ubm development

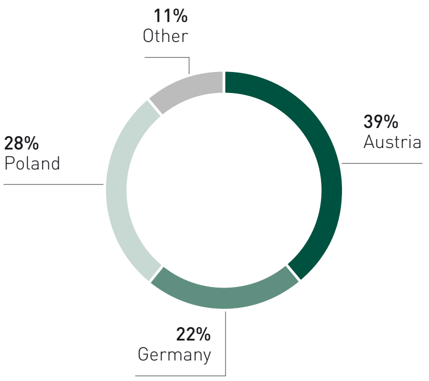
Annual Report 2016

Key Performance Indicators

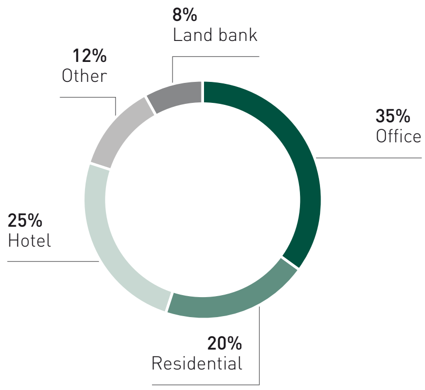
Key earnings figures (in € mn)	2016	Change[2]	2015	2014[3]
Total Output[1]	**557.5**	-6.0%	593.3	482.6
Revenue	**417.0**	35.5%	307.8	315.3
EBITDA	**49.6**	-35.1%	76.5	56.8
EBIT	**46.2**	-37.3%	73.6	53.5
EBT	**40.1**	-20.3%	50.3	31.4
Profit for the period	**29.4**	-21.4%	37.3	28.2
Key assets and financial figures (in € mn)				
Total assets	**1,233.8**	4.1%	1,185.2	1,077.4
Equity	**341.5**	2.8%	332.0	265.3
Equity ratio	**27.7%**	-0.3 PP	28.0%	24.6%
Net debt	**691.2**	13.4%	609.7	571.3
Key share data and staff				
Number of shares (no., weighted average)	**7,472,180**	8.2%	6,901,962	6,000,000
Earnings per share (in €, weighted average)	**3.9**	-20.4%	4.9	3.6
Market capitalisation (in € mn, as of 31.12)	**231.6**	-15.1%	272.7	142.8
Dividend per share (in €)	**1.60**	-	1.60	1.25
Staff[4]	**716**	4.5%	685	664

1 Total Output corresponds to the revenue of fully consolidated companies and those consolidated under the equity method, as well as sales proceeds from share deals, in proportion to the stake held by UBM.
2 Figures have been rounded off using the compensated summation method. Changes are calculated on the basis of the rounded values.
3 Pro-forma, unaudited
4 Breakdown: 31.12.2016: Development 309 and Hotel 407; 31.12.2015: Development 354 and Hotel 331

Core markets as a share of the entire portfolio 2016 in %



Asset classes as a share of the entire portfolio 2016 in %



Annual Report 2016

Granary Island, Gdansk

Contents

one goal.one team.one company.

We are preparing the ground today to be fit tomorrow. Anyone can move forward with a tailwind. Endurance is necessary uphill. We want to be better. Not just better, we want to be at the very top of our game. With a goal that empowers us. With a team that works together. With a company that delivers. **We are ready.**

Our second-best year

Thomas G. Winkler
CEO/CFO

2016 was the second-best year in the 144-year history of UBM. With EBT of €40.1 mn, we are significantly above the year 2014 (€31.4 mn), nevertheless, below the record year 2015 (€50.3 mn). Our pipeline provides full capacity utilisation until the end of 2018 and some parts have already been sold at excellent prices in forward deals. We have also successfully secured our refinancing on the capital market at attractive conditions. The focus on realising our strategic goals and delivering on our promises was at the heart of our activities in 2016 – sustainable, long-term success is important to us.

A year of change
The year 2016 was also a year of change for all of UBM's stakeholders. There was good news for shareholders with a record dividend of €1.60, as well as the shift of the UBM share to the prime market of the Vienna Stock Exchange – combined with greater transparency for investors. For the staff there was a generation change in the Chairmanship of the Managing Board. The public was confronted with a new dimension of political and economic uncertainty (Brexit, Trump, interest rate policy).

Unchanged strategy
One thing that hasn't changed is our strategy: UBM remains focused on the three core markets Germany, Austria and Poland and the three asset classes Hotel, Office and Residential. And the "golden age" of real estate continued in 2016: property prices underwent further rises as there is no real alternative to "concrete gold", hence demand outstripping supply.

This is why we invested heavily in our development pipeline again in 2016. Large-scale projects such as Zalando in Berlin or the mixed hotel, office and retail property Leuchtenbergring in Munich, the Granary Island Hotel in Gdansk and two hotels in Hamburg have secured full utilisation of our capacity to the end of 2018. Additional projects such as the two office blocks in Quartier Belvedere Central in Vienna or the residential project in Berlin's Thulestrasse provide a positive outlook up to 2020. In 2017 alone we will invest another €400 mn to secure sustainable revenue and earnings in the future.

Successful refinancing
We have improved our financing structure and secured refinancing at attractive conditions. The follow-up financing for the 2011–2016 bond generated interest savings of €1.1 mn and was successfully placed in November 2016 with a coupon of 3.876% and a total volume of €50.5 mn. This reflects the trust our investors have in us on the debt side and their confidence in the UBM business model. What's more, since the start of March 2017 we have been listed as the largest bond issuer in the "Scale segment" of Deutsche Börse, a new quality segment of the German capital market.

one goal.one team.one company.
I joined UBM with the vision "one goal.one team.one company." and the conviction that we can make this a reality. A common goal, a tight-knit community and one company – whether we are working in Berlin, Vienna or Warsaw.

ONE goal
The common goal is economic independence – even in challenging times. The precondition for this is the unlimited opportunity to be able to invest in good projects, also in the future. And – closely connected to this – undertaking successful sales so as not to limit our financial leeway. In order to achieve this common goal we have introduced two key programmes in 2016: "Fast Track 2017" (FT 17) and "Next Level" (NXL). FT 17 is an accelerated sales programme under which more than 50 projects will be sold in 2017 alone. NXL is an efficiency programme designed to enhance our financial leeway.

ONE team
One team means that we all pull together in the same direction. In order to ensure that everyone is aware of this direction, we set up the Executive Committee – consisting of the top 20 managers in the Group – as a first step in autumn 2016. This management team meets approximately once every six weeks to compare coordinates and priorities and discuss the latest developments.

ONE company
It is the execution that matters. The groundwork was laid in 2016. Today we as UBM are playing in a completely different league: we develop residential projects with 450–500 apartments. We build hotels with a couple of hundred rooms each. And our office projects reach dimensions of some €200 mn. And we're not restricted to just a single example in each category. A few years ago this would have been unthinkable. This requires a structure that facilitates the targeted and flexible use of resources – regardless of the location. A good example of this is our hotel design team in Prague, who are taking care of all of the ten hotel developments currently underway in Europe. The precondition for this is not just bundling our financial resources, but also unifying processes – that's what ONE company means. Along with the feeling that we all belong together.

My thanks go to all of our stakeholders. To our customers for their trust in UBM. To our employees for their daily commitment and dedication. To our shareholders and lenders who make their money available to us – in the confidence that we will generate returns on investment.

Vienna, in April 2017

Thomas G. Winkler
Chairman of the Managing Board

From left: Martin Löcker, Thomas G. Winkler, Michael Wurzinger, Claus Stadler

On the way – Executive Committee

"one goal.one team.one company." is the clear goal of UBM. The expanded management body, the Executive Committee, has 19 members at present and is responsible for UBM as a Group. The Managing Board of the listed company is part of the Executive Committee and consists of four members.

Thomas G. Winkler has been Chairman of the Managing Board and CFO since June 2016. His responsibilities include Strategy and Business Development, Investor Relations and Corporate Communications, Audit, Risk Management and Human Resources. He is also responsible for Finance and Controlling, Accounting, Tax, Insurance and Compliance.

