swap rates is particularly important for the BUWOG Group in the fair value measurement of financial liabilities and derivatives (non-cash effect) and for the hedging of interest rate risks (cash effect). Details of the effects on the BUWOG Group's financial results are provided in this management report under the sections on *Financing* and the *Asset, financial and earnings position*.

ECB MAIN REFINANCING RATE VS. EURIBOR

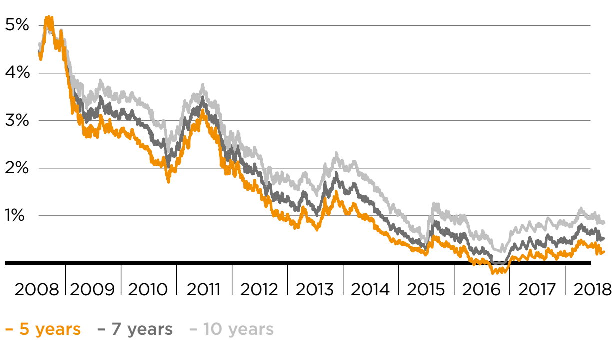
1 May 2008 to 30 April 2018



Source: Bloomberg

EUR SWAP RATES

1 May 2008 to 30 April 2018



Source: Bloomberg

THE ECB'S MONETARY MEASURES

On 14 June 2018, the ECB's Governing Council announced its intention to terminate, by the end of 2018, the quantitative easing (QE) programme which was introduced in early 2015 to stimulate the economy and raise inflation to the Maastricht target of "close to but below" 2%. Monthly bond purchases by the ECB are expected to remain constant at EUR 30 billion up through September and then decline by half by the end of the year. The termination of the QE programme will again move key interest rates into the foreground of monetary policy management.

DEVELOPMENT OF FINANCING PARAMETERS

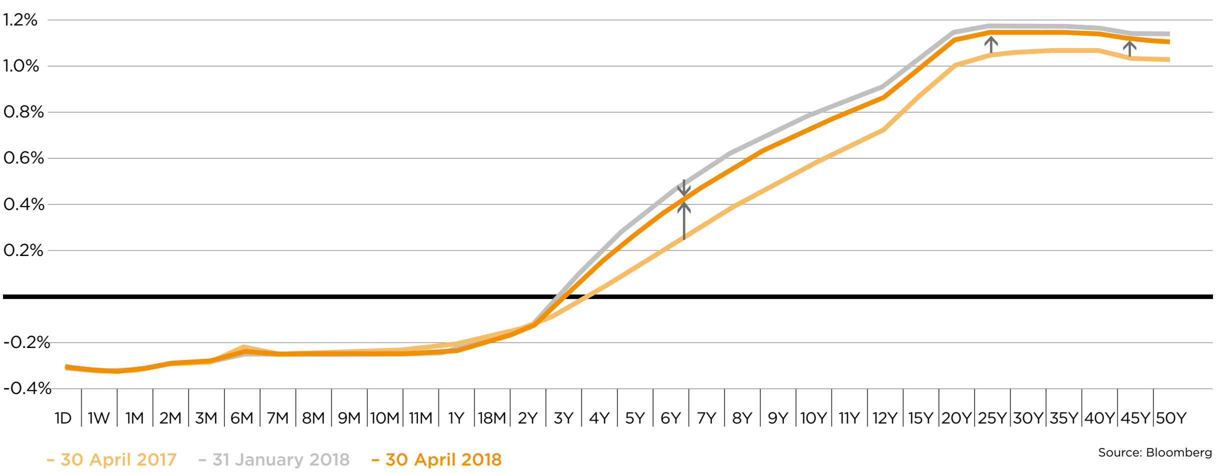
The BUWOG Group sees financing for the real estate industry in Germany and Austria as generally secure at the present time due to the strong demand for capital investments by the banking sector and the current low interest rate environment. The increased capital adequacy requirements for banks defined by Basel II and Basel III are reflected in lower loan-to-value ratios and, consequently, in higher capital requirements for borrowers looking to finance real estate investments. Sufficient financing is generally available for development projects, although lending conditions have tightened significantly in recent years through bank covenants and reporting requirements. The main determining factors for the lending process are location and cost security through the appointment of a general contractor with fixed price and completion guarantees as well as verifiable pre-letting. In summary, sufficient financing is available – but under stricter lending conditions.

DEVELOPMENT OF THE EUR-SWAP CURVE

The significance of the EUR swap curve for the BUWOG Group is reflected in cash interest expenses and, above all, in non-cash financial results. A substantial shift in this curve was visible during the reporting year, with an increase over the level on 30 April 2017. The BUWOG Group has a defensive risk profile with a long-term, balanced financing structure and an average term of 12 years for financial liabilities. The increase in the EUR swap curve had a positive effect on non-cash financial results in 2017/18 because the increasing market level moved closer to the Group's average financing conditions. Additional details are provided in the section *Asset, financial and earnings position* on page 147.

DEVELOPMENT EUR SWAP CURVE

Comparison 30 April 2017 to 31 January 2018 and 30 April 2018



Source: Bloomberg

PORTFOLIO REPORT

The BUWOG Group's core activities include the rental and management of a diversified, risk-optimised and sustainably oriented portfolio of standing investments (Asset Management), the development and construction of attractive and highly marketable projects 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 free cash flow to support the distribution of high dividends.

The following information is based on the values as of 30 April 2018, the balance sheet date for the 2017/18 financial year. The comparative figures in parentheses refer to the values as of 30 April 2017, unless indicated otherwise. Information on the carrying amounts is provided in the consolidated financial statements under note 2 *Accounting Policies*.

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 fair value of the BUWOG Group's portfolio totalled EUR 4,982.1 million as of 30 April 2018 (EUR 4,646.4 million). Standing investments and non-current assets held for sale represent the major component at EUR 4,206.6 million (EUR 3,942.1 million). The real estate inventories have a combined carrying amount of EUR 377.6 million (EUR 355.5 million). The long-term pipeline projects have a fair value of EUR 245.7 million (EUR 277.5 million). The carrying amount of the new buildings, which are reported as investment property under construction and are designated for BUWOG's portfolio, amounts to EUR 133.4 million (EUR 56.3 million). The other tangible assets, which include properties used directly by the BUWOG Group, total EUR 18.9 million (EUR 14.9 million).

The property portfolio of the BUWOG Group is classified under non-current and current assets on the balance sheet. The following charts reconcile the balance sheet values as of 30 April 2018 with the presentation in this portfolio report:

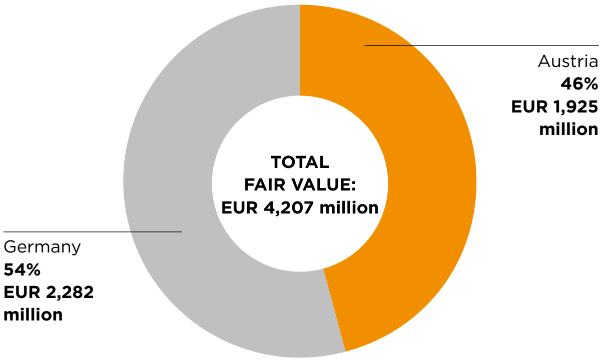
PROPERTY PORTFOLIO
as of 30 April 2018 in EUR million

Non-current assets	**4,604.5**	Investment properties	4,452.3	**Standing investments**	**4,206.6**
				Pipeline projects	245.7
		Other tangible assets	18.9	Properties used by the BUWOG Group[1)]	18.9
		Investment properties under construction	133.4	Construction for the BUWOG portfolio	133.4
Current assets	**377.6**	Non-current assets held for sale	0.0	**Standing investments**	**0.0**
		Real estate inventories	377.6	Pipeline projects	241.5
				Development projects	136.1
Total portfolio BUWOG Group	**4,982.1**		**4,982.1**		**4,982.1**

Data includes rounding differences
1) Incl. furniture, fixtures and office equipment

The following chart shows the regional distribution of the standing investment portfolio:

REGIONAL STRUCTURE OF THE PROPERTY PORTFOLIO BY FAIR VALUE
as of 30 April 2018



PROPERTY PORTFOLIO BY FAIR VALUE

as of 30 April 2018	Units	Standing investments in EUR million	Pipeline projects in EUR million	Properties used by the BUWOG Group in EUR million[1]	Construction for BUWOG portfolio in EUR million	Development projects in EUR million	Property portfolio in EUR million	Share
Germany	27,297	2,281.8	194.8	1.0	87.5	179.4	2,744.5	55.1%
Austria	21,531	1,924.7	50.9	17.9	45.8	198.2	2,237.5	44.9%
BUWOG Group	**48,828**	**4,206.5**	**245.7**	**18.9**	**133.4**	**377.6**	**4,982.0**	**100.0%**

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 steady rental income. The property portfolio in Germany and Austria included 48,828 standing investment units as of 30 April 2018 (49,597), which had a fair value of EUR 4,206.5 million (EUR 3,942.1 million) and represented 85% of the total property portfolio (incl. development projects). The standing investment portfolio is carried at fair value in accordance with IAS 40.

In 2017/18 the BUWOG Group acquired three property portfolios with 74 standing investment units and 5,446 sqm of floor space for a total purchase price of EUR 9.8 million or EUR 1,800 per sqm. The contract was also signed for the acquisition of a portfolio with 725 standing investment units in northern Germany. The purchase price amounts to EUR 73.0 million, and the transfer is expected to take place during the first quarter of the 2018/19 financial year.

The core regions of Berlin, Hamburg, Schleswig-Holstein and Brunswick/Hannover form the regional focus of investments to continue the sustainable expansion of the portfolio in Germany. The BUWOG Group's most important investment criteria are the appreciation potential of the respective property in these attractive socio-demographic and economically stable growth regions, a minimum gross rental yield of roughly 4.0% to 6.0% depending on the location, a positive contribution to the sustainable increase in Net Operating Income (NOI) and Recurring FFO, and the suitability for possible privatisation.

Vienna and Berlin together with the provincial and state capitals, major cities and related suburban regions represented the locations for 87% of the fair value of the BUWOG Group's standing investment portfolio and 77% of the standing investment units as of 30 April 2018.

The annualised contractual net in-place rent for the portfolio properties, including parking spaces, totalled EUR 208.4 million as of 30 April 2018 (EUR 205.1 million). That represents an average net in-place rent of EUR 5.34 per sqm (EUR 5.18 per sqm) and a gross rental yield (annualised net in-place rent in relation to fair value) of 5.0% (5.2%). The vacancy rate is based on the total floor space and equalled 3.3% as of 30 April 2018 (3.4%). The average size of the units in BUWOG's standing investment portfolio is roughly 69 sqm.

On a like-for-like basis – i.e. after the elimination of the effects from changes in the portfolio (excluding portfolio transactions) and the inclusion of changes in vacancies – the increase in rents totalled 2.8% in 2017/18 (4.5%). The like-for-like rental growth equalled 4.0% (3.2%) in the German portfolio and 0.7% (6.3%) in the Austrian portfolio.

A further year-on-year increase was recorded in the fair value of the BUWOG Group's standing investment portfolio during 2017/18, which resulted in fair value adjustments of EUR 238.1 million that were recognized in profit or loss. An overview of the fair value adjustments and additional information on the regional distribution are provided on page 143.

BUWOG invested EUR 77.6 million in its Austrian and German properties during 2017/18 (EUR 66.3 million) for 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. That corresponds to EUR 22.9 per sqm (EUR 18.9 per sqm). Investments in regular maintenance totalled EUR 25.8 million (EUR 27.0 million) or EUR 7.6 per sqm (EUR 7.7 per sqm), and capitalised investment costs amounted to EUR 51.8 million (EUR 39.3 million) or EUR 15.3 per sqm (EUR 11.2 per sqm). The capitalisation ratio for investment costs equalled 66.8% (59.2%) of total investments. As part of its active Asset Management approach, the BUWOG Group continues to focus on sustainable, yield-oriented property management and CAPEX measures to realise opportunities to increase value, improve the properties and boost rental income.

PORTFOLIO OVERVIEW STANDING INVESTMENTS BY LOCATION

as of 30 April 2018	Number of units	Total floor area in sqm	Annualised net in-place rent[1] in EUR million	Monthly net in-place rent[1] in EUR per sqm	Fair value[2] in EUR million	Fair value[2] in EUR per sqm	Gross rental yield[3]	Vacancy rate[4]
Federal capitals	11,479	902,751	62	5.90	1,756	1,945	3.5%	3.4%
Vienna	6,388	562,198	36	5.46	1,065	1,894	3.3%	3.6%
Berlin	5,091	340,553	26	6.61	691	2,030	3.8%	3.0%
State capitals and major cities[5]	18,829	1,206,423	77	5.46	1,351	1,120	5.7%	2.4%
Suburban regions[6]	7,522	521,904	31	5.16	544	1,041	5.7%	3.5%
Rural areas	10,998	733,418	38	4.57	555	757	6.9%	4.7%
Total BUWOG Group	**48,828**	**3,364,496**	**208**	**5.34**	**4,207**	**1,250**	**5.0%**	**3.3%**
thereof Germany	27,297	1,702,742	122	6.09	2,282	1,340	5.3%	2.2%
thereof Austria	21,531	1,661,755	87	4.56	1,925	1,158	4.5%	4.5%

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 2018
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

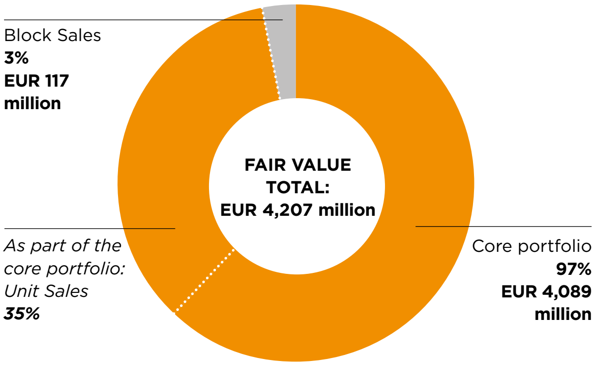
The BUWOG Group's standing investments are assigned to one of three clusters for portfolio management: (a) the core portfolio, (b) the Unit Sales portfolio (current and planned property sales) and (c) the Block Sales portfolio (individual properties and portfolios) where the sale of properties over the medium-term is part of an opportunistic approach to optimise and concentrate the portfolio. In accordance with the strategic portfolio cluster, the core holdings represent 97% of BUWOG's portfolio. The cluster allocation is shown in the following table:

PORTFOLIO SPLIT BY STRATEGIC CLUSTER

as of 30 April 2018		Core portfolio	Unit Sales	Block Sales	**Total portfolio**
Standing investments	Quantity	35,359	11,159	2,310	**48,828**
Total floor area	in sqm	2,295,378	892,752	176,365	**3,364,496**
Monthly net in-place rent[1]	in EUR per sqm	5.62	4.89	3.84	**5.34**
Fair value[2]	in EUR million	2,655	1,434	117	**4,207**
Fair value[2]	in EUR per sqm	1,157	1,606	665	**1,250**
Gross rental yield[3]	in %	5.7%	3.5%	6.5%	**5.0%**
Vacancy rate per cluster	by sqm	2.5%	4.9%	6.4%	**3.3%**

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 2018
3) 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

STRATEGIC PORTFOLIO CLUSTER SPLIT BY FAIR VALUE
as of 30 April 2018



SALE OF PORTFOLIO PROPERTIES (PROPERTY SALES BUSINESS AREA)

A total of 1,022 standing investment units were sold through Unit Sales and Block Sales in 2017/18 (1,731): 1,018 units (1,700) from the Austrian portfolio and 6 (31) units from the German portfolio. These sales generated Net Operating Income (NOI) of EUR 41.6 million (EUR 44.3 million).

Unit Sales are the main driver for sustainable revenues and contributions to Recurring FFO in the BUWOG Group's Property Sales business area. This process basically involves the sale of subdivided units (individual apartments) in two forms: rented units are sold to the current tenants and units vacant due to tenant turnover are sold to owner-occupiers. A total of 567 standing investment units were sold during 2017/18 (614), including 561 units from the Austrian portfolio and 6 units from the German portfolio. These sales contributed EUR 39.3 million (EUR 37.1 million) to Recurring FFO and had a margin on fair value of 62% (57%).

BUWOG's activities to further adjust and concentrate the portfolio were reflected in Block Sales of 455 standing investment units in 2017/18 (1,117 standing investment units), whereby 36 units were part of the Tyrolean portfolio. The earnings contribution from Block Sales is not part of Recurring FFO and is only included in Total FFO. It amounted to EUR 4.1 million (EUR 5.4 million) with a margin on fair value of 17% (5%).

INVESTMENT PROPERTY – PIPELINE PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)

The balance sheet position "investment property" covers standing investments and 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 decision parameters include the availability of building permits, the progress of construction, the legal situation, the amount of equity previously invested by the BUWOG Group, the availability of bank financing, the level of pre-letting or sales, the expected margin, the margins achievable on alternative projects, project-specific factors and, not least, the macroeconomic environment.

The pipeline projects recognised on BUWOG's balance sheet had a carrying amount of EUR 245.7 million as of 30 April 2018 (EUR 277.5 million).

PIPELINE PROJECTS FAIR VALUE

as of 30 April 2018	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	194.7	0.0	0.0	0.1	**194.8**	79.3%
Austria	46.9	2.2	0.0	1.7	**50.9**	20.7%
Total	**241.6**	**2.2**	**0.0**	**1.8**	**245.7**	**100.0%**

OTHER TANGIBLE ASSETS

The other tangible assets had a combined carrying amount of EUR 18.9 million as of 30 April 2018 (EUR 14.9 million). These assets consist primarily of office properties occupied by the BUWOG Group in Vienna (Hietzinger Kai 131) and Villach (Tiroler Strasse 17). Also included here are tangible assets currently under construction for BUWOG's future customer and administrative centre in Vienna at an amount of EUR 12.3 million. These assets represent the shares in a project company which were acquired by BUWOG during December 2016 and the related construction rights for the property at Rathausstrasse 1 in Vienna's first district. The building has roughly 12,000 sqm of gross floor space at one of the best locations in Vienna close to the city hall and parliament.

INVESTMENT PROPERTY UNDER CONSTRUCTION – CONSTRUCTION FOR THE PORTFOLIO (ASSET MANAGEMENT BUSINESS AREA)

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. The carrying amount of these development projects totalled EUR 133.4 million as of 30 April 2018 (EUR 56.3 million). A total of 350 units with a total investment volume of EUR 56 million were under construction in Vienna at the end of the 2017/18 financial year. In Berlin, 448 units with a total investment volume of EUR 119 million were under construction. The completions and transfers to the standing investment portfolio in 2017/18 included the project at Breitenfurter Strasse 239 with 100 units in Vienna and the Ankerviertel project with 86 units in Berlin.

NON-CURRENT ASSETS HELD FOR SALE (ASSET MANAGEMENT/ PROPERTY DEVELOPMENT BUSINESS AREAS)

In order to be classified as non-current assets held for sale and accounted for in accordance with IFRS 5, properties must be covered by specific plans as of the balance sheet date which make their sale likely in the near future. None of BUWOG's properties met these criteria as of 30 April 2018.

REAL ESTATE INVENTORIES – DEVELOPMENT PROJECTS (PROPERTY DEVELOPMENT BUSINESS AREA)

The development of subsidised or privately financed condominiums and investment apartments (investors) for sale to local customers and institutional investors and foundations is an important part of BUWOG's business activities. The markets in Vienna, Berlin and Hamburg with their strong demand for condominiums represent the main regional focus of these new development projects. The principle selection criteria for development projects are the location, the size of the project, its marketability and the expected profitability.

Development projects completed or currently under construction are reported on the balance sheet as real estate inventories (current assets) and accounted for at depreciated cost or the lower net realisable value in accordance with IAS 2. The fair value of the real estate inventories totalled EUR 377.6 million as of 30 April 2018 (EUR 355.5 million).

PROPERTY VALUATION

The consolidated financial statements of the BUWOG Group as of 30 April 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), which include the application of the fair value method. The determination of fair value requires the regular appraisal of the investment properties by independent experts. The valuation of the property portfolio reflects the Best Practice Recommendations of the European Public Real Estate Association (EPRA) for the application of the fair value method as defined in IFRS. The BUWOG Group views the calculation and transparent presentation of fair value as an important internal controlling instrument, which also allows for a realistic external assessment of its property assets.

The standing investments, new construction projects and undeveloped land held by the BUWOG Group are valued by the independent external appraisers at CBRE Germany/Austria. The fair values of the property assets determined by these appraisals have a direct influence on net asset value (NAV) and therefore represent an important factor for evaluating the asset position of the BUWOG Group.

CBRE uses a discounted cash flow (DCF) model to value the Austrian real estate holdings. This model was adapted to reflect the special features of the Austrian Non-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*), in particular, cost-covering rent and re-letting fees, and the Unit Sales from these holdings. The parameters for Austria include long-term subsidy periods, interest rate hikes and the long-term revenues realisable from Unit Sales in the form of detailed cash flows over a period of 80 years. If the sale of individual apartments is the most economically feasible option, the property is valued according to the estimated sale potential of the individual units. The recoverable revenue on the sale is determined by applying the sales comparison approach and included in the DCF model on an accrual basis.

A standard discounted cash flow (DCF) method is applied to the German standing investments. The residual value method is used for property under construction (project development) and the comparative value method for undeveloped property (for future development projects) in Germany and Austria.

Additional information on the valuation process and methods is provided in the consolidated financial statements under note 6.1.2 *Valuation methods and input factors*.

DEVELOPMENT OF PROPERTY VALUES IN 2017/18

The external appraisal by CBRE showed a substantial year-on-year increase in the fair value of BUWOG's properties as of 30 April 2018. The fair value adjustments recognised in accordance with IFRS 40 totalled EUR 242.0 million as of 30 April 2018, whereby EUR 210.1 million resulted from the valuation of the German portfolio and EUR 28.0 million from the valuation of the Austrian portfolio. The fair value adjustments to the pipeline projects amounted to EUR 3.9 million.

The carrying amount of the standing investments recognised at fair value totalled EUR 4,206.5 million as of 30 April 2018, while the pipeline projects had a combined fair value of EUR 245.7 million. For the BUWOG Group, this represents a total carrying amount of EUR 4,452.3 million.

The above-average increase of EUR 210.1 million in the fair value of the German properties resulted primarily from an increase in market rents and a high yield compression – with an above-average increase in the purchase prices for rental properties and property portfolios in relation to the growth in rents – which reflects the continuing strong demand by domestic and foreign investors. This sharp rise in the purchase prices for properties, above all in Berlin, is also visible in the rapidly growing cities in northern Germany, e.g. Lübeck and Kiel. These so-called B- and C-locations are attracting opportunistic investors as well as an increasing number of long-term oriented real estate investors from the peer group which, in turn, is intensifying competition. There are no signs of a decline in the strong demand for residential properties and a related decrease in the rising yield compression over the short-term. The fair value adjustments were not only favourably influenced by these market factors, but also by improved property management, especially in BUWOG's core regions. The highest fair value increase in the German standing investment portfolio was recorded in Berlin (the capital city and surrounding region) at EUR 83.5 million and resulted chiefly from the ongoing strong yield compression. Substantial increases in the state capitals/major cities were noted in Lübeck (EUR 43.9 million), Kiel (EUR 23.4 million) and the suburban regions near Hamburg (EUR 16.4 million).

In the BUWOG Group's Austrian portfolio, the fair value adjustments of EUR 28.0 million resulted from the positive development of ownership prices on the real estate market. The fair value adjustments in this portfolio were concentrated on Unit Sales properties in Vienna at EUR 32.2 million.

The following table summarises the fair value adjustments by regional cluster.

REVALUATION RESULT BY REGIONAL CLUSTER

as of 30 April 2018	Fair value adjustments in EUR million	Fair value in EUR million	Fair value in EUR per sqm	Monthly net in-place rent[1] in EUR per sqm	Multiplier net in-place rent
Federal capitals	109.3	1,756	1,945	5.90	28.4
Vienna	30.6	1,065	1,894	5.46	30.0
Berlin	78.7	691	2,030	6.61	26.4
State capitals and major cities[2]	87.6	1,351	1,120	5.46	17.5
Suburban regions[3]	22.4	544	1,041	5.16	17.4
Rural areas	18.9	555	757	4.57	14.5
Total BUWOG Group	**238.1**	**4,207**	**1,250**	**5.34**	**20.2**
thereof Germany	210.1	2,282	1,340	6.09	18.8
thereof Austria	28.0	1,925	1,158	4.56	22.2

The positive and negative fair value adjustments are shown as a net amount in the above table.
Fair value and fair value adjustments of standing investments according to CBRE valuation reports as of 30 April 2018
1) Based on monthly net in-place rent (excluding utilities) as of the balance sheet date
2) More than 50,000 inhabitants and a significant share of the portfolio
3) The immediate catchment area up to about 15 km around federal capitals, state capitals and major cities

FINANCING

The BUWOG Group successfully arranged (re)financing for its standing investments and extended working capital lines with a total volume of EUR 39.6 million[1] and an average interest rate of 1.34% in 2017/18. Project financing was also concluded for a total volume of EUR 171.4 million[2] at an average interest rate of 1.17%.

In total, the BUWOG Group continued its financing at sustainably favourable conditions and thereby further improved the contribution made by financial results to Recurring FFO.

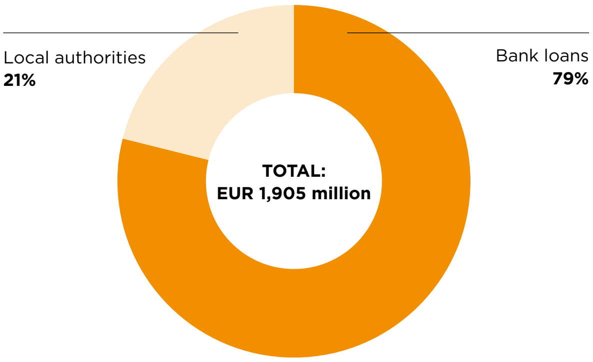
FINANCING INDICATORS

	Outstanding liability in EUR million	Share of outstanding liability	Ø Interest rate	Ø Term in years
Bank liabilities	**1,496**	**79%**	**2.15%[1]**	**10.1**
thereof Germany	806	42%	2.03%	5.7
thereof Austria	689	36%	2.29%	15.2
Local authorities	**408**	**21%**	**1.73%**	**18.6**
thereof Germany	1	0%	3.00%	21.2
thereof Austria	408	21%	1.73%	18.6
Convertible bond	**1**	**0%**	**0.00%**	**3.4**
Total	**1,905**	**100%**	**2.06%**	**11.9**

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

The financial liabilities held by the BUWOG Group include liabilities to credit institutions, liabilities to local authorities and development banks and liabilities from the issued convertible bonds. The outstanding volume of these financial liabilities, which are denominated entirely in Euros, totalled approximately EUR 1,905 million as of 30 April 2018. The net financial liabilities of EUR 1,670.2 million in relation to the carrying amount of the total portfolio (EUR 4,963.2 million) represent the loan-to-value ratio. This indicator was successfully reduced from 44.1% as of 30 April 2017 to 33.7% (IFRS) at the end of the reporting year. Additional details on the calculation of the LTV are provided under *Loan to value* in the section on the *Asset, financial and earnings position*.

STRUCTURE OF THE AMOUNT OUTSTANDING UNDER FINANCIAL LIABILITIES
as of 30 April 2018



CONVERTIBLE BOND

The BUWOG Group issued an unsecured convertible bond in 2016/17, which had an original volume of EUR 300 million. Of this volume, only EUR 1.2 million were outstanding as of 30 April 2018 following the conversion of bonds tendered to Vonovia SE at a conversion price of EUR 25.10 per share.

The conversion of these convertible bonds resulted in an average interest rate disadvantage of 0.28% in relation to the Group's financial liabilities.

1) As of 30 April 2018, EUR 32.1 million had not been transferred because the disbursement requirements must still be met.
2) As of 30 April 2018, EUR 162.6 million had not been transferred because the disbursement requirements must still be met.

CORPORATE RATING BBB+

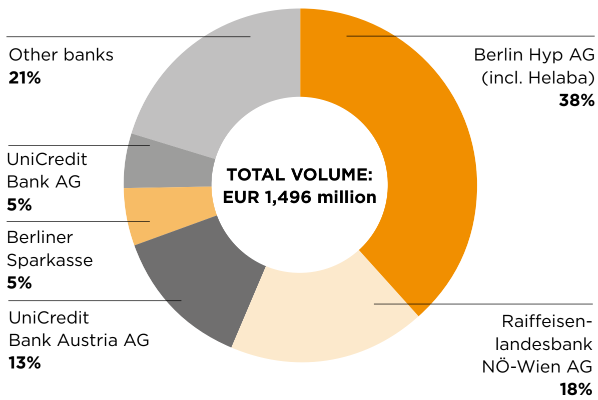
BUWOG AG submitted to its first corporate credit rating process in 2017/18 and was ranked BBB+ with stable outlook by the leading international rating agency S&P. The S&P statement referred, among others, to the regional distribution, quality and low vacancy rate in BUWOG's standing investment portfolio. With regard to development activities, S&P emphasised the flexibility of BUWOG's business model, which allows for a shift from develop-to-sell to develop-to-hold if market conditions change. This very positive rating gives BUWOG AG greater financing independence at favourable conditions. At the same time, BUWOG sees the S&P rating as confirmation of its business model.

FINANCING PARTNERS AND REPAYMENT STRUCTURE

BUWOG benefits from long-standing business relations with more than 40 financial institutions in Austria and Germany. Its most important contract partners are Berlin Hyp AG, Raiffeisenlandesbank Niederösterreich-Wien AG, UniCredit Bank Austria AG, Berliner Sparkasse and UniCredit Bank AG. The diversification of financing among various lenders allows the Group to avoid dependency and creates broad access to a wide range of funding sources.