Martin Löcker has been a member of the Managing Board since March 2009. He is responsible for Property Development in Germany, Western Europe and Eastern Europe, as well as for UBMhotels, in which UBM's activities in hotel development and management are bundled.

Claus Stadler has been a member of the UBM Managing Board since May 2015. His responsibilities include Property Development for Austria, as well as IT and Quality Management.

Michael Wurzinger has sat on the UBM Managing Board since January 2015. He is responsible for Property Marketing and Sales, Asset Management and Legal Affairs.

Other members of the Executive Committee

Bertold Wild, Executive Board Münchner Grund
Christian Berger, Executive Board Münchner Grund
Udo Sauter, Executive Board Münchner Grund

Gerald Beck, Executive Board STRAUSS & PARTNER
Ernst Gassner, Executive Board STRAUSS & PARTNER

Peter Obernhuber, Executive Board UBM Polska
Sebastian Vetter, Executive Board UBM Polska
Peter Wöckinger, Executive Board UBM Polska

Jan Zemanek, Executive Board UBM Bohemia

Rolf Hübner, Executive Board UBMhotels

Milena Ioveva, Head of IR & PR UBM
Ralf Mikolasch, Head of Legal UBM
Patric Thate, Head of Finance UBM
Andreas Zangenfeind, Head of Transactions UBM
Erwin Zeller, Head of Controlling UBM

April 2017

Highlights 2016

24 February / Transaction security through forward sales

UBM and its project partner sell the hotel development Holiday Inn Gateway Gardens in Frankfurt in a share deal to Hansainvest Hanseatische Investment GmbH. The property was handed over at the end of 2016.

18 May / UBMhotels founded

UBM founds UBMhotels on 18 May 2016 to strengthen its position as the hotel developer of choice in Europe. The new company not only bundles the competencies for developing hotels, but also for operating them.

© FOTO@STEFAN-EFFNER.DE

1 June / Thomas G. Winkler new CEO & CFO

UBM sets the course for the future: Thomas G. Winkler becomes the new Chairman of the Managing Board and Chief Financial Officer. At the same time he acquires 1% of the UBM shares, worth around €2.3 mn. "This investment is my personal long-term commitment to UBM. In line with the motto: don't claim that you believe in UBM, prove it."

2 June / New hotel in Gdansk

UBM is building a new four-star hotel in Gdansk that will be completed by the end of 2018. The planning phase has already been completed. The building will be the city's most sustainable hotel: the UBM project is setting new standards for Gdansk in terms of energy efficiency, heat recovery, ecological construction materials and farsightedness.

13 July / Forward sale of the DHL logistics hub

UBM, in a 50% partnership with CCG (equity method), developed one of the largest distribution centres for the international express delivery service DHL, on a plot of around 59,000 m² in Cargo Center Graz. The logistics property has already been sold in a forward deal to Palmira Capital.

22 August / Move to the prime market

On 22 August 2016 UBM moves to the highest and most liquid segment of the Vienna Stock Exchange – the prime market. With this move UBM agrees to uphold the highest standards of transparency and disclosure criteria. This also increases the tradability and appeal of shares for institutional and international investors.

7 September / Groundbreaking for Zalando Headquarters in Berlin

UBM is building a seven-storey office complex on the so-called Anschutz-Areal in Berlin-Friedrichshain, set for completion by the end of 2018. Zalando will rent a total of 45,600 m² of office space under a long-term contract.

2 November / UBM sells QBC 5 hotels for €85 mn

UBM sells the three-star ibis hotel and the four-star Novotel (AccorHotels Group) for €85 mn to Amundi Real Estate.

24 October 2016 / Executive Committee founded

The new management body consists of the top 20 managers of the UBM Group and marks an important step towards achieving the target "one goal.one team.one company.".

10 November / UBM sells Doppio Offices for around €20 mn to Union Investment

Closing of the sale of the Vienna office property, Doppio Offices. Property investment manager Union Investment purchases the standing asset. UBM has taken another step towards reducing its standing portfolio.

18 November / Office project QBC 3 sold for around €30 mn to Union Investment

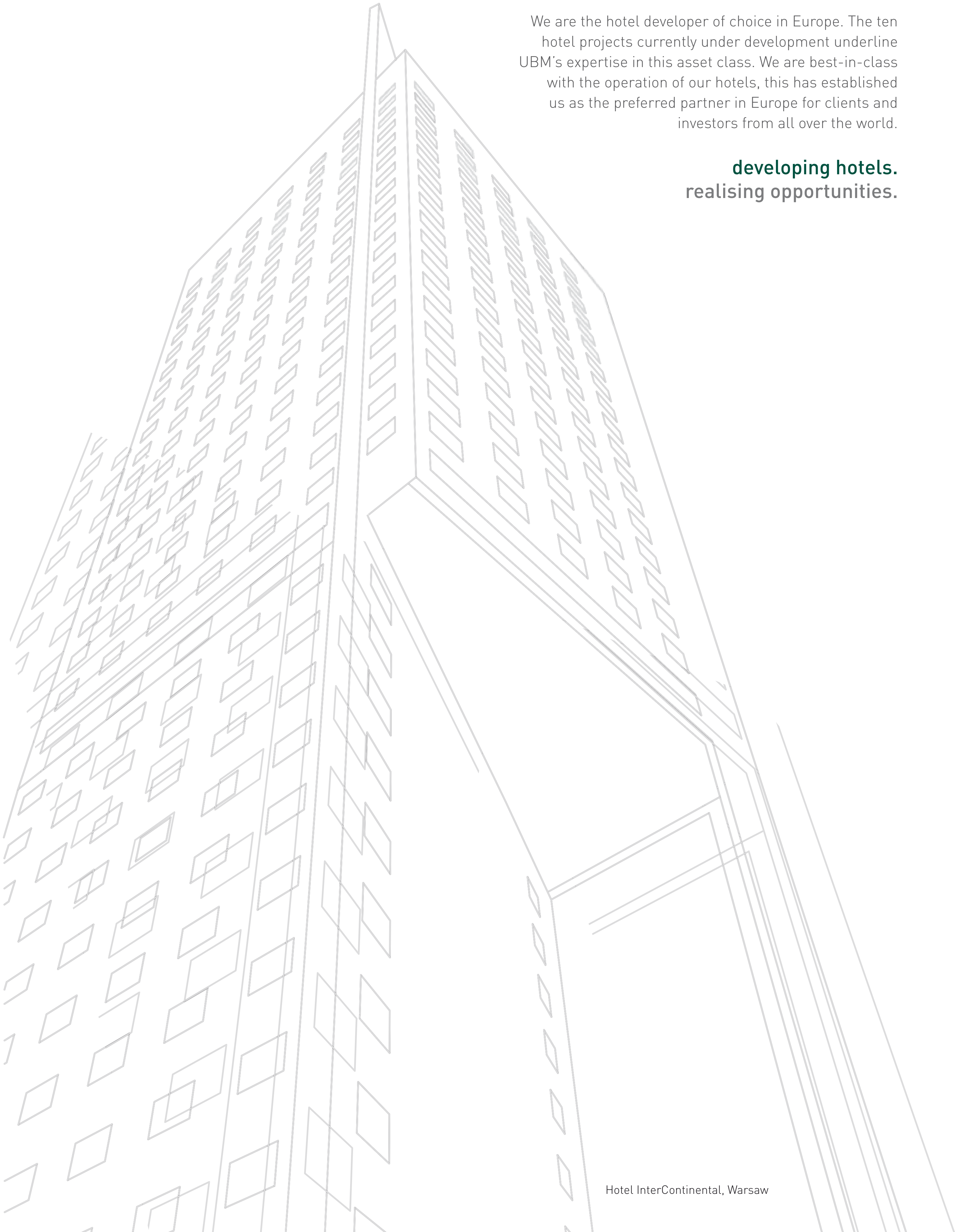
UBM Development AG and S IMMO conclude a forward deal during the development phase for the third lot of QBC – Quartier Belvedere Central – with Union Investment. Completion and handover are planned for the second half of 2017.