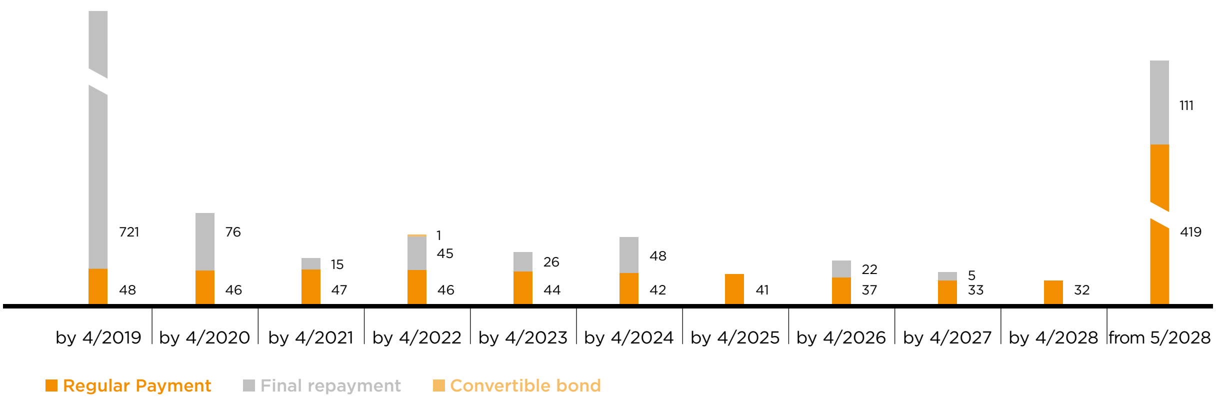
In keeping with the long-term nature of its core business, the BUWOG Group works to develop and maintain a long-term, balanced financing structure to protect its defensive risk profile. Most of the financing contracts are based on long-term agreements.

KEY FINANCING PARTNERS (BANKS)
as of 30 April 2018



The repayment structure by maturity is shown below:

REPAYMENT BY MATURITY
per year, basic amount outstanding in EUR million

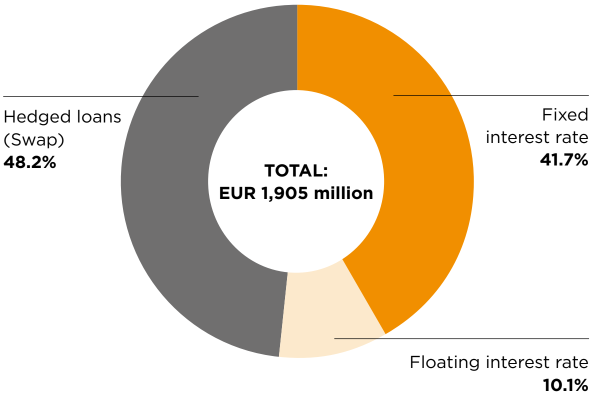


The BUWOG Group did not violate any bank financing covenants in 2016/17, and all financial covenants were generally met in 2017/18. The late submission of annual financial statements (information covenants) would have entitled banks with a financing volume of EUR 658.8 million to exercise their contractual call right as of 30 April 2018. Therefore, the involved financing was reclassified from non-current to current financial liabilities. The call right was, in fact, not exercised, and the overdue information has since been submitted. BUWOG's good rating in the investment grade range underscores its strong credit standing and supports cooperative relationships with lenders.

INTEREST RATE STRUCTURE

In keeping with the long-term nature of BUWOG's financing structure, roughly 90% of the financing contracts are hedged against interest rate risk through fixed interest rate agreements and/or interest rate swaps. The weighted average nominal interest rate increased from 1.78% to 2.06% in 2017/18 due to the conversion of convertible bonds in connection with the takeover offer by Vonovia SE.

INTEREST RATE STRUCTURE
as of 30 April 2018



HOUSING SUBSIDIES

A special component of financing for the BUWOG Group is formed by the subsidised loans provided by financial institutions and local authorities in Austria. These loans currently represent roughly 24% of the outstanding balance of financial liabilities. In Austria, a large part of the Group's construction projects were financed by the public sector within the framework of housing subsidies. The housing subsidies granted to the BUWOG Group can be classified, in particular, according to the following criteria:

- Provincial subsidies for construction and renovation
- Types of subsidies: annuity subsidies, construction cost subsidies or direct loans

These subsidies are defined by the housing construction laws in the individual Austrian provinces. Despite the wide variety of detailed legal regulations, these housing subsidy laws have several fundamental principles in common:

- Rental prices, especially in Austria, are capped at a cost-covering level during and after the term of the subsidy.
- Certain restrictions are imposed as protection for the funds flowing into housing construction subsidies, e.g. temporary limits on sale.
- Sanctions, in particular premature repayment, take effect if the intent of the subsidy is violated.

All of the subsidised loans obtained by the BUWOG Group fall under the above criteria and had an average interest rate of 1.59% as of 30 April 2018. Most of the subsidised loans carry fixed interest rates and include annuity hikes or graduated interest agreements, which are known when the related contract is concluded and can generally be passed on through an increase in rents.

DERIVATIVES

The BUWOG Group uses derivative financial instruments to hedge the risk of interest rate changes. Derivatives are only used to hedge interest rates, and the key parameters such as the term and repayment structures are adjusted to reflect the respective underlying transaction. The BUWOG Group held derivatives with a notional amount of EUR 919 million as of 30 April 2018. Of the total financial liabilities, roughly 90% are hedged against interest rate risk through swaps or fixed interest agreements. Floor agreements (i.e. the negative Euribor from the underlying transaction is not passed on) for hedged transactions with a volume of EUR 477 million have led to an increase in interest expense due to the current negative reference rates. Further details on derivatives can be found in the consolidated financial statements under note 7.2.5 *Interest rate and market price risk*.

ASSET, FINANCIAL AND EARNINGS POSITION

The following information on the asset, financial and earnings position is based on the 2017/18 financial year (reporting year) and the 2016/17 financial year (comparative period) and can include rounding differences. The disclosures and information as of the previous year's balance sheet date (30 April 2017) and for the comparative period 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.

The Asset Management business area recorded a further sound improvement in NOI from EUR 156.9 million in 2016/17 to EUR 157.3 million in 2017/18 based on its clearly defined portfolio and asset strategy. The sale of the Tyrolean portfolio led to a decline in annualised net cold rent from EUR 214.4 million to EUR 210.9 million.

The Property Sales business area is characterised by high-margin Unit Sales and Block Sales to investors as a means of optimising the portfolio. A total of 1,022 standing investment units were sold during 2017/18 (1,731): 567 (614) units through Unit Sales at a stable, high margin of 62% and 455 (1,117) units through Block Sales. The lower volume of Block Sales led to a decline of EUR 2.7 million in NOI for this business area to EUR 41.6 million in 2017/18.

NOI in the Property Development business area more than doubled to EUR 57.7 million in 2017/18 (EUR 28.3 million). This sound development was also reflected in the number of completions in Vienna and Berlin, which rose by 5.4% to 432 units.

EARNINGS POSITION

CONDENSED INCOME STATEMENT

in EUR million	2017/18	2016/17	Change
NOI Asset Management	157.3	156.9	0.3%
NOI Property Sales[1]	41.6	44.3	-6.2%
NOI Property Development	57.7	28.3	>100%
Other operating income	4.6	3.5	31.6%
Expenses not directly attributable	-77.0	-40.6	-89.5%
Results of operations	**184.3**	**192.4**	**-4.2%**
Other valuation results	242.0	335.2	-27.8%
Operating profit (EBIT)	**426.3**	**527.5**	**-19.2%**
Financial results	-83.0	-69.3	-19.8%
Earnings before tax (EBT)	**343.3**	**458.3**	**-25.1%**
Net profit	**279.3**	**366.7**	**-23.8%**
Net profit per share[2] in EUR	**2.46**	**3.59**	**-31.5%**

The use of automated calculation systems may give rise to rounding differences.
1) Including of adaption IFRS 5 EUR 0.0 million (EUR 1.8 million)
2) Base 111,574,193 shares, previous year: 99,773,479 shares (weighted average)

Asset Management. The income recorded by the Asset Management business area consists of net cold rent of EUR 193.5 million (EUR 200.1 million) from residential properties plus other rental income of EUR 17.4 million (EUR 14.4 million) which results primarily from the rental of office, retail and parking space. These two items comprise the indicator "net in-place rent" and represent the contribution by Asset Management to the BUWOG Group's total revenue. The revenues from Asset Management also include operating costs passed on to tenants and third-party management revenues of EUR 107.6 million (EUR 112.0 million) as well as other revenues of EUR 0.3 million (EUR 0.2 million). These revenues are contrasted by operating expenses and expenses from third-party management amounting to EUR 106.8 million (EUR 112.1 million) and expenses directly related to investment properties totalling EUR 54.7 million (EUR 57.7 million), which include maintenance costs of EUR 25.9 million (EUR 27.1 million) for BUWOG's own portfolio.

The NOI from Asset Management remained stable at EUR 157.3 million (EUR 156.9 million) despite the sale of the Tyrolean portfolio in the previous year. This continued sound development resulted primarily from an increase in the NOI generated by Asset Management in Germany from EUR 81.5 million to EUR 90.0 million, which was based on higher prices for new rentals and rental increases in Berlin and other major cities. The NOI from Asset Management in Austria declined from EUR 75.4 million to EUR 67.3 million.

OVERVIEW ASSET MANAGEMENT

in EUR million	2017/18	2016/17	Change
Residential rental income	193.5	200.1	-3.3%
Other rental income	17.4	14.4	21.0%
Rental revenues	**210.9**	**214.4**	**-1.7%**
Operating costs charged to tenants and third party property management revenues	107.6	112.0	-3.9%
Other revenues	0.3	0.2	11.9%
Revenues	**318.8**	**326.7**	**-2.4%**
NOI Asset Management	**157.3**	**156.9**	**0.3%**
NOI margin Asset Management	**74.5%**	**73.1%**	**1.4 PP**

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

Property Sales. NOI in the Property Sales business area declined from EUR 44.3 million to EUR 41.6 million in 2017/18. The number of units sold also decreased from 1,731 in 2016/17 to 1,022, whereby the previous year included 1,116 standing investments from the sale of the Tyrolean portfolio. The margin on Unit Sales rose by 5.5 percentage points year-on-year to 62%. The position "IFRS 5 adjustment" includes fair value adjustments to non-current assets held for sale and equalled EUR 1.8 million in 2016/17. This valuation effect is adjusted for the calculation of NOI, EBITDA and Total FFO and reported as part of earnings for the period in which the sale proceeds are recognised. The major parameters for classification as Unit Sales or Block Sales (sale of individual properties and portfolios) are shown in the following table:

OVERVIEW PROPERTY SALES

	2017/18	2016/17	Change
Sales of units in numbers	**1,022**	**1,731**	**-41.0%**
thereof Unit Sales	567	614	-7.7%
thereof Block Sales	455	1,117	-59.3%
Revenues Property Sales in EUR million	**130.7**	**228.4**	**-42.8%**
thereof Unit Sales in EUR million	104.0	104.9	-0.8%
thereof Block Sales in EUR million	26.7	123.4	-78.4%
NOI Property Sales in EUR million	**41.6**	**44.3**	**-6.2%**
Adaption IFRS 5 current year	0.0	-1.8	100%
Adaption IFRS 5 previous year	1.8	0.0	n.a.
NOI Property Sales in EUR million adjusted	**43.4**	**42.5**	**2.0%**
thereof Unit Sales in EUR million	39.2	37.1	5.8%
thereof Block Sales in EUR million	4.2	5.4	-23.8%
margin on fair value	**50%**	**23%**	**26.8 PP**
thereof Unit Sales	62%	57%	5.5 PP
thereof Block Sales	17%	5%	12.7 PP

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

Property Development. The Property Development business area, which is classified in "develop to sell" and "develop to hold", was very successful during 2017/18. Revenues from Property Sales rose by 17.7% year-on-year to EUR 205.6 million. The NOI generated in Austria, adjusted for the fair value of properties currently under construction, increased by 88.2% to EUR 31.6 million. This sound improvement was influenced by transfers from the exclusive "Pfarrwiesengasse" project as well as the "Seefeld I", "Southgate" and Töllergasse T(h)ree projects. Four sites in Austria were also sold during the reporting year: Walter-Jurmann-Gasse for proceeds of EUR 0.7 million, Windmühlgasse for proceeds of EUR 3.4 million, Triester Strasse for proceeds of EUR 0.6 million and Pfeiffergasse for proceeds of EUR 0.4 million. One site in Germany was also sold: Harzer Strasse for proceeds of EUR 5.3 million.

The strong overall improvement in NOI in 2017/18 and the NOI margin of 19% confirm the BUWOG Group's strategically successful course in this business area.

OVERVIEW PROPERTY DEVELOPMENT

	2017/18	2016/17	Change
Sold units	**432**	**410**	**5.4%**
thereof Germany	164	189	-13.2%
thereof Austria	268	221	21.3%
Revenues Property Development in EUR million	**205.6**	**174.7**	**17.7%**
thereof Germany in EUR million	75.0	78.3	-4.3%
thereof Austria in EUR million	130.6	96.3	35.6%
NOI Property Development in EUR million	**57.7**	**28.3**	**>100%**
Adjustment to fair value of investment properties under construction	-19.6	-5.6	>100%
NOI Property Development adjusted in EUR million	**38.1**	**22.7**	**67.9%**
thereof Germany in EUR million	6.5	5.9	10.1%
thereof Austria in EUR million	31.6	16.8	88.2%
NOI margin Property Development adjusted	**18.5%**	**13.0%**	**5.5 PP**
thereof Germany	8.7%	7.5%	1.1 PP
thereof Austria	24.2%	17.5%	6.8 PP

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

Expenses not directly attributable. Expenses not directly attributable to the three business areas amounted to EUR 77.0 million (EUR 40.6 million). They consist primarily of personnel expenses totalling EUR 30.1 million (EUR 15.8 million), legal, auditing and consulting fees of EUR 22.9 million (EUR 9.4 million)) and IT and communication costs of EUR 5.7 million (EUR 3.7 million). The expenses for advertising and marketing amounted to EUR 2.9 million in 2017/18 (EUR 2.0 million). The substantial increase in consulting fees was related to strategic advising in connection with the takeover offer by Vonovia SE. Another factor was the increase in the average number of employees to 761 (718).

Other revaluation results. Other revaluation results totalled EUR 242.0 million (EUR 335.2 million) and consisted primarily of fair value adjustments to investment properties. Additional details are provided in the consolidated financial statements under note 5.7 *Fair value adjustments.*

Financial results. Financial results of EUR -83.0 million (EUR -69.3 million) include cash financing costs of EUR -42.7 million (EUR -47.9 million) as well as non-cash results from the fair value measurement through profit or loss of derivatives at EUR -15.9 million (EUR +1.8 million) and financial liabilities at EUR -11.3 million (EUR -10.9 million). The non-cash results from the fair value measurement of financial liabilities were based on the difference between the development of the underlying discount curve in 2017/18 and 2016/17. Non-cash valuation effects have no effect on Recurring FFO. Information on the development of interest rates is provided in the management report under *General economic environment* and *Development of the financial markets.*

EBITDA. The results of operations declined by 4.2% to EUR 184.3 million as a result of the above-mentioned effects. EBITDA totalled EUR 170.6 million (EUR 188.1 million) after the inclusion of non-cash effects, effects related to previous financial years and the valuation of properties under construction and properties held for sale.

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EBITDA

in EUR million	2017/18	2016/17	Change
Results of operations	**184.3**	**192.4**	**-4.2%**
Impairment losses/revaluations	4.2	3.1	34.0%
Adjustment to fair value of investment properties under construction	-19.6	-5.6	>100%
Adaption IFRS 5 previous year	1.8	0.0	n.a.
Adaption IFRS 5 current year	0.0	-1.8	n.a.
EBITDA[1]	**170.6**	**188.1**	**-9.3%**
EBITDA Asset Management	**103.0**	**127.6**	**-19.2%**
EBITDA Property Sales[1]	**41.0**	**41.7**	**-1.7%**
thereof Unit Sales	37.1	36.3	2.0%
thereof Block Sales	3.9	5.3	-26.3%
EBITDA Property Development	**26.6**	**18.9**	**41.0%**

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)

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 sustainable, experience-based business model of the BUWOG Group, which consists of Asset Management, Property Development and Property Sales (excluding the results of Block Sales). Net profit for the year is the starting point for the calculation shown in the following table.

Recurring FFO, which also serves as the benchmark for the dividend, rose by a further 10.4% year-on-year to EUR 129.4 million in 2017/18 (EUR 117,2 million). The 31.8% increase in CAPEX investments in the standing investments and the resulting higher capitalisation rate led to a decline of 0.3% in AFFO to EUR 77.7 million.

FFO

in EUR million	2017/18	2016/17	Change
Net profit	279.3	366.7	-23.8%
Results of Property Sales	-41.6	-44.3	6.2%
Other financial results	40.1	20.9	91.8%
Fair value adjustments of investment properties[1]	-261.6	-340.7	23.2%
Impairment losses/revaluations	4.2	3.1	36.4%
Deferred taxes	49.1	62.3	-21.2%
Other	20.8	12.2	70.3%
FFO	**90.2**	**80.1**	**12.6%**
Unit Sales result	39.2	37.1	5.8%
Recurring FFO	**129.4**	**117.2**	**10.4%**
Block Sales result	4.2	5.4	-23.8%
Total FFO	**133.6**	**122.6**	**9.0%**
Recurring FFO per share in EUR basic[2]	1.16	1.17	-1.2%
Total FFO per share in EUR basic[2]	1.20	1.23	-2.6%
Recurring FFO	**129.4**	**117.2**	**10.4%**
CAPEX	-51.7	-39.3	-31.8%
AFFO	**77.7**	**77.9**	**-0.3%**

The use of automated calculation systems may give rise to rounding differences.
1) Includes fair value adjustments of EUR 242.0 million (EUR 335.2 million) to investment properties and the valuation of property under construction at EUR 19.6 million (EUR 5.6 million)
2) Basis for earnings data: 111,574,193 shares (99,773,479) weighted average

Other financial results amounted to EUR –40.1 million (EUR -20.9 million) and include the following adjustments: other financial results of EUR –36.0 million (EUR -18.0 million), results of EUR –2.7 million (EUR –2.8 million) from the valuation of financial liabilities at amortised cost, results of EUR +0.5 million (EUR +0.6 million) from other financial assets valued at amortised cost, cash transaction costs of EUR +0.6 million (EUR +1.1 million) from current borrowings and increased interest of EUR –2.6 million (EUR -1.7 million) based on the effective interest method for the convertible bond issued during the reporting year.

Impairment losses/revaluations include EUR 3.8 million (EUR 2.4 million) of depreciation, amortisation and impairment losses to tangible and intangible assets as well as expenses of EUR 0.4 million (EUR 0.7 million) from the valuation of real estate inventories.

The position "other" includes personnel expenses of EUR 0.6 million (EUR 2.4 million) and operating expenses of EUR 8.7 million (EUR 7.1 million) for project-related and other non-recurring costs as well as EUR 0.6 million (EUR 0.0 million) for an employee event. Also included here are consulting fees of EUR 10.6 million (EUR 0.0 million) incurred for strategic advising in connection with the takeover offer by Vonovia SE. The following items represent further components of this position: a settlement payment of EUR 2.5 million (EUR 0.0 million) to Andreas Segal as compensation for the remaining term of his employment contract and his agreement to waive the exercise of special termination rights, expenses of EUR 0.0 million (EUR 0.2 million) for share-based remuneration agreements with equity settlement, income of EUR 0.5 million (EUR 0.5 million) from insurance compensation, income of EUR 0.0 million (EUR 0.5 million) from the reimbursement of expenses from previous financial years, miscellaneous expenses, miscellaneous rental income and other operating income of EUR 1.0 million as compensation for damages related to a settlement with a major tenant, sundry rental income of EUR 2.1 million and income of EUR 0.7 million from the release of performance bonds. In the previous year this position included additions of EUR 0.0 million to provisions for unusual and/or aperiodic damages and legal proceedings (2017/18: EUR 3.5 million).

ASSET POSITION

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CONDENSED BALANCE SHEET

in EUR million	30 April 2018	30 April 2017	Change
Investment property	4,452.3	4,203.9	5.9%
Investment property under construction	133.4	56.3	>100%
Other tangible assets	18.9	14.9	26.3%
Intangible assets	17.3	14.6	18.6%
Trade and other receivables	240.3	127.7	88.2%
Other financial assets	13.6	15.5	–11.9%
Deferred tax assets	0.0	0.2	–100%
Non-current assets held for sale	0.0	15.7	–100%
Income tax receivables	14.6	3.9	>100%
Real estate inventories	377.6	355.5	6.2%
Cash and cash equivalents	219.3	211.4	3.7%
Assets	**5,487.3**	**5,019.7**	**9.3%**
Equity	2,822.3	1,995.8	41.4%
Liabilities from convertible bonds	1.2	288.0	–99.6%
Financial liabilities	1,888.3	1,963.5	–3.8%
Trade payables and other liabilities	424.7	464.0	–8.5%
Income tax liabilities	12.4	28.8	–56.9%
Provisions	15.2	14.6	3.9%
Deferred tax liabilities	323.2	264.9	22.0%
Financial liabilities held for sale	0.0	0.1	–100%
Equity and liabilities	**5,487.3**	**5,019.7**	**9.3%**

Information on investment property, investment property under construction, real estate inventories and non-current assets held for sale is provided in the portfolio report and in the consolidated financial statements. A detailed analysis of the development of the BUWOG Group's equity can be found under *Development of Group Equity* in the consolidated financial statements. The year-on-year increase in other tangible assets is attributable to BUWOG's new administrative building at 1010 Vienna, Rathausstrasse 1. The year-on-year increase in intangible assets resulted primarily from the Group-wide installation and subsequent capitalization of software (primarily SAP). The increase in trade and other receivables is attributable to a prepayment for the acquisition of a portfolio in Germany

EPRA Net Asset Value is calculated in accordance with the Best Practice Policy Recommendations of the European Public Real Estate Association (EPRA). The EPRA NAV concept is used to present the fair value of net assets on a long-term basis and to give investors an impression of a company's sustainable asset position. The EPRA NAV improved by 8.2% to EUR 25.85 per share in 2017/18. Further details are provided in the section *Overview of EPRA performance indicators* in the Group management report.

EPRA NAV

in EUR million	30 April 2018	30 April 2017	Change
Equity before non-controlling interests	2,796.7	1,974.6	41.6%
Goodwill	-5.6	-5.6	0.0%
Inventories (carrying amount)[1)]	-377.6	-355.5	-6.2%
Inventories (fair value)	421.0	427.7	-1.6%
Properties owned by BUWOG (carrying amount)	-17.1	-13.6	-25.9%
Properties owned by BUWOG (fair value)	21.6	19.1	13.4%
Positive market value of derivative financial instruments	-0.0	0.0	n.a.
Negative market value of derivative financial instruments	44.3	66.1	-33.0%
Deferred tax assets on investment properties	-0.0	-0.2	99.9%
Deferred tax liabilities on investment properties (adjusted)[2)]	345.9	305.6	13.2%
Deferred taxes on property inventories	-11.3	-20.0	43.3%
Deferred taxes on derivative financial instruments	-8.5	-13.4	36.3%
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NAV per share in EUR basic (balance sheet date)	**25.85**	**23.90**	**8.2%**

1) The fair value adjustments of inventories are valuated 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 45.2 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) fell from 44.1% as of 30 April 2017 to 33.7% as of 30 April 2018. This decline was based on the increase in property assets following the appraisal as of 30 April 2018, the strong development of the Property Development business area and the conversion of the convertible bonds into shares.

LOAN-TO-VALUE RATIO

in EUR million	30 April 2018	30 April 2017	Change
Non-current financial liabilities	1,119.8	1,844.6	-39.3%
Current financial liabilities	768.5	118.8	>100%
Financial liabilities held for sale	0.0	0.1	-100%
Liabilities from convertible bonds	1.2	288.0	-99.6%
Financial liabilities	**1,889.4**	**2,251.6**	**-16.1%**
Cash and cash equivalents	-219.3	-211.4	-3.7%
Net financial liabilities	**1,670.2**	**2,040.2**	**-18.1%**
Investment properties	4,452.3	4,203.9	5.9%
Investment properties under construction	133.4	56.3	>100%
Non-current assets held for sale	0.0	15.7	-100%
Inventories	377.6	355.5	6.2%
Carrying amount overall portfolio	**4,963.2**	**4,631.4**	**7.2%**
Loan-to-value ratio	**33.7%**	**44.1%**	**-10.4 PP**

FINANCIAL POSITION

CONDENSED CASH FLOW STATEMENT

in EUR million	2017/18	2016/17	Change
Gross cash flow	98.7	91.1	8.4%
Cash flow from operating activities	38.8	109.2	-64.4%
Cash flow from investing activities	-118.1	-57.5	>100%
Cash flow from financing activities	87.2	77.2	12.9%
Cash flow	**7.9**	**128.9**	**-93.9%**

Gross cash flow – adjusted for non-cash items such as the fair value adjustment of investment properties, the valuation of financial instruments at fair value, depreciation, amortisation and other positions – totalled EUR 98.7 million (EUR 91.1 million). The net cash outflow from net working capital positions amounted to EUR 59.9 million (EUR 18.1 million). Cash flow from operating activities, which is determined primarily by the Asset Management and Property Development business areas, declined by EUR 70.4 million, or 66.4%, from EUR 109.2 million to EUR 38.8 million.

The negative cash flow from investing activities more than doubled over the previous year to EUR 118.1 million in 2017/18 (EUR 57.5 million). Payments of EUR 254.7 million (EUR 298.7 million) made for the purchase of investment properties, properties under construction and other non-current assets were contrasted by payments of EUR 133.1 million (2016/17: EUR 236.2 million due to the sale of the Tyrolean portfolio) received for the sale of non-current assets.

Cash flow from financing activities rose by 12.9% to EUR 87.2 million (EUR 77.2 million) and reflected the capital increase and resulting net cash inflows of EUR 297.4 million. These inflows were contrasted by cash outflows from a net decline of EUR 89.3 million (EUR 101.2 million) in current and non-current financial liabilities, dividend payments of EUR 78.2 million (EUR 69.0 million) and interest paid of EUR 42.7 million (EUR 47.9 million). In the previous year, an additional factor was the net cash inflow of EUR 297.0 million from the issue of a convertible bond.

OVERVIEW OF EPRA PERFORMANCE INDICATORS

In order to ensure transparency and comparability with other listed companies, the BUWOG Group includes separate information on indicators calculated in accordance with Best Practice Recommendations of the European Public Real Estate Association (EPRA). These indicators can differ from the values based on IFRS.

OVERVIEW OF EPRA PERFORMANCE INDICATORS

in EUR million	2017/18	2016/17
EPRA NAV basic (balance sheet date)	3,209.5	2,384.8
EPRA NAV per share in EUR basic (balance sheet date)	25.85	23.90
EPRA NNNAV	3,147.1	2,306.2
EPRA NNNAV per share	25.35	23.11
EPRA earnings	40.6	48.9
EPRA net initial yield	4.3%	4.4%
EPRA vacancy rate	3.3%	3.0%
EPRA cost ratio (including direct vacancy costs)	54.1%	42.5%
EPRA cost ratio (excluding direct vacancy costs)	52.5%	41.0%

EPRA NET ASSET VALUE (EPRA NAV)/NNNAV

The EPRA NAV concept is used to present the fair value of net assets on a long-term basis and, in this way, to give investors an impression of a company's sustainable asset position. The calculation of EPRA NAV includes the undisclosed reserves in real estate inventories and property used by the company as well as the fair values of derivative financial instruments. The former are not included in the values reported on the balance sheet due to IFRS accounting regulations. The latter regularly serve as a hedge for long-term financing and are held to maturity, and the hypothetical losses recognised as of the balance sheet date are therefore not realised. The deferred taxes on these items are included.

In accordance with the EPRA concept, deferred taxes on investment properties are included because of the intention to hold these assets. BUWOG's business model also covers the regular sale of individual apartments and properties, and the addition of deferred taxes is therefore adjusted to reflect potential property sales within a certain period of time. Goodwill is also deducted.

EPRA Triple NAV is derived from EPRA NAV by deducting the fair value of derivative financial instruments, financial liabilities and deferred taxes. The resulting EPRA NNNAV represents the fair value of a property company.

The EPRA NAV rose by 8.2% year-on-year to EUR 3.2 billion, respectively to EUR 25.85 per share in 2017/18. This increase was based primarily on positive development of the business areas and the increase in equity which followed the conversion of the convertible bonds.

EPRA NAV AND EPRA NNNAV

in EUR million	30 April 2018	30 April 2017	Change
Equity before non-controlling interests	2,796.7	1,974.6	41.6%
Goodwill	–5.6	–5.6	0.0%
Inventories (carrying amount)[1]	–377.6	–355.5	–6.2%
Inventories (fair value)	421.0	427.7	–1.6%
Properties owned by BUWOG (carrying amount)	–17.1	–13.6	–25.9%
Properties owned by BUWOG (fair value)	21.6	19.1	13.4%
Positive market value of derivative financial instruments	–0.0	0.0	n.a.
Negative market value of derivative financial instruments	44.3	66.1	–33.0%
Deferred tax assets on investment properties	–0.0	–0.2	99.9%
Deferred tax liabilities on investment properties (adjusted)[2]	345.9	305.6	13.2%
Deferred taxes on property inventories	–11.3	–20.0	43.3%
Deferred taxes on derivative financial instruments	–8.5	–13.4	36.3%
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NAV per share in EUR basic (balance sheet date)	**25.85**	**23.90**	**8.2%**
EPRA NAV basic (balance sheet date)	**3,209.5**	**2,384.8**	**34.6%**
Positive market value of derivative financial instruments	–0.0	0.0	n.a.
Negative market value of derivative financial instruments	–44.3	–66.1	33.0%
Fair value of debt	–26.6	–25.8	–3.0%
Deferred tax on derivative financial instruments	8.5	13.4	–36.3%
EPRA NNNAV	**3,147.1**	**2,306.2**	**36.5%**
Shares issued as of the balance sheet date (excl. treasury shares)	124,149,546	99,773,479	24.4%
EPRA NNNAV per share	**25.35**	**23.11**	**9.7%**

1) The fair value adjustments of inventories are valuated 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 45.2 million (EUR 33.4 million)

EPRA EARNINGS PER SHARE (EPRA EPS)

EPRA earnings per share, which represent a benchmark for the results of operations, are based on the net profit recorded by the BUWOG Group. Net profit is then adjusted for valuation effects, the results of Property Sales and Property Development after the deduction of the proportional share of expenses not directly attributable and the related effects on deferred taxes. EPRA EPS declined from EUR 0.49 in the previous year to EUR 0.36 in 2017/18 due to an increase of EUR 36.4 million in other expenses not directly attributable.

in EUR million	2017/18	2016/17	Change
Net profit (attributable to owners of the parent company)	274.1	357.8	–23.4%
Fair value adjustments of investment properties and properties under construction[2]	–261.6	–340.7	23.2%
Results of Property Sales	–38.9	–43.3	10.3%
Results of Property Development	–24.8	–17.4	–42.6%
Taxes on Property sales and Property Development	17.3	16.1	7.6%
Valuation of financial instruments	27.3	9.2	>100%
Deferred taxes in relation to EPRA adjustments	37.1	52.5	–29.4%
Share of non-controlling interests in relation to EPRA adjustments	10.2	14.8	–31.1%
EPRA earnings	**40.6**	**48.9**	**–17.0%**
Weighted average number of shares (basic)	111,574,193	99,773,479	11.8%
Basic EPRA earnings per share in EUR	**0.36**	**0.49**	**–25.7%**
Weighted average number of shares (diluted)	111,947,413	106,113,804	5.5%
Diluted EPRA earnings per share in EUR	**0.36**	**0.46**	**–21.3%**

EPRA NET INITIAL YIELD (EPRA NIY)

The EPRA net initial yield equals the annualised net in-place rent as of the reporting date, adjusted for non-recoverable property expenses, divided by the fair value of the standing investment portfolio, including the assets held for sale and the related estimated transaction costs as of the reporting date. This indicator describes the net initial yield that a third party would realise on a purchase from the portfolio, taking into account any transaction costs and non-recoverable property expenses from the portfolio. The BUWOG Group's net initial yield for 2017/18 equalled 4.3%.