15 December / UBM acquires plots for residential construction in Berlin-Pankow

UBM acquires two plots on Thulestrasse in the Pankow district in Berlin, together with a family office as a partner. Construction on the 500+ residential units is set to begin in the third quarter of 2017.

We are the hotel developer of choice in Europe. The ten hotel projects currently under development underline UBM's expertise in this asset class. We are best-in-class with the operation of our hotels, this has established us as the preferred partner in Europe for clients and investors from all over the world.

developing hotels.
realising opportunities.



Hotel InterContinental, Warsaw

About UBM

Developing real estate and selling it successfully – this is UBM's strength. The clear focus on development makes UBM attractive on the stock market, as this is the part of the chain with the greatest value creation. That's why it's even more crucial that we explain to our shareholders who we are, what we do and what's important.

UBM Development AG is a leading European real estate developer. UBM manages individual project developments throughout the entire value chain of a property – from the green-field development through to construction and marketing. In addition, UBM accelerates sales in form of forward deals and sales of standing assets in order to secure a balance between profitability and the risk profile.

With a total of 309 development employees (and a further 407 in the hotel sector), UBM is active in the three core markets Germany, Austria and Poland and develops proprietary projects in the three asset classes Hotel, Office and Residential. This enables UBM to offer institutional and private investors unique access to a comprehensive portfolio of first-class developments.

UBM has a project pipeline that guarantees full capacity utilisation until the end of 2018. Around 430 apartments were sold in Austria and Germany in 2016, of which around 60% were sold prior to completion. In 2016 around 110,000 m² gross floor space of offices was under development in Austria. In Germany around 32,000 m² and in Poland around 48,000 m² was completed. Furthermore, with over 45 hotels developed for leading international hotel operators, UBM is the hotel developer of choice in Europe. In the reporting year 2016, UBM generated Total Output of €557.5 mn.

In 2015 the free float of UBM increased to over 60%. The change in management at the top of the company in June 2016 set the course for the future. In addition, capital market communication was enhanced, facilitating the move of UBM to the prime market of the Vienna Stock Exchange. The clear commitment to the capital market and to its shareholders was confirmed once again. The company has been listed on the Vienna Stock Exchange since it was founded in 1873.

1873

Founding

1992–2010

Internationalisation

1992 Czech Republic
1993 Poland
1999 Germany
2001 France
2010 Netherlands

2015–2016

New focus

February 2015 Downstream merger PIAG – UBM

March 2015 Renamed as UBM Development AG

April 2015 Capital increase

June 2016 Generational change Thomas G. Winkler new CEO/CFO

August 2016 Move to the prime market of the Vienna Stock Exchange

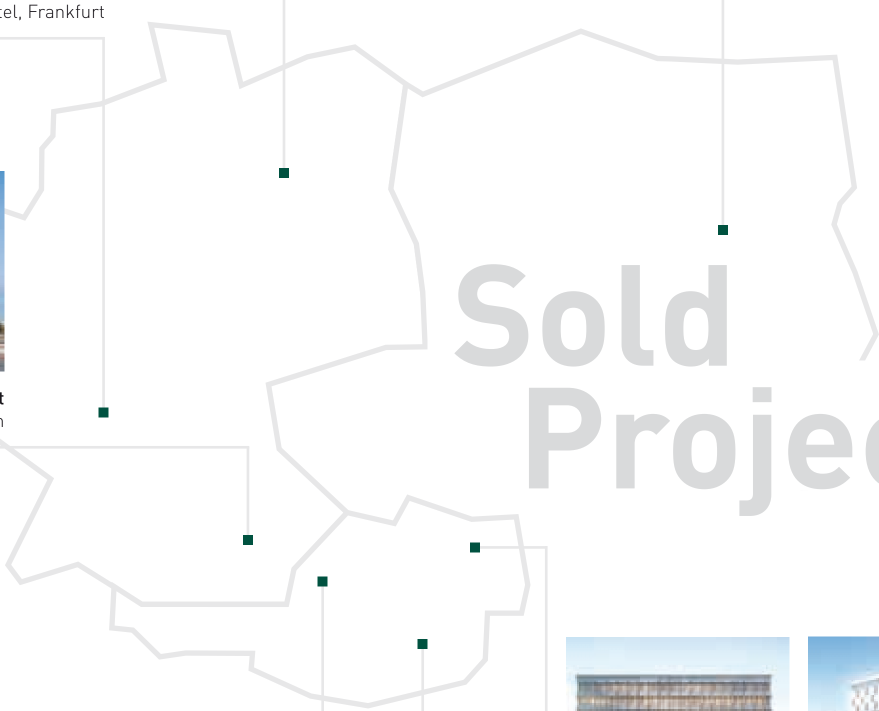
Sold Projects

Holiday Inn Gateway Gardens
Hotel, Frankfurt

Holiday Inn Express Klosterstrasse
Hotel, Berlin

Holiday Inn Warsaw City Centre
Hotel, Warsaw

Holiday Inn Express Munich City West
Hotel, Munich



Neue Mitte Lehen
Office and Retail, Salzburg

QBC 3
Office, Vienna

QBC 5: ibis and Novotel
Hotel, Vienna

CCG Nord
Logistics centre, Graz

Franzosengraben
Office, Vienna

Doppio Offices
Office, Vienna

Business model

UBM Development is focusing ever more strongly on pure real estate development and thereby covers the most profitable sector of the value chain. Here the company employs a dual focus on countries and asset classes. Development in stable growth markets, many years of technical knowhow and strong local networks additionally secure the high quality of the portfolio that offers sustainable potential for added value.

In the year under review, 2016, the UBM portfolio was divided into standing projects (€536 mn), development projects (€706 mn) and undeveloped plots (€106 mn). As of 31 December 2016 the fair value totalled €1.35 bn. In the third quarter of 2016 UBM began accelerating the sale of projects under development through forward deals and the sale of standing assets. UBM thereby realises its clear strategic goal: the focus on pure property development and continuity in the dividend policy.

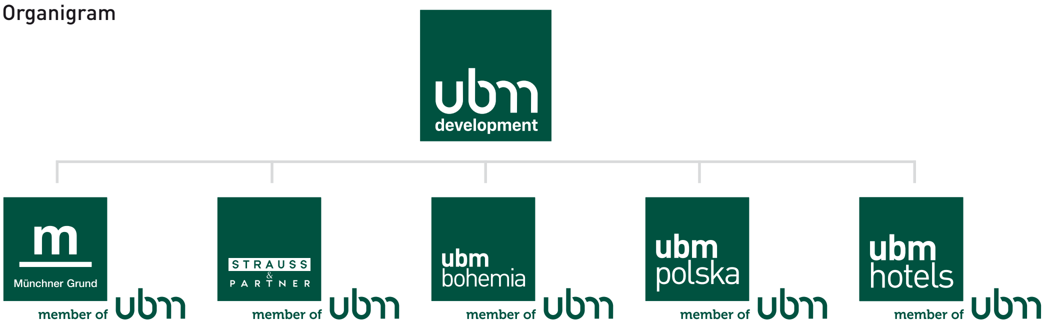
With its subsidiaries on attractive markets, UBM has an efficient local network, thereby guaranteeing the competitive positioning on the real estate market. In addition to the well-established local subsidiaries – Münchner Grund Immobilienbauträger GmbH in Germany, STRAUSS & PARTNER Development GmbH in Austria, UBM Polska in Poland and UBM Bohemia in the Czech Republic – UBMhotels Management GbmH was founded in 2016, reflecting the increasing importance of this hotel segment. UBM is already a leading hotel developer in Europe. Under its business model, UBMhotels as the leaseholder also handles the entire asset and performance management of hotel properties and thereby secures sustainable earnings in close cooperation with the operators, the international hotel chains.