		BUWOG Group as of 30 April 2018	Austria as of 30 April 2018	Germany as of 30 April 2018
Fair value standing investments[1]	in EUR million	4,207	1,925	2,282
Non-current assets held for sale	in EUR million			0
Fair value standing investments (net)	**in EUR million**	**4,207**	**1,925**	**2,282**
Acquisition costs[2]	in EUR million	337	138	199
Fair value standing investments (gross)	**in EUR million**	**4,543**	**2,062**	**2,481**
Annualised net in-place rent[3]	in EUR million	208	87	122
Not recoverable costs	in EUR million	13	5	8
Annualised net in-place rent (net)	**in EUR million**	**195**	**81**	**114**
Net initial yield	**%**	**4.3%**	**3.9%**	**4.6%**

1) Based on fair value of standing investments according to CBRE valuation reports as of 30 April 2017
2) Expected acquisition costs on fair value standing investments for real transfer tax, brokerage fee and notary according to CBRE valuation report
3) Based on monthly in-place rent (excluding utilities) as of the balance sheet date

EPRA VACANCY RATE

The EPRA vacancy rate shows the relationship between the market rental value of vacant space and the estimated market rental value of the entire portfolio as of the balance sheet date. The EPRA vacancy rate for the BUWOG Group equalled 3.3% as of 30 April 2018.

as of 30 April 2018	Number of units	Market rent in EUR million[1]	Market rent vacant units in EUR million[1]	EPRA vacancy rate
Total BUWOG Group	**48,828**	**253.3**	**8.4**	**3.3%**
thereof Austria	21,531	113.9	5.1	4.5%
thereof Germany	27,297	139.5	3.3	2.4%

1) Based on market rent (excluding utilities) per month as of the balance sheet date annualised

EPRA COST RATIO

The EPRA cost ratio is an indicator of the cost efficiency of property management. It is calculated as the ratio of operating and administrative expenses to gross rental income. Increasing rental income and declining property expenses and general costs lead to an improvement in the EPRA cost ratio. In order to provide a more transparent presentation of the EPRA cost ratio, an adjustment was made for maintenance costs because they are dependent on the maintenance strategy and capitalisation rules. The EPRA cost ratio rose by 11.5 percentage points to 54.1% in 2017/18 due to an increase in the property expenses which are not directly attributable to Asset Management.

EPRA COST RATIO

in EUR million	2017/18	2016/17	Change
Expenses directly related to investment property	54.7	57.7	-5.3%
Share of expenses not directly attributable Asset Management	61.0	34.3	77.7%
Net service charge costs/fees	-0.8	0.0	>100%
Management fees less actual/estimated profit component	0.0	0.0	n.a.
Other revenues	-0.3	-0.2	-11.9%
Share of joint venture expenses	0.0	0.0	n.a.
Depreciation of investment property	0.0	0.0	n.a.
Land lease fees	-1.2	-1.1	-1.1%
Service charges recovered through rents (but not separately invoiced)	0.0	0.0	n.a.
EPRA Costs (including direct vacancy costs)	**113.4**	**90.7**	**25.0%**
Direct vacancy costs	-3.2	-3.2	-2.0%
EPRA Costs (excluding direct vacancy costs)	**110.1**	**87.5**	**25.8%**
Gross rental income per IFRS	210.9	214.4	-1.7%
Ground rent costs	-1.2	-1.1	-1.1%
Gross rental Income	**209.7**	**213.3**	**-1.7%**
EPRA Cost ratio (including direct vacancy costs)	**54.1%**	**42.5%**	**11.5 PP**
EPRA Cost ratio (excluding direct vacancy costs)	**52.5%**	**41.0%**	**11.5 PP**
Adjustment maintenance	25.9	27.0	-4.2%
EPRA Costs adjusted by maintenance (including direct vacancy costs)	**87.5**	**63.7**	**37.3%**
EPRA Costs adjusted by maintenance (excluding direct vacancy costs)	**84.3**	**60.4**	**39.4%**
EPRA Cost ratio adjusted by maintenance (including direct vacancy costs)	**41.7%**	**29.9%**	**11.8 PP**
EPRA Cost ratio adjusted by maintenance (excluding direct vacancy costs)	**40.2%**	**28.3%**	**11.8 PP**

RISK AND OPPORTUNITY REPORTING

GRI 102-11

As a real estate owner and developer, the BUWOG Group is exposed to a variety of risks which, at the same time, can also represent opportunities. A strong and effective risk management process ensures the timely identification of developments that could endanger the realisation of strategic and operating goals and also allows for the inclusion of important information in decision-making processes. Risk management therefore not only covers risk control, but also the systematic handling of the related opportunities.

The Group-wide risk and opportunity management system is designed to support rational decisions in dealing with risks and opportunities. The BUWOG Group views risk as an event that will negatively influence the attainment of goals. Risk management is also responsible for the identification of opportunities. The BUWOG Group views an opportunity as an event that will positively influence the attainment of goals – i.e. it can lead to the preservation or creation of value. The assessment of risks and opportunities includes the probability of occurrence and the potential damage. Both form an integral part of management activities in the BUWOG Group. “Risk management” and “risk” are only used in the following sections to improve readability.

Risk management takes place at all organisational levels in the BUWOG Group and is the responsibility of the Executive Board. It represents a systematic, value-oriented and profit-oriented approach for the analysis and handling of risks. Risk management in the BUWOG Group is based on the COSO framework. This reference model is classified in five components: governance and culture, strategy and objective-setting, performance, review and revision, and information, communication and reporting. The related activities take place in both a pre-defined process and an ad-hoc process. BUWOG has also further optimised the internal control system (ICS) to support the early identification and monitoring of risk. A description of the ICS is provided in the management report, and the related organisational guideline represents an important part of the Group’s risk management.

The risk appetite of a company represents its attitude towards accepting risks, with regard to both quantity and quality. Security considerations for shareholders and customers take priority for the BUWOG Group, which leads to a principal risk aversion.

The risk strategy is defined by the Executive Board and includes the goals for risk diversification and the measures to limit concentrations of risks.

Risk management in the BUWOG Group is directed to supporting the following organisational goals:
- The BUWOG Group’s comprehensive, integrated risk management system is designed to reduce strategic, operational, financial and compliance risks to an acceptable level.
  Goal: Business and legal security
- Risk management is intended to support result-oriented, efficient operations and thereby provide security for people, employees and assets.
  Goal: Business and asset security
- The Executive Board and managers must be provided with up-to-date risk information to support their management and strategy decisions and the definition of strategic measures.
  Goal: Planning, management and strategic autonomy
- Employees must develop an increased awareness of risk, and the costs of risk must be minimised.
  Goal: Risk awareness and limitation of the costs associated with risks
- All necessary hedging/protection measures must be evaluated when risks are accepted. Risks must be controllable, monitored and managed.
  Goal: Risk protection and controlling
- The image and reputation of the BUWOG Group must be protected and strengthened.
  Goal: Protection and strengthening of image and reputation

The most important risk factors can be summarised under financial risks and market/real estate-specific risks, above all risks related to individual projects and properties. The major financial risks are caused by changes on the capital, credit and interest rate markets and by changes in the credit standing or liquidity of the BUWOG Group and its customers, investors, banks and business partners. Detailed information on the financial risk factors is provided in the consolidated financial statements under note 7.2 *Financial risk management.* Market- and property-specific risks arise from micro- and macroeconomic events and developments at the individual property level and include market price risk, the competitive situation, transaction risk and project development risk.

RESPONSIBILITY

The Executive Board is responsible for defining the risk policy and risk strategy and creating an awareness of risk as well as establishing an appropriate risk infrastructure and risk management system. The method used to evaluate risk management is reviewed by the Executive Board at least once each year and updated whenever necessary. The risk manager is responsible for the development and specific design of the risk management system, for monitoring and reporting on the risk strategy defined by the Executive Board and for establishing the procedures used to quantify risk and to create the general standards for risk management.

PROCEDURES

Risks are classified on the basis of their organisational relationships – through risk categories – and their material scope of influence – through various types of risk. The risk categories form the upper level of this classification, while the types of risk represent subordinate elements assigned to these categories. The risk management process begins with the identification of risks (risk identification). In the next step, the risks are analysed (risk analysis) and then assessed with regard to the estimated probability of occurrence and estimated potential damage (risk assessment). Measures are then defined for the management or control of these risks (risk control) and for subsequent monitoring (risk monitoring). The scheduled programme covers the Group-wide functioning of risk management. It involves the periodic, systematic identification of risks and provides a uniform basis for risk reporting to management. The ad-hoc reporting process in risk management accompanies and completes the scheduled programme. It covers the "gaps" in the half-yearly risk assessment. Recurring Funds From Operations (RFFO) is an important property-specific indicator, which is ideally suited for inclusion in the assessment of risks. The calculation of the effects in Euros is therefore based on budgeted Recurring FFO. Parallel to the above-mentioned activities, risks are continuously monitored and communicated. Communications and the information exchange with internal and external stakeholders take place, as required, during all phases of the risk management process.

REPORTING

An overview of the material risks which require immediate action, together with the related measures, is presented twice each year at a meeting of the Executive Board. BUWOG's risk landscape is revised regularly by the risk manager based on information supplied by the operating units. The existing risks and related measures are updated together with the responsible risk owners and new risks are added to the reporting scheme as required. In addition to the strategic, operational, financial and compliance risks to which the BUWOG Group is exposed, a separate risk matrix is prepared for each new construction project and updated at least twice each year. Ad-hoc reports on material risks with an immediate need for action are evaluated by the risk manager and immediately communicated to the Executive Board. In accordance with legal regulations, the Executive Board is responsible for risk reporting to the Supervisory Board.

MARKET RISK AND PROPERTY-SPECIFIC RISKS

The business activities of the BUWOG Group cover property development and the management of standing investments as well as the sale of individual apartments, properties and portfolios. Supply and demand on the real estate market are influenced by a variety of factors which are subject, in part, to significant fluctuation. Examples of these factors are economic, legal and taxation frameworks, demographic developments, the availability of financing, raw material and energy prices as well as the interest of investors and the perceived attractiveness of real estate in comparison with other investment forms.

In addition to the typical risks facing property owners – which BUWOG minimises through insurance coverage for the individual properties – the company is also exposed to property-specific risks. These risks are related primarily to the location of the properties, their architecture and the structural condition of the buildings, but also to the direct competitive environment and local socio-economic factors. The BUWOG Group minimises these risks, among others, through the use of controlling instruments to support Asset Management in the regular appraisal of the properties and the quality of their locations as well as the attractiveness of the individual markets based on key indicators. The results of property management are also regularly discussed and evaluated at meetings between Asset Management, standing investment controlling, department management and the Executive Board. All market changes are included in the analysis of the property portfolio and have a significant influence on investments, sales and project planning – and therefore also on the medium-term corporate planning process. Detailed budgets at the individual property level, medium-term forecasts and regular variance analyses provide support for management in the monitoring of business results. Properties whose location, quality and/or competitive position do not meet the portfolio requirements are designated for sale.

The BUWOG Group is exposed to market risk, in particular from changes in the supply and demand for rental properties. These fluctuations have a direct impact on both rental income and vacancy rates and are ultimately reflected in property prices. BUWOG works to optimise its real estate investments based on the following strategy: the residential offering in the standing investment portfolio is diversified according to regional and product-specific criteria; new construction projects follow a differentiated product line approach; and the active management of properties incorporates the Group's long-standing, extensive knowledge of its regional markets. Market risk is also reduced by matching rents to the respective properties and locations within legal limits.

In order to comprehensively identify and assess risks before the acquisition of new properties, the BUWOG Group relies on multi-stage due diligence examinations which also include independent experts.

Acquisition/project development risk. Acquisition and development activities are connected, above all, with risks relating to legal, social, technical, economic and tax issues. In order to identify and assess these risks before the acquisition of properties, the BUWOG Group uses multi-dimensional due diligence audits for all potential transactions. These audits are graduated by risk relevance and intensity and include the participation of independent experts. The BUWOG Group does not purchase properties that fail to meet its high quality standards. However, there is still a residual risk that important information with a possible negative impact on the economic assumptions (e.g. incomplete information in the due diligence reports, changes in the legal situation) only becomes available after the completion of acquisition activities or market conditions may change in an unforeseen direction.

One focal point of BUWOG's business activities is the development of real estate projects in Berlin, Hamburg and Vienna, whereby plans call for the expansion of these activities in the future. Development activities are, naturally, exposed to significant risks. Delays in receiving the necessary permits, the actions of citizens' initiatives or construction problems can lead to schedule overruns. In addition, sale and rental risks as well as construction cost overruns can lead to a reduction in the project return.

The BUWOG Group minimises these risks by regularly monitoring costs and schedules through variance analyses. A risk analysis system has been implemented for the project development business to identify risks and counter their potential effects on a timely basis. Additional information is provided in the consolidated financial statements under note 7.2.2 *Default/credit risk*.

Property valuation risk. The BUWOG Group uses the fair value model for property valuation, as is customary in the real estate sector. Properties are carried at the value that would be received in an exchange between knowledgeable, willing and independent business partners. BUWOG's properties are valued at least semi-annually by external appraisers. The values determined by these experts are heavily dependent on the applied calculation method and the underlying assumptions. Important parameters for the calculation of a property's fair value include the interest rate and occupancy level. Consequently, any change in the underlying assumptions can lead to material fluctuations in the value of a property. For example: a change in the assumed occupancy rate, market price, interest level or future investment costs for a property will have a direct effect on the resulting profitability and fair value. Even minor changes in the underlying assumptions, e.g. for economic or property-specific considerations, can have a material impact on the net profit of the BUWOG Group.

POLITICAL, TAX AND LEGAL RISKS

Legal risks. As a property developer and owner, the BUWOG Group is also exposed to a variety of legal risks. They include, among others, risks related to the purchase or sale of properties and risks, the construction of buildings and legal disputes with tenants or other contract partners.

Tenancy and housing regulations, building codes and civil, tax and environmental laws are particularly important for BUWOG's business operations. The Group therefore follows regulatory changes and supreme court rulings with particular interest to allow for timely response to any binding changes in general legal conditions.

The outcome of pending actions under civil and administrative law or out-of-court settlements with tenants, contractors and development partners cannot be predicted with certainty. There is a risk that judicial or administrative decisions or settlements may lead to costs that could have an unexpected influence on the results of the BUWOG Group.

The risks associated with the properties and undeveloped land owned by the Group are minimised by building insurance and/or property liability insurance.

Tax risks. Tax audits for previous years are still in progress or have not yet started for a number of BUWOG Group companies. These audits may result in additional tax payments. The limits on the deductibility of interest expense for the determination of income taxes could also lead to additional tax payments for BUWOG's German companies in the future.

The modification of shareholder and/or organisational structures could lead to changes in a property transfer tax liability or the inability to utilise loss carryforwards. The recognition of deferred taxes on loss carryforwards could be limited or eliminated by fundamental changes in tax regulations, which would lead to expenses at an amount equal to the impairment losses on the related deferred tax assets.

Vonovia SE acquired over 50% of the share capital of BUWOG AG with the settlement on 26 March 2018 and, consequently, now also holds an indirect investment in the German companies of the BUWOG Group. This represents a detrimental acquisition in the sense of Section 8c of the German Corporate Income Tax Act and will most likely result in the inability to utilise corporate tax loss carryforwards of approx. EUR 60 million and trade tax loss carryforwards of approx. EUR 78 million.

Risks that could lead to an outflow of resources are accounted for in accordance with IAS 37 Provisions or IAS 12 Income Taxes. In order to minimise tax risks, the BUWOG Group relies on its tax departments in Germany and Austria and on the services of well-known external consultants.

Political and regulatory risks. The BUWOG Group is exposed to general risks arising from changes in legal regulations (including tenancy law, construction law, environmental law, tax law and administrative law). As BUWOG's operations are limited to Austria and Germany, and these types of changes do not normally occur unexpectedly or over the short term, there is usually sufficient time to react.

OTHER RISKS

Concentration risk. Concentration risk is understood to mean the accumulation of similar risks that contradict the principle of risk diversification. BUWOG consciously reduces these risks through the regional diversification of the portfolio and a business model which is focused on three business areas: Asset Management, Property Development and Property Sales.

Integration risk. The risks associated with the acquisition of property portfolios and their integration into the BUWOG Group are identified during the due diligence process and reflected in the purchase price negotiations. These risks are mainly financial and legal or relate to the integration into the BUWOG Group and the financial performance of the portfolios. The financial performance of the portfolios can be influenced by market and property-specific factors. It is also conceivable that potential problems may not be identified during the due diligence process and are therefore not reflected in the purchase price, or assumptions made during the due diligence process are overly optimistic and result in the payment of an excessive purchase price. The integration of existing organisational structures is associated with a variety of risks: earnings could fail to meet budgeted expectations; synergies may not materialise as planned; the increased integration workload could lead to unscheduled costs; or the integration could take longer and be more expensive than originally planned. The BUWOG Group addresses these risks by involving both internal and external experts from all relevant disciplines in the due diligence process and by preparing detailed business plans based on their findings. To further reduce these risks, the BUWOG Group engages experienced integration managers who prepare detailed integration plans and coordinate and implement the related processes.

Organisational risk. The BUWOG Group has issued guidelines and implemented processes to avoid the risks associated with acquisitions, project development, property management and investments. These guidelines and processes regulate the general conditions and approval levels for individual measures (acquisitions, development, management and ongoing investments) and minimise or eliminate the major strategic and property-specific risks. Approval levels are defined in a comprehensive Group guideline, which regulates the authorisation limits for individual employees up to the members of the Executive Board. In certain cases, the approval of the Supervisory Board is also required.

IT risk. In order to counter IT risks, all employees are required to complete IT basic and security training. An special section has also been installed in the Intranet to provide information on current security issues related to IT systems (e.g. selection of the right passwords, protection of customer data etc.). The BUWOG Group has appointed a data protection officer and an IT security contact partner. Internal Audit also provides information for employees via the Intranet and other internal communication channels to create a greater awareness of potential dangers in the Internet (e.g.: “fake president frauds”) and explains possible defence and reaction measures. The Internal Audit Department also carries out regular reviews to evaluate the security level of the IT infrastructure and to identify and eliminate security weaknesses at an early stage. There were no complaints over violations of customers’ privacy in Germany or Austria or violations of data protection laws during the 2017/18 financial year.

INTERNAL CONTROL SYSTEM

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The Internal Control System (ICS) of the BUWOG Group comprises a wide range of coordinated methods and measures that are designed to meet the following goals: to protect corporate assets, to ensure the accuracy and reliability of data for accounting and financial reporting, to improve the efficiency of business processes (including controls) and to ensure compliance with internal and external guidelines and directives. It also supports compliance with the corporate policies defined by the Executive Board. The ICS provides the Executive Board with a uniform reporting system and Group-wide guidelines as well as a comprehensive tool for analysing and managing uncertainties and risks.

The IT & Organisational Development Department continued the design of process management and the ICS during the 2017/18 financial year in order to meet current and increasing demands at the internal and external level and to ensure the functional capability of the ICS. The related activities included the further development of integrated process management as well as its implementation throughout the corporate organisation and training for the BUWOG staff. The expansion of ICS reviews and the improvement of know-how among process managers has created –and will continue to create – a greater awareness of risk. This comprehensive, risk-oriented approach makes an important contribution to the attainment of corporate goals and also equips the BUWOG Group for future business activities.

The further development of the ICS is based on the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and also includes the “Three Lines of Defence Model”, a framework for effective control and monitoring systems. BUWOG will also continue to expand the ICS during the 2018/19 financial year.

FOUNDATION OF THE ICS

The BUWOG Group’s process landscape forms the starting point for the evaluation of the ICS at the process level. This landscape consists of individual business processes in which the logical order of various work steps and activities in upstream and downstream areas are described. Process steps and decisions involving risk are equipped with controls. Process management and ICS software are used to integrate the necessary controls into this process landscape.

CONTROL ENVIRONMENT

In the BUWOG Group, the control environment comprises the general ICS framework for the design and implementation of internal control activities. The most important components are statutory regulations, standards, guidelines and principles issued by the BUWOG Group (among others for the separation of functions, the dual control principle, transparency, documentation requirements and the authorisation guideline) as well as clear management and organisational structures and the communication of basic values by management. The ICS in accounting and financial reporting guarantees accuracy, security and efficiency and also ensures the correct, complete and timely preparation of all necessary information. The key features of the ICS in BUWOG's accounting process are the appropriate separation of functions, the application of the dual control principle in all order and invoice approval procedures, compliance with internal guidelines, the review of accounting data by the Group Controlling Department for correctness, plausibility and completeness, the integration of preventive and detective monitoring in processes as well as the automation of key controls through specific system settings in the financial accounting software.

INFORMATION & COMMUNICATION

The establishment and integration of the ICS in the BUWOG Group and the preparation and implementation of new and existing guidelines, processes and control measures are supported by regular information events, training and feedback rounds. An important role is also played by BUWOG's intranet as an information, communications and application platform. Opportunities for the improvement and optimisation of the ICS are reported to the responsible process manager and to the BUWOG Executive and Supervisory Boards.

MONITORING BY INTERNAL AUDIT

In accordance with C-Rule 18 of the Austrian Corporate Governance Code, Internal Audit was established as a separate staff department of the Executive Board of BUWOG AG and reports directly to the CEO. It supports the Executive and Supervisory Boards in fulfilling their control and monitoring responsibilities and is also responsible for related audit activities throughout the Group. All companies, business areas and processes in the BUWOG Group are subject, without limitation, to review by the Internal Audit Department. The related rights and obligations and the rules for audit activities are defined in a Group-wide organisational guideline (Rules of Procedure for Internal Audit). The Internal Audit Department carried out independent and objective reviews during the reporting year based on a risk-oriented annual audit plan approved by the Executive Board and Supervisory Board of BUWOG AG. These reviews focused primarily on the correctness of business processes, the effectiveness of the ICS and opportunities to improve processes and efficiency. The results of the audits were reported to the Executive Board on a regular basis and to the Audit Committee of the Supervisory Board twice during the reporting year. The recommendations and measures defined by these reports were followed by monitoring to ensure the implementation of agreed improvements. A focus on the optimisation of business processes and internal consulting make the Internal Audit Department a future-oriented management tool, which plays an important role in the attainment of corporate goals and an increase in the value of the company.

In addition to its audit and consulting functions, Internal Audit is responsible for identifying opportunities for improvement, recommending changes (innovation and initiative function) and supporting the implementation of suggestions for improvement (audit-related consulting). The increasing use of data analysis illustrates the modern approach taken by Internal Audit. This approach creates the foundation for the more effective support of risk management and the ICS as well as the identification of opportunities to improve organisational efficiency and effectiveness and, in this way, supports the creation of added value for the BUWOG Group.

INTERNAL WHISTLE-BLOWER SYSTEM

The BUWOG Group is committed to sustainable corporate management. This commitment is illustrated, among others, by the internal whistle-blower system, which is available to report violations of legal regulations, guidelines or corporate values. In order to ensure compliance with the Austrian Data Protection Act 2000, a company agreement was concluded to regulate the use of this system in the BUWOG Group and the internal whistle-blower system was registered with the Austrian Data Protection Authority.

Content of the internal whistle-blower system in the BUWOG Group. The internal whistle-blower system can be accessed by all employees of the BUWOG Group. Employees are instructed to report – under their own name or anonymously – violations of legal regulations or binding corporate directives concerning proper accounting, corruption, bribery, fraud, financial crime, money laundering or insider trading, regardless of whether these actions were taken by employees of the BUWOG Group or by a business partner.

Reporting offices ("whistle-blower system"). The reporting offices include management, the Internal Audit Department and the compliance officer of the BUWOG Group. These persons can also be contacted to provide information on compliance guidelines and to answer questions and/or to report indications of weaknesses in procedures and risk areas or opportunities for improvement. The reporting offices will investigate all reports, whereby maximum confidentiality and fairness for the whistle-blower is guaranteed. The same applies, where appropriate, to any employees involved in an allegation. No sanctions are taken on the basis of a report over compliance concerns or compliance violations. This also applies when reports prove to be unjustified or unsubstantiated after closer examination, unless a false report was filed intentionally.

INFORMATION ON CAPITAL

The share capital of BUWOG AG totalled EUR 124,149,546.00 as of 30 April 2018 (30 April 2017: EUR 99,773,479.00). It is divided into 124,149,546 zero par value bearer shares (30 April 2017: 99,773,479 shares) with voting rights, each of which represents a proportional share of EUR 1.00 in share capital. All of these shares are zero par value bearer shares which entitle the holders to participate in the annual general meeting and to exercise voting rights and other shareholder rights in accordance with applicable legal regulations. Each bearer share is entitled to one vote.

All of the company's shares (ISIN AT00BUWOG001) are admitted for official trading on the Vienna Stock Exchange, on the regulated market of the Frankfurt Stock Exchange and in the main market (*Rynek podstawowy*) of the Warsaw Stock Exchange (regulated markets as defined by Section 1 (2) of the Austrian Stock Exchange Act, *Börsegesetz)*.

Share capital and the number of shares increased in 2017/18 as a result of the following measures:

– Capital increase from authorised capital: In accordance with resolutions of the Executive Board and Supervisory Board on 15 May 2017 and 2 June 2017, the company's share capital of EUR 99,773,479.00 was increased by EUR 12,471,685.00 from authorised capital. This increase was based on a resolution of the annual general meeting on 7 March 2014 and took effect with recording in the company register on 3 June 2017. Share capital totalled EUR 112,245,164.00 after the capital increase and was divided into 112,245,164 zero par value shares.

– Conversion of convertible bonds 2016–2021: In April 2018 a capital increase of EUR 11,904,382.00 from conditional capital was carried out to issue 11,904,382 zero par value shares following the exercise of conversion rights for the convertible bonds 2016 to 2021. Additional conversions took place after the reporting date. Details on the convertible bond can be found under the item Convertible bonds 2016–2021 below.

CONVERTIBLE BONDS

Authorisation to issue new convertible bonds. The annual general meeting of BUWOG AG on 17 October 2017 authorised the Executive Board to issue convertible bonds with a total nominal amount of up to EUR 700,000,000. These bonds may carry exchange and/or subscription rights for up to 22,449,032 bearer shares in the company; they may be issued with or without the exclusion of subscription rights and in one or more tranches. This annual general meeting also approved a conditional capital increase of EUR 22,449,032.00 in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act to service the exchange or subscription rights of the holders of convertible bonds issued on the basis of this authorisation.

CONVERTIBLE BONDS 2016–2021

In accordance with an authorisation of the annual general meeting on 14 October 2014, BUWOG AG issued an unsubordinated, unsecured convertible bond in September 2016. This bond does not carry interest and has a term ending on 9 September 2021. The nominal value of the convertible bond 2016–2021 totalled EUR 300 million, with the individual certificates equalling EUR 100,000. In connection with the takeover offer by Vonovia SE (see the details on page 166), 99.6% of the total nominal value was tendered to Vonovia SE and subsequently converted. The remaining nominal value of the convertible bond 2016–2021 totalled EUR 1,200,000.00 as of 30 April 2018 and entitled the bondholders to conversion, based on the applicable conversion price of EUR 31.22, to conversion into 38,436 BUWOG shares. Further conversions took place after the end of the reporting year on 30 April 2018. The conversion price will only be adjusted to reflect dividend payments when the dividend exceeds EUR 0.69 per BUWOG share. BUWOG is entitled to redeem the convertible bond at maturity in cash, in shares or in a combination of cash and shares. The issue terms also entitle BUWOG to call the convertible bond beginning on 30 September 2019 if the price of the BUWOG share exceeds 130% of the conversion price during a specified time period. If the nominal amount of the outstanding convertible bonds falls to 20% or less than the total nominal amount, BUWOG is entitled to irrevocably call and redeem all remaining bonds at their nominal value. BUWOG AG exercised this premature call right and redeemed the outstanding convertible bonds on 10 August 2018 at the nominal value of EUR 100,000,00.

TREASURY SHARES

Authorisation of the Executive Board to purchase treasury shares. The annual general meeting of BUWOG AG on 17 October 2017 authorised the Executive Board, with the consent of the Supervisory Board, to repurchase the company's shares in accordance with Section 65 (1) no. 8 and (1a) and (1b) of the Austrian Stock Corporation Act at an amount equalling up to 10% of the company's share capital. The shares may be repurchased over the stock exchange or off-market, whereby the proportional subscription rights of shareholders can be excluded. This authorisation is valid for a period of 30 months beginning on the date of the resolution.

Authorisation of the Executive Board to sell treasury shares. The annual general meeting of BUWOG AG on 17 October 2017 also authorised the Executive Board, with the consent of the Supervisory Board, to sell treasury shares in a manner other than over the stock exchange or through a public offering in accordance with Section 65 (1b) of the Austrian Stock Corporation Act. These shares may be sold or used for any legal purpose, whereby the proportional purchase rights of shareholders are excluded (exclusion of subscription rights). This authorisation is valid for a period of five years beginning on the date of the resolution.

As of 30 April 2018, neither BUWOG AG nor any of the companies under its control held treasury shares.

OWNERSHIP STRUCTURE – TAKEOVER OFFER BY VONOVIA SE

On 18 December 2017 Vonovia SE announced its intention to issue a public takeover offer to all BUWOG shareholders and convertible bondholders. The Executive Board of BUWOG AG and the Management Board of Vonovia SE signed an agreement in principle for the business combination of the two companies on that same date.