Business fields

Around 90% of the UBM property portfolio is found on the markets of Germany, Austria and Poland. Germany and Austria – two stable markets with strong earnings – represent approx. 60% of the entire portfolio; Poland accounts for below 30%. The remaining 11% is in other countries such as the Czech Republic, France and the Netherlands. 70% is concentrated in major cities such as Vienna, Berlin, Frankfurt, Munich, Hamburg and Warsaw; the rest is in smaller cities such as Salzburg or Krakow. The asset class Office was the largest sector of the entire real estate portfolio in 2016 with 35%, followed by Hotel (25%), Residential (20%), Other (12%) and undeveloped plots (8%).

In **Germany** UBM had a real estate portfolio of around €297 mn as of 31 December 2016. The operating subsidiary, Münchner Grund Immobilienbauträger GmbH, is active in all three asset classes and focuses its development activities on the cities Berlin, Frankfurt, Munich and Hamburg. Several large-scale projects were completed and handed over in the key asset class Hotel, such as the Holiday Inn Express Munich and Holiday Inn Gateway Gardens at Frankfurt Airport. In resi-

Organigram



dential construction the most important development projects at present include Enckestrasse in Berlin and the Kühnehöfe in Hamburg. With the construction of the new headquarters for Zalando in Berlin, UBM is setting another benchmark for first-class project development in the Office asset class in Germany.

At €525 mn, the carrying amount of the **Austria** portfolio accounted for 39% of the whole UBM portfolio (as of 31 December 2016). The increase in the percentage of the Austrian portfolio resulted in particular from fair value gains triggered by the development progress made on projects. UBM operates in Austria via its subsidiary STRAUSS & PARTNER and promotes residential construction with a focus on the provincial capitals of Salzburg, Innsbruck, Graz and Vienna. With "Wohnen am Rosenhügel" and MySky, Austria's largest residential development projects are currently underway in Vienna. The most prestigious project of STRAUSS & PARTNER at present is the development of a complete city quarter near Vienna Central Station – Quartier Belvedere Central (QBC).

In **Poland** UBM´s portfolio has a carrying amount of around €374 mn – with a strong focus on the office and hotel sectors. The subsidiary UBM Polska has been operating successfully on the market for almost 25 years and is focused primarily on Warsaw, Krakow and Wroclaw. Poland's largest business park – the Poleczki Business Park – is currently under development in Warsaw, while the office buildings Mogilska and Kotlarska are being built in Krakow. The Pegaz Times II office building was completed in Wroclaw in 2016. The hotel development offensive initiated in Poland in 2015 is continuing with a project on Granary Island in Gdansk.

The remaining 11% of the total portfolio value is spread over countries including the Czech Republic, the Netherlands and France. Hotel development in the Netherlands deserves a special mention here – UBM is about to complete the handover of the Hyatt Regency Amsterdam.

Sustainability

Sustainability is a crucial part of the UBM corporate strategy. The long-term value retention and respectful approach to resources are a priority here. At the same time, UBM pays strict attention on every project to high-quality architecture, outstanding construction quality, reliability and excellent functionality. This awareness of responsibility is also impressively confirmed by the regular certification of UBM projects including by DGNB (German Sustainable Building Council) and ÖGNI (the Austrian Society for Sustainable Real Estate) (see also page 46f).

Five reasons to invest

1

UBM has substance and room for manoeuvre

- €1.35 bn assets under management (31 December 2016)
- €0.8 bn investments in the development pipeline (2017 and 2018)
- €0.2 bn reduction in net debt (from standing assets in 2017)

2

UBM is the leading hotel developer in Europe

- More than 45 hotels already developed (approx. 9,700 rooms)
- 10 hotels in the development pipeline (approx. 2,500 rooms)
- 16 hotel operations as leaseholder (approx. 3,600 rooms)

3

UBM is playing in a different league

- Offices with a volume of €200 mn per project
- Hotels with 500 rooms per project
- Residential construction with over 450 apartments per project

4

UBM has focus and expertise

- Three core markets (Germany, Austria, Poland)
- Three asset classes (Hotel, Office, Residential)
- 144 years of experience (more than 15 years in Germany and Poland)

5

UBM prioritises the capital market

- €1.60 dividend – policy of continuity
- Prime market of the Vienna Stock Exchange (transparency and tradability)
- "Scale segment" of Deutsche Börse in Germany for bonds (credit standing and quality)

Strategy

Dual focus on markets and asset classes

UBM is clearly positioned – the focus is on project developments in the three core markets of Germany, Austria and Poland, as well as on the three asset classes – Hotel, Office and Residential. UBM invests in markets that offer in the medium and long term optimum value added in the balance between profitability and risk profile. The company purchases, develops and sells properties in established locations with potential for value increases and concentrates in particular on large, central cities such as Berlin, Frankfurt, Hamburg, Vienna and Warsaw. The dual approach of a development portfolio which is diversified in terms of both regions and asset classes, while still being focused, guarantees sustainable value creation.

Realising of economies of scale in the three asset classes

The focus on the asset classes Hotel, Office and Residential differs significantly from the prevailing opportunistic approach in the industry. In the hotel sector UBM is the hotel developer of choice in Europe. Alongside hotel development, UBMhotels bundles hotel lease, which generates additional long-term cash flows. The focus is on the three-to-four-star segment in excellent urban locations. In addition, UBM employs a follow-your-customer approach. With renowned international hotel chains, the company also realises project developments in selective growth regions outside UBM core markets. In the office segment UBM primarily undertakes developments in central locations and in business parks at sites with good links to public infrastructure. Project development in the residential sector currently focuses on Germany and Austria. The projects are offered to both owner-occupiers and private investors in the form of freehold flats and to institutional investors in the course of block deals.

A strong local network and in-depth market expertise allow UBM to recognise and realise carefully evaluated market opportunities in a timely manner in order to safeguard the future pipeline. Here the focus is on high-quality, large-volume project developments that promise sustainable and long-term value creation. Longstanding contacts and cooperation with institutional and private market participants and decision-makers create significant competitive advantages as well.

Concentration on high-margin development

In the value chain it is property development that offers the greatest potential for value added. The accelerated sales programme "Fast Track 17" also aims to substantially decrease UBM's standing portfolio, which yields a significantly lower return than the development business. By year-end 2017 UBM expects sales of around €600 mn, which should lead to a significant reduction in net debt to €550 mn. In contrast, the investments in the development pipeline of €400 mn will secure future revenues and earnings.

Higher deal security and risk mitigation

Real estate continues to benefit from the ongoing economic and political uncertainty. The search for investments as a "safe haven" and the lack of alternative investments has led to ongoing high demand for property by private and particularly institutional investors. In forward deals UBM fixes a price today for properties that will only be completed in the future. This leads to greater deal security and mitigates the future market risk. At the same time, the investor can acquire a project for his/her own portfolio at the current price level. Forward sales such as the recent ibis and Novotel hotels and the office buildings in the new city quarter, Quartier Belvedere Central, are perfect examples here.

Efficiency enhancement and streamlining processes

In 2017 UBM promoted the Group-wide efficiency programme "Next Level". The goal of this programme is sustainably increasing efficiency. The implementation involves measures at every level in order to avoid duplication and to optimise processes. Operating excellence and streamlined cost structures not only increase financial leeway, but also strengthen the competitive ability of UBM.

Continuity-based dividend policy

With its dividend policy, UBM is committed to continuity and to the company's strong earnings power that is expected to continue in the future. For the 2016 business year the Managing Board will propose an unchanged high dividend of €1.60 to the Supervisory Board and the AGM – this represents a payout ratio of approx. 41%. With a current dividend yield of around 5%, UBM is thereby among the top dividend-bearing securities on the Vienna Stock Exchange and a leader among its industry peers.

Financing

Real estate development is a capital-intensive business and so financing costs have a significant impact on the earnings of UBM as a Group. UBM draws on both the capital and credit markets to raise debt capital. The follow-up financing of the 2011–2016 bond in 2016 led to a €1.1 mn reduction in future interest payments. In general, real estate projects are financed for their entire planned development period.

Investor Relations

Increasing volatility on the stock markets

In 2016 the developments on the capital markets was characterised by sharp price fluctuations, although in the end the balance for the year was positive. The pronounced declines in Chinese shares and further falls in the oil price led stock markets to experience the weakest start to the year since the 1930s. A slight recovery took hold in the second quarter, buoyed by the easing of the European Central Bank's fiscal policy and the Federal Reserve's interest rate policy. However, the expansive policy moves by the central banks were unable to completely quell concerns about growth. Global indices reacted to the surprising Brexit vote on 24 June with significant price falls. Good corporate data and positive economic expectations led the markets to stabilise into the third quarter. The unexpected victory of Donald Trump as the 45th President helped the US stock exchanges to a price rally that continued until the end of the year. Just before the end of the year, the Federal Reserve, the American central bank, raised interest rates for the first time since 2008. The US stock exchange index, the DJIA, rose by an impressive 13.4% and recorded another all-time high in 2016.

Ongoing economic and political uncertainty such as the Brexit vote, economic instability in Italy and Spain, and the upcoming elections in Germany and France stifled stock exchange growth in Europe. It was only thanks to a year-end rally that the eurozone index, EURO STOXX 50, closed up 0.7% against the close of the previous year. In mid-December the European Central Bank gave a noticeable boost to the markets: it announced an extension of the bond-buying programme until year-end 2017. However, it was announced at the same time that the monthly bond buying would be reduced from €80 bn to €60 bn from April 2017. The leading German index, DAX, grew by an impressive 7% in 2016 and closed up for the fifth year in a row. The leading UK index, FTSE, surprised pundits by closing up by a hefty 14% despite Brexit.

In 2016 the Vienna Stock Exchange achieved growth of 9.2%, thereby performing better than many of the European indices. This was also the highest year-end value since 2010. Contributing factors primarily included the positive economic forecasts for Eastern Europe and an improved backdrop for financial stocks, which have a heavy weighting on the ATX.

Performance of UBM shares also volatile

The UBM shares are listed on the prime market of the Vienna stock exchange and on the Immobilien-ATX (IATX). The price performance of UBM could not escape the volatile stock market environment in 2016. Following a pronounced phase of weakness at the start of the year, it recovered in the second quarter and the share reached its year-high of €35.4 on 29 April 2016.

The change in the Managing Board in June 2016 led to uncertainty among investors in the short term. In the third quarter the UBM share recovered from its year-low, which it reached on 13 July 2016 at €26.6, and underwent a significant rise of 16.2%. The results for the first half of 2016 and the fulfilment of a longstanding promise – UBM's move to the prime market of the Vienna stock exchange – had a positive impact on the share price. Overall, the share mirrored the Immobilien-ATX from June onwards and lagged behind the general market, as did the industry as a whole. On 30 December 2016, the last trading day of the year, the share closed at a price of €31.0 and was thereby 10.5% below the value at the start of the year. The average trading volumes of the share stood at 4,358. The market capitalisation as of 30 December 2016 was €231.6 mn.

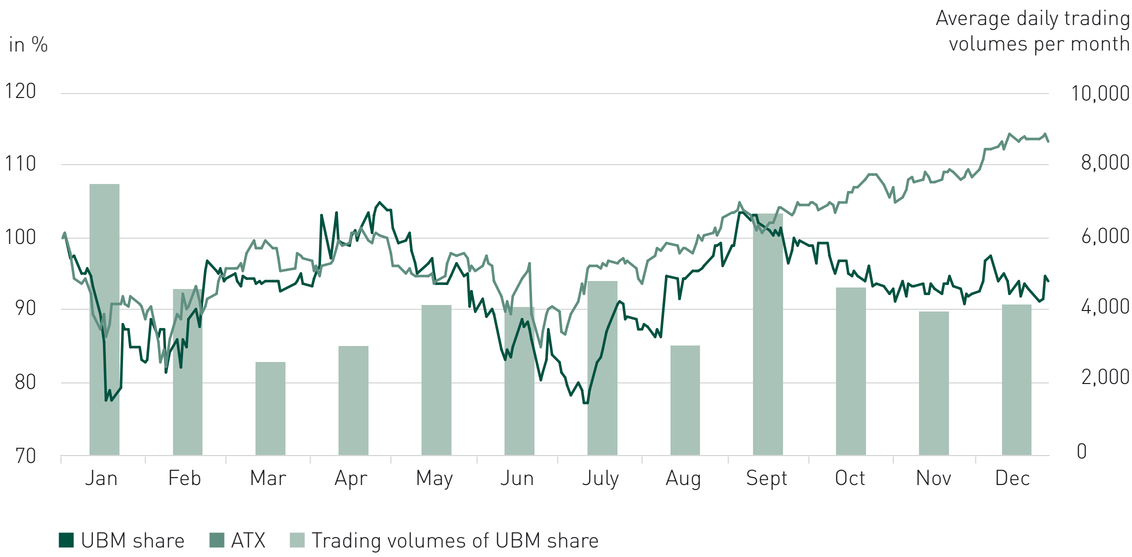
Analysts' coverage

UBM is currently analysed by four investment firms. Three analysts – Erste Group, Kepler Cheuvreux and SRC – issued buy recommendations, while Baader gave a hold recommendation for the UBM share. The consensus of the analysts is a target price of €39.0.

UBM moves to prime market

On 22 August 2016 UBM moved to the prime market, the highest segment of the Vienna Stock exchange. The UBM share was previously listed in the trading segment standard market continuous. With this move UBM agrees to comply with the Vienna Stock Exchange's most stringent standards of transparency and disclosure criteria. At the same time, a continuous

Performance of the UBM share compared to the index and trading volumes in 2016



UBM share – Key indicators

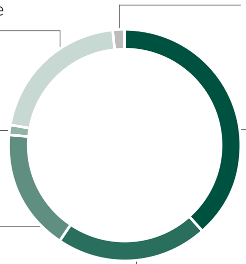
		2016	2015	2014
Price at 30 Dec	in €	**31.0**	36.5	23.8
Year high	in €	**35.4**	43.8	25.0
Year low	in €	**26.6**	23.0	15.2
Earnings per share	in €	**3.9**	4.9	3.6
Dividend per share	in €	**1.6**[1]	1.6	1.3
Dividend yield	in %	**5.2**	4.4	5.3
Payout ratio	in %	**41.0**	32.6	34.8
Market capitalisation as of 30 Dec	in € mn	**231.6**	272.7	142.8
Price-earnings ratio as of 30 Dec		**7.9**	7.5	6.6
No. of shares outstanding as of 30 Dec	No.	**7,472,180**	7,472,180	6,000,000

[1] Proposal to Annual General Meeting

Shareholder structure in %

[1] including Supervisory Board and Management 11.3%

Regional distribution of free float in %



Financial Calendar 2017

Publication 2016 Annual Financial Report, 2016 Annual Report	6.4.2017
Press conference	6.4.2017
Record date for the attendance of the 136th Annual General Meeting, Vienna	13.5.2017
136th Annual General Meeting, EURO PLAZA, Am Euro Platz 2, Building G, 1120 Vienna, 14:00 CET	23.5.2017
Ex-dividend trading on the Vienna Stock Exchange	30.5.2017
Dividend record date	31.5.2017
Publication interim report on the first quarter of 2017	31.5.2017
Dividend payout day for the 2016 business year	1.6.2017
Interest payment UBM bond 2015	9.6.2017
Interest payment UBM bond 2014	10.7.2017
Publication interim report on the first half of 2017	29.8.2017
Publication interim report on the third quarter of 2017	28.11.2017
Interest payment UBM bond 2015	11.12.2017

price quotation in trading of the shares is guaranteed, thereby enhancing the tradability and appeal of the shares for institutional and international investors.

Broad shareholder structure

The share capital of UBM Development AG totalled €22,416,540.0 as of 31 December 2016 and was divided into 7,472,180 shares. The Syndicate (Strauss Group, IGO-Ortner Group) held 38.8% of the shares outstanding. The remaining shares are in free float (61.2%). In February 2016 the largest group of investors was from Austria with 38.5%, followed by investors from the UK with 21.0%, Northern and Central Europe (including Switzerland and Scandinavia) with 20.5% and Germany with 17.1%.