The takeover documents, which were published on 5 February 2018, offered a price of EUR 29.05 per BUWOG share (incl. the dividend for the 2017/18 financial year). The holders of the convertible bonds due in 2021 (nominal value of EUR 100.000) were offered EUR 115,553.65, respectively EUR 93,049.33 per convertible bond certificate after the change of control was announced.

During the acceptance period from 5 February 2018 up to and including 12 March 2018, the takeover offer was accepted for a total of 82,844,967 BUWOG shares, or 73.8% of all shares issued by BUWOG at that time. The legal minimum acceptance threshold of 50% plus one share was therefore exceeded by a substantial margin. The offer was also accepted for 2,988 certificates of the BUWOG convertible bond due in 2021, which represented 99.6% of the total nominal value.

Vonovia SE further increased its investment in BUWOG through the exercise of the conversion right from the tendered convertible bonds due in 2021 and through parallel purchases, also within the framework of the legal extension of the offer period. A voting rights announcement on 20 April 2018 indicated that Vonovia SE held 95,887,476 BUWOG shares, which represented 77.24% of the share capital of BUWOG AG on that date. A voting rights announcement on 2 July 2018, after the end of the reporting year, indicated that Vonovia SE held 12,672,652 BUWOG shares, which represented 90.73% of voting rights.

BUWOG had no information as of the date for this report on further investments or voting shares attributable under stock exchange regulations which exceeded 4% of the company's share capital.

On 20 June 2018, after the end of the reporting year, Vonovia SE communicated a written request to BUWOG pursuant to Section 1 (1) of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement (squeeze-out).

DISCLOSURES PURSUANT TO SECTION 243A OF THE AUSTRIAN COMMERCIAL CODE

The Executive Board is unaware of any agreements between shareholders pursuant to Section 243a (1) no. 2 of the Austrian Commercial Code that limit voting rights or the transfer of shares.

Vonovia SE holds a direct investment of more than 10% in the company (Section 243a (1) no. 3 of the Austrian Commercial Code).

There are no shares with special control rights as defined in Section 243a (1) no. 4 of the Austrian Commercial Code.

BUWOG AG does not have a share participation programme for employees. Therefore, no information is provided on the control of voting rights pursuant to Section 243a (1) no. 5 of the Austrian Commercial Code.

There are no requirements that are not derived directly from legal regulations regarding the appointment and dismissal of members of the Executive Board and Supervisory Board or concerning the amendment of the company's articles of association pursuant to Section 243a (1) no. 6 of the Austrian Commercial Code.

AUTHORISED CAPITAL

The annual general meeting on 17 October 2017 authorised the Executive Board, with the consent of the Supervisory Board, pursuant to Section 169 of the Austrian Stock Corporation Act, to increase the company's share capital by up to EUR 56,122,582.00 through the issue of up to 56,122,582 new shares in exchange for cash or contributions in kind, also with the exclusion of subscription rights. This authorisation is valid until 17 January 2023. Share capital may be increased on the basis of this authorisation under the following conditions: (i) when the capital increase takes place in exchange for cash contributions and the number of shares issued does not exceed 10% of the company's share capital on the authorisation date; (ii) for contributions in kind; (iii) to service a greenshoe option; or (iv) for the settlement of peak amounts.

CHANGE OF CONTROL

A number of the existing financing agreements require joint consent to be reached on the continuation of the credit arrangement in the event of a change of control.

The employment contracts with the members of the Executive Board contain change of control clauses that could lead to the termination of a contract. The company and the members of the Executive Board have concluded compensation agreements that will take effect in the event of a public takeover bid. Depending on the remaining term of the Executive Board member, the respective contract entitlement will equal one to two years at most. A change of control occurred through the takeover by Vonovia SE (see the details on page 166), whereby all members of the Executive Board waived their right to exercise this special contractual termination right. Andreas Segal resigned from the Executive Board prematurely as of 26 March 2018 in exchange for an appropriate settlement payment as compensation for the remaining term of his employment contract and his agreement to waive the exercise of the special termination right. Moreover, an agreement was reached after the balance sheet date under which Herwig Teufelsdorfer will resign from the Executive Board after the conclusion of the announced squeeze-out (see the details on page 166), but on 31 March 2019 at the latest, in exchange for an appropriate settlement payment as compensation for the remaining term of his employment contract and his agreement to waive the exercise of the special termination right.

There are no such agreements for the members of the Supervisory Board or for employees.

The company has not entered into any other material agreements which would take effect, change or be terminated in the event of a change of control.

LONG-TERM INCENTIVE PROGRAMME (STOCK OPTIONS FOR MEMBERS OF THE EXECUTIVE BOARD)

Long-Term Incentive Programme 2014 (LTIP 2014). The annual general meeting of BUWOG AG on 14 October 2014 approved a conditional capital increase (Section 159 (2) no. 3 of the Austrian Stock Corporation Act) for the granting of stock options to the members of the Executive Board of BUWOG AG, Daniel Riedl and (former member) Ronald Roos, as part of the 2014 long-term incentive programme (2014 LTIP). The stock options comprised basic options and three tranches of bonus options, whereby the ability to exercise the bonus options was dependent on the attainment of performance targets for the particular financial year.

Since the performance targets for the bonus option tranches had been met, Executive Board member Daniel Riedl was entitled to exercise options for the purchase of 480,000 BUWOG shares at a price of EUR 13.00 per share during the period from 1 May 2018 to 30 April 2019. In connection with the takeover by Vonovia SE (see the details on page 166), the value of these options (i.e. EUR 16.05/option representing the difference between Vonovia's offer price and the defined purchase price) was paid out to Mr. Riedl in cash without the delivery of shares.

Long-Term Incentive Programme 2017 (LTIP 2017). In March 2017 the Supervisory Board approved a long-term incentive programme (LTIP 2017) with synthetic options (i.e. primarily cash settlement) for the members of the Executive Board, Daniel Riedl, Andreas Segal and Herwig Teufelsdorfer.

The agreed performance targets were met for the 2015/16, 2016/17 and 2017/18 financial years and entitled the Executive Board members to the following synthetic options: Daniel Riedl: 35,915 options, Andreas Segal: 62,985 options and Herwig Teufelsdorfer: 54,368 options. In connection with the takeover by Vonovia SE (see details on pages 66 and 166), the synthetic options attributable to each of the Executive Board members were settled prematurely as of 30 April 2018 through a cash payment which was based on the share price in the takeover offer. Mr. Riedl received EUR 1,043,330.75 and Mr. Segal EUR 1,923,047.58 (in each case, excl. related payroll costs). A provision of EUR 1,784,432.42 was recognised for the obligation to Mr Teufelsdorfer.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION, BOARD APPOINTMENTS AND DISMISSALS

Amendments to the articles of association and the (premature) dismissal of Supervisory Board members must be approved by the majorities defined by law in accordance with Section 21 of the Articles of Association.

In accordance with the Articles of Association of BUWOG AG, the person chairing the respective meeting casts the deciding vote in the event of a tie in voting on the Supervisory Board. The same applies to the election of members to and the dismissal of members from the Executive Board.

OUTLOOK

CURRENT SITUATION

Prevailing opinions indicate that the economies in both Germany and Austria have entered a boom phase. This leads to expectations of a further general increase in wages and prices.

Rising investments, solid public and private sector consumption and dynamic exports represent key drivers for the growth expected during the abbreviated 2018 financial year. A slowdown could only come about under the current conditions from a decline in export activity – a development that could not be completely excluded as of the publication date for this report due to the increase in trade barriers, especially through actions initiated by the USA. The economic outlook for the Eurozone is more optimistic than the previous year, in particular due to the strong demand for industrial goods. This, in turn, has had a positive effect on the labour market, which provides a substantial basis for the increase in private consumption and investments, above all in the construction sector. Moreover, the ongoing historically low financing conditions continue to provide support for the development of the construction and real estate sectors.

Not to be overlooked are cyclical risks, which are also relevant for the real estate industry in this ninth year of an upward trend. Economic boom phases are generally accompanied by the danger of a systematic misdirection of resources. This risk is currently evidenced, in particular, by the ongoing expansive monetary policy with its low interest rates and potential for inflation in tangible assets. A strong boom can also be followed by the abrupt and strong correction of unfavourable developments. Risks for the German and Austrian economies could arise, above all, from global scenarios like the failure of the Brexit negotiations, financial stability risk in China or the continued implementation of bilateral tariffs in worldwide trade.

However, leading economic research institutes are forecasting a GDP increase of 1.9% for Germany and 2.1% for Austria in 2018.

The positive development of the real estate markets in both countries should also continue. This expectation is based, in particular, on the assessment that the drivers for the recent upturn remain intact. The major population centres in both Germany and Austria are benefitting from a steady influx, and the general demographic trend is still slightly positive. In contrast, only a moderate increase in the offering can be identified, even though financing costs remain extremely favourable in historical comparison despite a slight rise in long-term interest rates.

The housing shortage, especially in mature rental markets like Berlin, Hamburg and Vienna, remains an important issue in economic and political discussions. empirica Institut expects a further increase in the prices for residential properties in Germany during 2018, although at a slower rate than in recent years. The ZIA German Property Federation (*Zentrale Immobilien Ausschuss*) has taken a somewhat more moderate view given the already very high real estate prices, but is not expecting a trend reversal because of the robust conditions and is projecting stable prices. Deutsche Bank Research has called attention to the still affordable home ownership in international comparison, especially in Germany. The affordability of housing has, however, been characterised by slightly negative development in recent years, but remains comparatively attractive despite strong regional differences.

OUTLOOK ON THE 2018 FINANCIAL YEAR

The forecasts by BUWOG AG for the 2018 year are based on the assumptions presented in this report for the development of the economies in Germany and Austria.

In view of the ongoing low interest environment, the Executive Board plans to maintain a balance sheet structure which allows BUWOG AG – also as a group company of Vonovia SE – to continue its growth in the core business areas: Asset Management in Austria and Property Development in Germany and Austria. BUWOG's previous strategy to improve the quality of the portfolio will also be implemented as part of the new corporation, above all by focusing the standing investment portfolio in Austria on Vienna and other strong socio-demographic locations and continuing the develop-to-hold strategy followed by Property Development in Germany and Austria. The develop-to-hold pipeline was increased by 186 completions to 4,408 units in Berlin, Hamburg and Vienna during 2017/18. BUWOG AG pursues an active portfolio management approach and regularly analyses opportunities and risks in its portfolio locations. The goal is to improve the portfolio quality, not only through acquisitions and develop-to-hold properties. The sale of individual units and larger portfolio components in Germany and Austria can make an important contribution to improving the portfolio quality and recycling capital into more profitable investments. The sale of standing investments in smaller cities and municipalities is currently being tested at a number of locations in northern Germany.

The Executive Board expects a contribution of approximately EUR 74 million to Recurring FFO from Asset Management and Unit Sales in the abbreviated 2018 financial year based on like-for-like growth of 2.0% to 2.5% in rental income and constant, high-margin Unit Sales of 400 apartments during this eight-month period.

The Property Development business area is expected to contribute approximately EUR 48 million to Recurring FFO in the abbreviated 2018 financial year. In contrast to the outlooks communicated in previous financial years, this assumption includes an effect of roughly EUR 32 million from the initial application of the percentage-of-completion accounting method. Earnings under this method are not recognised to the income statement when a property is completed and transferred to the buyer but, in the event of a sale, on a pro rata basis during the entire completion period.

The Executive Board is forecasting Recurring FFO of EUR 122 million, in total for the abbreviated 2018 financial year ending on 31 December 2018. This reflects the guidance of EUR 150 million issued for the originally planned 2018/19 financial year before expected positive effects from the initial application of the percentage-of-completion method. The company's liquidity will also be positively influenced by Block Sales in strategically less important regions of Austria, which will allow for more profitable reinvestment in the core markets of the BUWOG Group.

During the 2017/18 financial year Vonovia SE, the leading real estate corporation in Germany, issued a takeover offer to the shareholders of BUWOG AG. The two companies, BUWOG AG and Vonovia SE, concluded a management agreement at the beginning of the takeover process which defined, among others, the framework conditions for personnel changes.

The integration plan for Germany is based, in particular, on activities related to the management of the standing assets, which will be integrated in the Vonovia platform. Discussions between the BUWOG Group's employer in Germany and the German Works Council were in progress as of the publication date for this report. The synergy plan for Austria is based primarily on the capital market-oriented functions which will no longer be required for Austria after BUWOG is delisted. In addition, the former conwert employees will be integrated in BUWOG.

On 20 June 2018, after the end of the reporting year, Vonovia SE communicated a written request to BUWOG pursuant to Section 1 (1) of the Austrian Squeeze-out Act. This request asks the annual general meeting of BUWOG to approve the transfer of shares held by minority shareholders to Vonovia in exchange for an appropriate cash settlement (squeeze-out). According to the current schedule, this proposal will be made to the annual general meeting on 2 October 2018.

BUWOG AG issued an announcement on 12 August 2018 indicating that its Executive Board, together with Vonovia SE as its principal shareholder, had established a price of EUR 29.05 per share as the appropriate cash settlement to be paid to the remaining minority shareholders in connection with the initiated squeeze-out.

SUBSEQUENT EVENTS

Information on relevant events occurring after the balance sheet date on 30 April 2018 is provided in the separate financial statements under F.10. *Subsequent events*.

Vienna, 23 August 2018

The Executive Board of BUWOG AG

Daniel Riedl	Herwig Teufelsdorfer
CEO	COO

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

AUDITOR'S REPORT

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of BUWOG AG, Vienna, which comprise the balance sheet as at 30 April 2018, the income statement for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at 30 April 2018, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach and key observations
- Reference to related disclosures

1. Valuation of shares in affiliated companies

– Description

The financial statements of BUWOG AG, Vienna, as at 30 April 2018 include shares in affiliated companies at a book value of EUR 1,357,742k. The share of this item corresponds to 73.82% of the total assets. Valuation of this balance sheet item thus has a material impact on the Company's asset and earnings position.

Shares in affiliated companies are valued at acquisition cost. Write-downs to a lower current value are made if the diminutions in value are expected to be permanent. The majority of the shares in affiliated companies relate to indirect shares in companies holding property and/or developing real estate in Austria and Germany. The respective current value of a share in an affiliated company is thus mainly driven by the current values of the investment properties and the investment properties under construction. All investment properties and investment properties under construction are determined by an external appraiser. The current values of the investment properties are calculated using a discounted cash flow model which corresponds to the rental models prevailing and applied depending on the property in the markets of the BUWOG Group. The current value of the investment properties under construction is determined using the residual value method based on the stage of completion of the properties under construction at the balance sheet date.

Numerous relevant assumptions and input parameters contribute to the valuation of the investment properties and investment properties under construction that to some extent are subject to considerable estimation uncertainties and judgments. Even small changes in the assumptions that are relevant in the valuation can result in significant changes in the current values.

For the financial statements, there is the risk that a possible need to make write-downs on shares in affiliated companies is not identified at the appropriate amount.

– Audit approach and key observations

When assessing whether any write-downs are required on the book values of the shares in affiliated companies, we examined to what extent the recognised share is covered by the value of the subsidiary. Since the value of the company depends primarily on the current value of investment properties and investment properties under construction, here the key focus in our audit procedures lay on assessing the valuation of investment properties and investment properties under construction.