Dividend policy: continuity

UBM pursues a dividend policy focused on continuity and earnings. The concrete dividend proposal is generally presented in tandem with the publication of the annual financial results. For 2016 UBM proposes a dividend of €1.60 per share. This is at the record level of the previous year and represents a payout ratio of around 41%. On the basis of the closing price of €31.00 as of 30 December 2016, the dividend yield amounts to around 5%. The Managing Board and the Supervisory Board thereby want to ensure that shareholders again in 2016 benefit from the second-best year in the history of UBM.

Successful follow-up financing

In 2016 UBM managed to improve its financing structure and successfully refinanced the 2011–2016 bond due in November in the amount of €50 mn. In the current market environment, UBM managed to finalize a private placement with Schuldscheindarlehen and non-listed bearer bonds at significantly more attractive conditions. The issue was predominantly placed with existing institutional investors. The coupon was fixed at 3.876% p.a.; the term was set at five years with redemption upon maturity. The successful follow-up financing will thereby lead to savings on interest payments of €1.1 mn.

Investor relations

The goal of UBM's investor relations is continuous dialogue and a transparent and timely information policy that allows every shareholder to get a fair picture of the company. The main focus of investor relations activities in 2016 was the contact with existing investors, as well as bringing on board new investors with a long-term focus. The change in the Managing Board and the new head of the investor relations department meant that IR activities were intensified in the second half of the year. Together with investor relations, the management held numerous one-on-one meetings with investors and analysts in Europe's most important financial centres, including London, Zurich, Vienna, Frankfurt and Munich, and participated in international investment conferences. In addition, UBM reports regularly on its business performance in the course of quarterly telephone conferences for analysts, institutional investors and banks, as well as at the press conferences.

UBM informs comprehensively at www.ubm.at on the latest market trends, key performance indicators, the UBM share, annual and interim results, financial reports, presentations and IR events. In addition, investors can register with investor.relations@ubm.at to receive regular IR updates.

Supervisory Board Report

Karl-Heinz Strauss
Chairman of the Supervisory Board

UBM finds itself in the largest ever transformation in its more than 140-year history. The new Managing Board team headed by Thomas Winkler has recognised that there is enormous demand in Europe for the products and services of a pure trade developer. And the feedback from the market has confirmed the view of the Managing Board. The ambitious sales programme, which has also made the transformation process visible to the public, was fully underway in the past business year. It was complemented by strengthening UBM's core competency in the hotel segment, a field in which the Company enjoys an exceptional international reputation. Internally the Managing Board introduced an optimisation programme to increase efficiency, which embeds the new strategy in the Company at the same time as pinpointing potential for savings. The Supervisory Board is convinced that the Managing Board team has not only laid out the correct strategic focal points, but also that is ideally placed to implement this new approach.

The Supervisory Board has been updated regularly and in detail by the Managing Board on the progress made in restructuring, the sales programme and new development projects, and has conducted an in-depth examination of every resolution required before giving its unanimous approval. Furthermore, the strategic approach of the Company has been constantly and in a timely manner evaluated and discussed with the Managing Board. The Supervisory Board thanks the Managing Board and all UBM Development AG employees for their tireless dedication and exceptional work in the past year.

The Supervisory Board has actively encouraged and supported the company's development in keeping with the responsibilities assigned to it. In line with Article 81 of the Stock Corporation Act, the Managing Board has kept the Supervisory Board constantly informed of full details of the development of the business and financial position of the Group and its shareholdings, of staff and planning matters and of investment and acquisition projects through spoken and written reports. The Managing Board has discussed strategy, business development and risk management with the Supervisory Board. In a total of six meetings, the Supervisory Board passed the relevant resolutions that were required. The necessary approval for the transactions for which consent is required under Article 95 Section 5 of the Stock Corporation Act and pursuant to the rules of procedure for the Managing Board was obtained; in urgent cases, written voting was used for authorisation of this nature. The average level of attendance at Supervisory Board meetings on the part of the members that had been elected by the AGM was 98.2%. On 22 April 2016 a meeting of the audit committee was held in the presence of the auditor for the purpose of auditing and preparing the approval of the 2015 consolidated financial statements. The nomination committee met on 4 May 2016 and passed several resolutions including the nomination of Thomas G. Winkler as Chairman of the Managing Board and Chief Financial Officer. The Supervisory Board followed up this nomination in the meeting of 25 May 2016 and approved the appointment of Thomas G. Winkler. The remuneration committee met in May, June and December 2016 and dealt with several issues, including the dissolution of the contracts with the former Managing Board members Karl Bier and Heribert Smolé and amending the contracts of the Managing Board members Michael Wurzinger and Claus Stadler. A further meeting of the audit committee was held on 21 September 2016 in the presence of the auditor;

the purpose of this meeting was addressing the new challenges and expanded responsibilities for auditors and the audit committee as the result of the amendment to the Audit Act 2016 and the Auditor Supervision Act, as well as to monitor the financial reporting process, evaluate the effectiveness of the internal control system, the internal audit system and risk management within the Group. A meeting of the audit committee was held on 12 December 2016 in accordance with Rule 81a of the Austrian Code of Corporate Governance, in which the monitoring of the audit was discussed. This meeting also gave the audit committee and the (Group) auditor the chance to communicate without the presence of the Managing Board. In another meeting on 12 December 2016, the audit committee addressed the report of the (Group) auditor on the functioning of risk management in accordance with Rule 83 of the Austrian Code of Corporate Governance and the internal audit report, including discussions on the audit plan and the material findings, in accordance with Rule 18 of the Austrian Code of Corporate Governance.

The annual financial statements of UBM Development AG as per 31 December 2016, including the notes to the consolidated financial statements and the management report, and the consolidated financial statements that had been prepared as of 31 December 2016 in accordance with International Financial Reporting Standards (IFRS) and the Group management report, were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audit, based on the bookkeeping and documentation of the company as well as the explanations and documentation provided by the Managing Board, revealed that the bookkeeping records and the annual financial statements and consolidated accounts complied with the legal requirements and provided no cause for complaint. The Group report and management report accord with the annual and consolidated financial statements. The aforementioned audit company has therefore issued an unqualified audit opinion for the annual and consolidated financial statements.

All of the documents related to financial statements, the Corporate Governance report and the Managing Board's proposal on the appropriation of net profit and the audit report prepared by the auditor, were dealt with in detail with the auditors on 5 April 2017 in the audit committee and submitted to the Supervisory Board.

The audit committee and the Supervisory Board have approved the annual financial statements as of 31 December 2016 and the Group management report, the Corporate Governance report and the proposal of the Managing Board regarding the appropriation of net profits following intensive discussion and auditing. The annual financial statements as of 31 December 2016 have thus been adopted. The audit committee and the Supervisory Board also approved the consolidated accounts for 2016 that had been prepared in accordance with IFRSs and the Group management report. The Supervisory Board agreed with the proposal of the Managing Board regarding the appropriation of earnings.

The Supervisory Board thanks customers and shareholders for the confidence they have placed in UBM and their commitment to the company, as well as the Managing Board and staff for the dedication they have demonstrated over the past year and the constructive collaboration it has enjoyed with them.

Vienna, in April 2017

Karl-Heinz Strauss
Chairman of the Supervisory Board

Corporate Governance Report

Commitment to the Austrian Code of Corporate Governance

UBM Development AG views Corporate Governance as a key concept for responsible and transparent company management and the comprehensive auditing that accompanies this. The Managing Board and Supervisory Board work closely together in the interests of the company and its staff and are involved in the ongoing evaluation of the development and strategic direction of the UBM Group. Constant dialogue with all relevant interest groups builds trust, also in corporate activities, and provides the basis for sustainable corporate growth in the future. A top priority for UBM is to incorporate and develop standards towards responsible and sustainable corporate management.

In August 2016 the UBM Group made a joint formal declaration by the Managing Board and the Supervisory Board committing itself to observance of the Austrian Code of Corporate Governance. Pursuant to Article 267b of the Austrian Commercial Code, as a listed parent company, UBM must produce a consolidated Corporate Governance report. As the UBM Group does not have any listed subsidiaries, the requisite disclosures cited in Article 243c of the Austrian Commercial Code and information included in the appropriate places of this Corporate Governance report can be limited.

The UBM shares were admitted to the prime market, the premium segment of the Vienna Stock Exchange, on 22 August 2016. Prior to this, the UBM shares were listed in the standard market continuous segment. With the move to the prime market, UBM formally commits to adhere to more stringent criteria regarding the transparency and quality of disclosures.

With reference to the deviations listed below in the Comply or Explain catalogue, UBM is committed to upholding the rules of the Austrian Code of Corporate Governance and sees this as a key precondition for responsible corporate management. The latest version of the Austrian Code of Corporate Governance as laid out by the Austrian Working Group for Corporate Governance is available to the public on the homepage of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

This Corporate Governance report is published as part of the Annual Report and is available on the Group's website at www.ubm.at/en/investor-relations/financial-report/ and under Corporate Governance www.ubm.at/en/investor-relations/corporate-governance/.

In accordance with Rule 36 of the Austrian Code of Corporate Governance, for the first time in 2016 the Supervisory Board conducted a self-evaluation in the form of a survey which primarily addressed the efficiency of the Supervisory Board, its organisation and its working practices. The findings were then evaluated and discussed in the Supervisory Board.

Comply or Explain catalogue

C Rule 18: Until now there has not been a dedicated staff unit for Internal Audit at UBM Development AG. Internal audit duties have been carried out jointly by the Managing Board and the staff units. Work to begin setting up a dedicated staff unit for Internal Audit was initiated in mid-2016. The audit duties were carried out on a case-by-case basis. In 2017 the Internal Audit staff unit will take over all internal audit duties in full.

C Rule 27: The remuneration of the Managing Board members consists of fixed and variable components. The variable components are exclusively related to annual EBT. There are no non-financial criteria that have a significant influence on the variable remuneration. Concerns about objectivity and clear traceability should thereby have been satisfied.

C Rule 27a: At present the contracts with the Managing Board members do not contain an express regulation stating that severance payment for premature termination from the Board without cause may not exceed two times the total annual compensation and may not amount to more than the remainder of the contractual term. In addition, they do not expressly specify at present that no severance payment shall be made upon premature termination of a Managing Board contract with good cause. The Managing Board contracts do not contain any stipulations under which the circumstances of leaving the company and the economic state of the company should be considered upon the premature departure of a Managing

Board member. The existing Managing Board contracts were concluded at a point in time when adherence to the rules of the Austrian Code of Corporate Governance was not a focal point. Should any new Managing Board contracts be concluded in the future, the Supervisory Board of UBM Development AG will appropriately evaluate the provisions of Rule 27a.

C Rule 38: The job profile and the procedure for appointing Managing Board members is defined on a case-by-case basis. When a Managing Board member is to be appointed, the Supervisory Board defines a job profile, whereby particular attention is paid to the candidate's qualifications, experience and industry knowledge. In the interests of the company, a formally defined appointment procedure and a general job profile is not used, as this could exclude candidates from being appointed as Managing Board members despite exceptional qualifications and outstanding industry knowledge.

C Rule 39: Establishing an emergency committee appears unnecessary in view of the homogenous business activities practised by UBM Development AG as well as the comparatively low number of Supervisory Board members. The option of circular resolutions may be exercised in urgent cases.

C Rule 49: The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the company or a subsidiary for a remuneration not of minor value is subject to approval by the Supervisory Board in line with the law. The company will, however, refrain from publishing these details due to related operational and business confidentiality issues. In any case, the notes to the consolidated financial statements of UBM Development AG show disclosures on related party transactions, which contain the remuneration for services by companies in which the Supervisory Board members hold a position and/or an interest outside of their activities on the Supervisory Board of UBM Development AG.

C Rule 83: A risk assessment by the auditor was not conducted in the year 2016. The reason for this was that the listing in the prime market segment of the Vienna Stock Exchange did not occur until the second half of the business year. In 2017 the risk assessment will be carried out in full and every measure will be undertaken towards the code-compliant evaluation of the effectiveness of the risk management system, which was previously carried out as part of the internal reporting and reported directly to the Managing Board. In addition, the audit committee and the Supervisory Board will continue as previously to gain an adequate view of the effectiveness of the risk management system through targeted reporting.

The Managing Board

Thomas G. Winkler was born in Salzburg, Austria, in 1963. He completed his law degree at Salzburg University, Austria, in 1985, and graduated as Master of Laws (LL.M.) in 1987 from the University of Cape Town, South Africa. After graduating, he started his career at Erste Österreichische Bank AG (formerly Girozentrale), from 1990 he was an authorised signatory, head of Investor Relations and Corporate Spokesperson at Maculan Holding AG. From 1996 to 1998 he took the post of Vice President, Head of Special Projects at Magna (Europe) Holding AG. From 1998 to 2001 he was Head of Investor Relations at Deutsche Telekom AG in Bonn, before moving to T-Mobile International AG & Co. KG, where he was responsible for finance as a member of the Executive Board. In the period 2007 to 2009 Thomas G. Winkler worked in the economic hub of London as a freelance consultant. From 2010 to 2013 he also served as Deputy Chairman of the Supervisory Board of ÖIAG Österreichische Industrieholding AG. Before Thomas G. Winkler joined UBM Development AG on 1 June 2016, he worked as a Senior Advisory Board Member at Minsait (formerly Indra Business Consulting), Spain, from 2014 and as the Chairman of the Audit Committee and member of the Supervisory Board of Bashneft JSOC, Russia. In accordance with the rules of procedure of the Managing Board, Thomas G. Winkler is the Chairman of the Board and CEO, responsible for fundamental aspects of business policy, Business Development, Investor Relations and Corporate Communications, Internal Audit and Risk Management, as well as for Human Resources. As CFO he is responsible for Finance and Controlling, Accounting, Taxes, Insurance and Compliance.

Martin Löcker was born in Leoben, Austria, in 1976. He graduated in industrial engineering and construction from the Technical University in Graz, Austria, in 2000, before gaining a postgraduate qualification in real estate economics at the European Business School in Munich, Germany, in 2005. He joined the PORR Group and its subsidiary UBM AG in 2001. Here he was responsible for projects in Austria, France and Germany and since 2007 he has held management positions at UBM AG and its subsidiary Münchner Grund. He has been a member of the Managing Board since 1 March 2009. In accordance with the rules of procedure of the Managing Board, Martin Löcker is responsible for Real Estate Development (Research & Valuations, Planning & Architecture, Project Management, Project Control) in Germany, Western Europe, Eastern Europe and UBMhotels, in which UBM's activities in hotel development and management are bundled.

Claus Stadler was born in Vöcklabruck, Austria, in 1970. In 1997 he graduated in architecture from the Vienna University of Technology, Austria. In 1998 he joined the PORR Group and was responsible for projects in Austria, Germany, Croatia and Romania. From 2005 to 2011 he worked for the Austrian Federal Railways (ÖBB) and from 2008 until 2011 he was the Managing Director of ÖBB-Immobilienmanagement GmbH, ÖBB-Werbecenter GmbH and other project companies. He became the Managing Director of STRAUSS & PARTNER Development GmbH in 2012. With his appointment to the Managing Board of UBM in 2015, his responsibilities include Property Development (Research and Valuations, Planning and Architecture, Project Management, Project Control) for Austria as well as IT and Quality Management.

Michael Wurzinger, was born in Salzburg, Austria, in 1971. In 1997 he graduated in business administration from the University of Innsbruck, Austria. In 2006 he became a member of the Royal Institution of Chartered Surveyors (RICS). After his studies, he began his career at Constantia Privatbank AG in 1997 and from 2004 he was Head of Property Asset Management and Project Development for Austria; he joined the Executive Board of the bank in 2006. From 2008 to 2010 he was a member of the new Executive Board and COO of Immofinanz AG. In 2011 he became the spokesperson for the Executive Board of PORR Solutions Immobilien und Infrasturkturprojekte GmbH (now STRAUSS & PARTNER Development GmbH). In January 2015 he was appointed as a member of the Managing Board of UBM Development AG. He is responsible for Property Marketing and Sales, Asset Management and Legal Affairs.