We convinced ourselves of the technical qualification and objectivity of the external appraisers. Together with our internal German and Austrian property valuation experts, we assessed the appropriateness of the valuation models as regards mathematical and actuarial accuracy and satisfied ourselves that relevant property-specific basis data and assumptions were appropriately considered in the valuation at the valuation date. Based on a risk-oriented selection, we assessed individual valuation opinions of the German and Austrian portfolio as to the appropriateness of their valuation assumptions. Additionally, we conducted market analyses in the significant local markets of the subsidiaries of BUWOG AG and compared the findings established to the valuation assumptions of the external appraiser. Individual significant current value adjustments were assessed and the reasons for the differences were verified.

We subsequently used our findings from examining the current values of investment properties and investment properties under construction to assess whether any write-downs on shares in affiliated companies are required.

Based on the expert opinions provided for real estate properties and on the valuation of the shares, we then recalculated the respective values of the affiliated companies and compared them with the relevant book values of the shares recognised at the balance sheet date.

We consider the valuation concept and the valuation model of the shares in affiliated companies to be appropriate. The assumptions and parameters serving as basis for the valuation of the shares are adequate.

– Reference to related disclosures

Disclosures made by the management board with regard to the shares in affiliated companies are shown under C. 1.3. and D. 1. in the notes to the financial statements.

Other Matter

The financial statements of BUWOG AG, Vienna, for the fiscal year ended 30 April 2017 were audited by another auditor who issued an unqualified audit opinion dated 23 August 2017 on these financial statements.

Our audit opinion is not qualified in respect of this matter.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as statutory auditor at the ordinary general meeting dated 17 October 2017. We were engaged by the supervisory board on 11 December 2017. We have audited the Company for an uninterrupted period since 2017/18.

We confirm that the audit opinion in the "Report on the Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, 23 August 2018

PwC Wirtschaftsprüfung GmbH

signed:

Mag. Peter Pessenlehner
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.
Publication and sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with German audited version.
This audit opinion is only applicable to the German and complete financial statements with the management report.
For deviating versions, the provisions of Section 281 (2) UGB apply.

STATEMENT BY THE EXECUTIVE BOARD

We confirm to the best of our knowledge that these separate financial statements of BUWOG AG provide a true and fair view of the assets liabilities financial position and profit or loss of the company as required by the applicable accounting standards and that the BUWOG AG management report provides a true and fair view of the development and performance of the business and position of the company together with a description of the principal risks and uncertainties faced by BUWOG AG

Vienna, 23 August 2018

The Executive Board

Daniel Riedl	Herwig Teufelsdorfer
CEO	COO

GRI CONTENT INDEX

GRI 102-55

GRI Standard	Disclosure	Page	Comments
GENERAL STANDARD DISCLOSURES			
GRI 102: General Standard Disclosures 2016	**Organisational Profile**		
	102-1 Name of the organisation		BUWOG Group
	102-2 Activities, brands, products and services	P. 74	Key impacts, risks and opportunities relating to sustainability
	102-3 Location of the organisation's headquarters		Vienna
	102-4 Locations		Subsidiaries in Vienna, Villach, Graz, Berlin, Hamburg, Kiel, Lübeck, Hannover, Brunswick
	102-5 Nature of ownership and legal form		Listed public limited company (90.73% Vonovia SE, 9.27% free float)
	102-6 Markets served		
	102-7 Scale of the organisation	P. 81, 98, 150, 151	
	102-8 Employee information	P. 98	
	102-9 Supply chain	P. 88	
	102-10 Significant changes in the organisation and its supply chain	P. 74	
	102-11 Precautionary approach or principle	P. 79, 158, 162	
	102-12 External initiatives	P. 74, 81, 92	
	102-13 Membership in associations and advocacy organisations	P. 76	
	Strategy		
	102-14 Statement from the most senior decision-maker	P. 74	
	102-15 Key impacts, risks and opportunities	P. 79	
	Ethics and Integrity		
	102-16 Values, principles standards and norms of behaviour	P. 92, 95	
	Governance		
	102-18 Governance structure	P. 107, 109, 111	
	Stakeholder Engagement		
	102-40 List of stakeholder groups	P. 75	
	102-41 Collective bargaining agreements	P. 99	
	102-42 Basis for identification and selection of stakeholders	P. 75	
	102-43 Approach to stakeholder engagement	P. 75, 76, 77	
	102-44 Key stakeholder topics and concerns	P. 78	
	Approach to Reporting		
	102-45 Entities included in the organisation's consolidated financial statements	P. 107	
	102-46 Principles for defining report content and topics	P. 75	
	102-47 List of important topics	P. 76, 78	
	102-48 Restatement of information		No restatement of information
	102-49 Changes in reporting		Conversion to GRI standards and in accordance with the requirements of the Sustainability and Diversity Improvement Act
	102-50 Reporting period	P. 107	
	102-51 Date of last report	P. 107	
	102-52 Reporting cycle	P. 107	
	102-53 Contact point for questions regarding the report	P. 107	
	102-54 Statement on reporting in accordance with GRI standards	P. 107	
	102-55 GRI Sustainability Index	P. 278	
	102-56 External assurance		No external assurance

GRI Standard	Disclosure	Page	Comments
IMPORTANT TOPICS			
Sustainable Energy Supply and Consumption by Buildings and Residents			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 80	
	103-2 The management approach and its components	P. 80	
	103-3 Assessment of management approach	P. 80	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	P. 81, 82	
	302-3 Energy intensity	P. 81	
Efficient Use of Space & Sustainable Urban Development			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 84	
	103-2 The management approach and its components	P. 84	
	103-3 Assessment of management approach	P. 84	
BUWOG KPI	Green area as a percentage of total land area	P. 85	
Sustainable Mobility			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 85	
	103-2 The management approach and its components	P. 85	
	103-3 Assessment of management approach	P. 85	
BUWOG KPI	Key data on mobility and property development	P. 86	
	Key data on mobility and the BUWOG fleet	P. 87	
Ecological Building Materials & Criteria for Sustainability in Procurement			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 87	
	103-2 The management approach and its components	P. 87	
	103-3 Assessment of management approach	P. 87	
BUWOG KPI	Percentage of communication on sustainability and anti-corruption principles to external partners	P. 88	
Customer Satisfaction			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 90	
	103-2 The management approach and its components	P. 90	
	103-3 Assessment of management approach	P. 90	
BUWOG KPI	Overall satisfaction	P. 91	
	Average length of lease	P. 91	
Cost Orientation in Housing			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 91	
	103-2 The management approach and its components	P. 91	
	103-3 Assessment of management approach	P. 91	
BUWOG-KPI	Key data in development		Due to the introduction of SAP, the final key data has not been determined yet and will be established in the coming year.
Prevention of Corruption and Bribery			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 92	
	103-2 The management approach and its components	P. 92	
	103-3 Assessment of management approach	P. 92	
GRI 205: Prevention of corruption 2016	205-1 Locations that have been examined for risk of corruption	P. 93	
	205-2 Communication and training on guidelines and procedures for the prevention of corruption	P. 93	
	205-3 Confirmed cases of corruption and measures taken	P. 93	
Work-Life Balance			
GRI 103: Management approach 2016	103-1 Explanation and definition of important topics	P. 94	
	103-2 The management approach and its components	P. 94	
	103-3 Assessment of management approach	P. 94	
GRI 401: Employment 2016	401-3 Parental leave	P. 95	

GRI Standard	Disclosure	Page	Comments

ADDITIONAL DISCLOSURES

GRI Standard	Disclosure	Page	Comments
GRI 401: Employment 2016	401-1 New employees and employee fluctuation	P. 99, 100	
GRI 403: Occupational safety and health 2016	403-2 Type and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities	P. 100	
GRI 404: Training and education 2016	404-1 Average hours of training per year and employee	P. 100	
	404-3 Percentage of employees receiving regular performance and career development reviews	P. 100	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity in governance bodies and among employees	P. 98, 100	
GRI 406: Freedom from discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	P. 100	

GLOSSARY

Acquisition cost method. A method to account for investment properties, based on the respective acquisition or production costs less accumulated depreciation (also see IAS 40 and fair value method)

Ad-hoc press release. A corporate press release that could significantly influence the share price. These types of announcements are published by stock corporations in the form of ad-hoc press releases as required by Article 17 of the Market Abuse Regulation and are designed to ensure that all market participants are provided with the same information.

Asset Management. The administration, rental and maintenance of standing investments; Asset Management is one of the BUWOG Group's business areas.

ATX (Austria Traded Index). Leading index of the Vienna Stock Exchange

Benchmark. A comparative analysis, e.g. of companies or investment property (standing investments)

Block Sales. The sale of entire properties or individual portfolios from BUWOG's portfolio; part of the Property Sales business area

BOKU (Universität für Bodenkultur in Wien). The University of Natural Resources and Life Sciences in Vienna

Book value. The value of an asset or liability on the balance sheet

Bp (basis point). A unit equal to one hundredth of a percentage point

Business segment. Part of a corporate group; BUWOG Group has two segments: Austria and Germany

CAPEX. Abbreviation for capital expenditure; value-increasing investments in properties

Cash flow. The inflows and outflows of liquid funds during a reporting period.

CO_2e emissions. Carbon dioxide equivalent (CO_2e) is a standardised unit for the measurement of the relative contribution of various gases to the greenhouse effect. Climate-damaging emissions not only occur in the form of carbon dioxide (CO_2), the best known component. Other gases like methane (CH_4) and nitrous oxide (N_2O) are included in the CO_2 equivalent through a conversion factor and, in this way, facilitate comparability with regard to their negative effects on the climate.

Compliance rules. Guidelines to ensure compliance with legal, regulatory and voluntary regulations.

Contingent liability. A obligation whose existence or amount is not yet known on the balance sheet date

Convertible bond (convertible debt security). A financial instrument that creates a financial liability for a company and guarantees the owner the right to exchange the bond for a fixed number of common shares in the company

Corporate governance. The general term for corporate management (e.g. management and control).

Coupon. Entitles the holder to receive dividends or interest

DAX (Deutscher Aktienindex). German stock index

De-domination agreement. With the spin-off of BUWOG AG from IMMOFINANZ AG, IMMOFINANZ surrendered the management of the business and concluded a de-domination agreement. This agreement restricts IMMOFINANZ's ability to exercise its voting rights from BUWOG shares and guarantees BUWOG's independence.

Deferred taxes. A balance sheet item to account for differences between the annual financial statements prepared according to IFRS and the financial statements prepared for tax purposes

Discount rate. The interest rate used to discount future cash flows (also see discounted cash flow method)

Discounted cash flow method (DCF). See explanatory note in the consolidated annual financial statements under *valuation methods*

Diversification. Distribution of real estate investments over various types of use and geographical regions to minimise risks

Dividend. A distribution by the company to its shareholders

Earnings per share. Net profit divided by the average number of shares outstanding

EBITDA. Earnings before interest, tax, depreciation and amortisation (on tangible and intangible assets)

EBIT. Earnings before interest and tax

EBT. Earnings before tax

ECB. European Central Bank

Enterprise value (EV). The value of a company

EPRA. European Public Real Estate Association

EPRA Best Practice Policy. Recommendations made by the EPRA to increase transparency; BUWOG fulfils these recommendations through EPRA performance reporting in the group management report.

EPRA/NAREIT. Developed European share index category

EPRA NAV. The Net Asset Value of the BUWOG Group calculated according to EPRA principles (see related comments) adjusted for non-controlling interests, derivatives and deferred taxes; see the section on *EPRA Performance* for details.

Equity. The amount of a company's assets remaining after the deduction of all liabilities

Euro Stoxx 50. Stock index of the 50 largest listed companies in Europe

EuroStat. Statistical agency of the European Union

Fair value. The amount for which an asset can be exchanged or a debt settled (fair value of a liability) between knowledgeable, willing parties and independent business partners

Fair value method. The IAS valuation approach for the accounting treatment of properties, which is based on the actual values realisable on the market.

FFO (Funds from Operations). An operating ratio which, particularly in the real estate sector, is an indicator of a company's profitability. Net profit or loss is adjusted, above all, to account for non-cash effects.

Free float. Shares owned by a large number of investors that are in circulation on the market

Full consolidation. A consolidation method under which the assets and liabilities of a subsidiary company are incorporated into the Group financial statements in their entirety

Gross margin. An indicator used by the Property Sales business area; the proceeds from the sale of a property less the carrying amount.

Gross rental yield. The ratio of the contractually agreed gross rent to the current market value of a property

IAS. International Accounting Standards

IAS 40. The International Accounting Standard that regulates the accounting and valuation of investment properties. It provides an option to apply the fair value method or the acquisition cost method (also see acquisition and fair value models)

IATX. Sectoral index for property values in the ATX

ICS. Internal control system

IFRIC (International Financial Reporting Interpretations Committee). Sub-group of the International Accounting Standards Committee Foundation (IASCF) that deals with the interpretation of IFRS and IAS accounting standards

IFRS (International Financial Reporting Standards). International accounting standards

International Organization for Standardization (ISO). This organisation develops worldwide standards in various area, among others for energy management systems.

ISDA. Standard framework agreement of the International Swaps and Derivatives Association (ISDA) for international trade with over-the-counter derivatives

ISIN. International Security Identification Number

Like-for-like approach. The change in rental income adjusted for new acquisitions, sales and vacancies during the reference period

LTV (Loan-to-Value). The book value of financial obligations less liquid funds in relation to the book value of real estate assets

Margin on fair value. An indicator used by the Property Sales business area; it equals the gross margin generated by a property, after the deduction of related personnel and operating costs, in relation to its fair value.

NAV (Net Asset Value). For the calculation of Net Asset Value, see EPRA Indicators

NAV per share. NAV divided by the number of shares as of the reporting date

Net cold rent. Rental income excluding operating and other ancillary costs

Net Operating Income (NOI). The results of property management operations after the deduction of the related personnel and operating costs

ÖCGK (Österreichischer Corporate Governance Kodex). The Austrian Corporate Governance Code

ÖGNI (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft). Austrian Sustainable Building Council

Operating costs. Costs that normally arise in connection with the use of a property (e.g. cleaning); these costs are charged to the tenants.

ÖVI (Österreichischer Verband der Immobilienwirtschaft). Austrian real estate association

Property Sales. Property Sales/trade covers the sale of properties and represent a business area of the BUWOG Group.

Property valuation. Property appraisal carried out by external experts. The BUWOG Group properties are appraised by CBRE, an external appraiser, as of 30 April and 31 October.

Recurring FFO. Sustainable Funds From Operations (see comments above) with contributions from the Asset Management, Unit Sales and Property Development business areas

RICS. Royal Institution of Chartered Surveyors

Scope of consolidation. Companies included in the consolidated financial statements

Spin-off. Separation of approx. 51% of the shares of BUWOG AG from the Group's former parent company, IMMOFINANZ AG

Standing investment units. Properties that are held to generate rental income

Stock units. Property assets that are held to generate rental revenue

UGB (Unternehmensgesetzbuch). The Austrian Commercial Code

Unit Sales. The sale of individual apartments to third parties or tenants; in the BUWOG Group, individual apartments vacated through tenant turnover are sold primarily to third parties for their own use or to tenants; Unit Sales are part of the Property Sales business area.

VOENIX. The sustainability index of the Austrian stock market which was established in 2005

Volume Weighted Average Price (VWAP). The amount paid per share for a negotiable instrument for a certain period. It is calculated based on the volume and prices of all transactions during the relevant period.

Voting right. The right to vote at the annual general meeting

Yield. The relationship between the return on an investment and the amount of the investment

Yield Compression. A situation where the increase in the market value of a property is accompanied by a decline in the yield.

ZIA (Zentraler Immobilien Ausschuss). A German real estate industry association that was founded in 2006

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