Karl Bier resigned as Chairman of the Managing Board of UBM with effect from 31 May 2016. He was born in Vienna, Austria, in 1955. He graduated in law from the University of Vienna in 1979. In 1980 he joined IMMORENT, where he was responsible for project development, finance and tax affairs. He then held management positions at several regional companies and project companies. Karl Bier was a member of the UBM Managing Board since 1992 and chaired the Board from 1998. In his capacity as the Chairman of the Managing Board he was responsible for Business Guidelines, Business Development, Investor Relations, Corporate Communication, Group Management, Audit & Risk Management, Internal Audit and Human Resources.

Heribert Smolé resigned as a member of the Managing Board of UBM with effect from 31 May 2016. He was born in Knittelfeld, Austria, in 1955. He joined the PORR Group in 1973 and in 1985 became head of the commercial administration department for investments. In 1990 he became an authorised joint signatory of UBM AG (part of the PORR Group at that time) and gradually took on the functions of general manager and commercial director at various companies of the PORR Group. In 1996 he became qualified for real estate management and brokerage. Heribert Smolé was a member of the UBM Managing Board since 1997. In accordance with the rules of procedure of the Managing Board, he was responsible for the areas of Finance & Controlling, Accounting, Taxes, Insurance and Device Management.

The Managing Board

In accordance with Article 6 of the UBM Articles of Association, the Managing Board consists of between two and six people. From 1 January 2016 to 31 May 2016 the Managing Board consisted of five people, since 1 June 2016 it consists of four people. The Supervisory Board can name a member of the Managing Board as Chairman and name members as Deputy Chairmen. The Managing Board passes resolutions by a simple majority of votes cast. If the Supervisory Board appoints a member to chair the Managing Board, he/she has a casting vote in the event of a tie.

The members of the Managing Board are appointed by the Supervisory Board for a maximum term of five years. The renewed appointment or an extension of this period (each for a maximum of five years) is permitted. The Supervisory Board can dismiss a member of the Managing Board before the end of his/her term in office if there is an important reason to do so, for example if there is a serious breach of duty or if the general shareholders meeting passes a vote of no confidence in the Managing Board member.

The Managing Board must conduct its business in line with the specifications of the Austrian Stock Corporation Act, the statutes, other laws and the rules of procedure. The Supervisory Board rules on the division of responsibilities in the Managing Board in line with maintaining the overall responsibility of the Managing Board as a whole. The Managing Board requires Supervisory Board approval in order to undertake any business dealings specified in the relevant version of Article 95 Section 5 Stock Corporation Act. In as far as legally permitted by Article 95 Section 5 Stock Corporation Act, the Supervisory Board lays down limits on amounts up to which its approval is not required. Furthermore, the Supervisory Board is entitled to determine types of business which require its approval in addition to the legally stipulated cases (Article 95 Section 5 Stock Corporation Act). The Supervisory Board has issued appropriate rules of procedure for the Managing Board. The Managing Board must report regularly to the Supervisory Board on its activities.

The Managing Board members must fulfil their responsibilities as their main employment and manage the company's business with the care of a proper and conscientious manager. They must manage the business in a way which satisfies the interests of the shareholders, the staff members and of the public. The Managing Board members may not take on any other employment without the approval of the Supervisory Board and may not take on an executive function in any companies which are not within the consolidated group.

UBM is represented by two Managing Board members, or by one Managing Board member with one authorised signatory. With legal restrictions, UBM can also be represented by two authorised signatories. Any Deputy Managing Board members are considered equal to regular Managing Board members with regard to rights of representation.

The following table shows the Managing Board members, their date of birth, their position, the date of their first appointment, as well as the probable end of their time in office. In 2016 the following people sat on the Managing Board.

Members of the Managing Board

Name	Date of birth	Position	Member since	appointed until
Thomas G. Winkler	24.6.1963	Chairman of the Managing Board	1.6.2016	**31.5.2019**
Martin Löcker	13.3.1976	Managing Board member	1.3.2009	**31.12.2020**
Michael Wurzinger	9.4.1971	Managing Board member	15.1.2015	**19.2.2018**
Claus Stadler	4.7.1970	Managing Board member	29.5.2015	**19.2.2018**
Karl Bier	3.3.1955	Chairman of the Managing Board	1.8.1992	**31.5.2016**
Heribert Smolé	16.2.1955	Managing Board member	15.7.1997	**31.5.2016**

Supervisory Board positions or comparable posts in Austrian or foreign companies (that are not included in the financial statements):
Thomas G. Winkler is a Senior Advisory Board Member at Minsait by Indra Business Consulting S.L.U. (Spain).

Claus Stadler is a member of the Supervisory Board of Bau-Welt Handels-Aktiengesellschaft.

The Managing Board members Martin Löcker and Michael Wurzinger do not sit on any Supervisory Boards or fulfil any similar functions in Austrian or foreign companies (that are not included in the financial statements).

Executive and non-executive board positions in significant subsidiaries:
Claus Stadler is Managing Director of STRAUSS & PARTNER Development GmbH. Martin Löcker is an authorised signatory of UBM hotels Management GmbH.

The Managing Board members Thomas G. Winkler, Michael Wurzinger, Karl Bier and Heribert Smolé do not hold any executive or non-executive board positions in significant subsidiaries.

The Supervisory Board

The UBM Supervisory Board is composed of members appointed by the general shareholders meeting. Furthermore, in line with Article 110 Section 1 of the Labour Constitutional Act, certain members are also appointed by the Works Council. In accordance with Article 9 of the UBM Articles of Association, the number of members appointed by the general shareholders meeting must be at least three and not more than twelve. In 2016 the UBM Supervisory Board consisted of eight members appointed by the general shareholders meeting and an additional four members appointed by the Works Council as employee representatives on the Supervisory Board as of 30 June 2016.

As long as the general shareholders meeting has not specified a shorter term when appointing one or all members, the Supervisory Board members are appointed until the end of the Annual General Meeting which rules on the approval of the Supervisory Board for the fourth business year after the initial election; the business year in which the Supervisory Board member was appointed does not count towards this term. The reappointment of a board member is permitted, also for retiring members. Should certain members leave the Board before the end of their term in office, a vote to replace them is not required until the next Annual General Meeting. However, a replacement vote is required at an extraordinary general meeting, to be held within six weeks, if the number of Supervisory Board members falls below three. Members appointed as a replacement only serve for the remainder of the term which the previous member would have served, unless otherwise determined by the general shareholders meeting at the time of the appointment.

The appointment of a member of the Supervisory Board can be revoked before the end of his/her time in office by a general shareholders meeting resolution. The resolution requires a simple majority of votes cast. Every member of the Supervisory Board can resign from his/her post following a 21-day notice period upon a written declaration to the Chairman of the Supervisory Board, without stating an important reason. The Chairman of the Supervisory Board, or his/her Deputy in the case of his/her resignation, can decide to shorten the notice period.

A replacement member can be appointed at the same time as the appointment of a Supervisory Board member, in which case the replacement member would take up his/her seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of his/her time in office. If multiple replacement members are appointed, the order in which they are to replace a Supervisory Board member who steps down must be determined. A replacement member can also be appointed as a replacement for multiple Supervisory Board members, so that he/she takes a seat on the Supervisory Board if any one of these members steps down prematurely.

The term of office of a replacement member who joins the Supervisory Board is terminated as soon as a successor to the former Supervisory Board member has been appointed, or at the latest when the remainder of the former Supervisory Board member's time in office comes to an end. Should the term of office of a replacement member who joins the Supervisory Board be terminated because a successor to the former Supervisory Board member has been appointed, the replacement member still serves as a replacement for the additional Supervisory Board members he/she has been chosen to represent.

In a meeting held once a year following the Annual General Meeting, the Supervisory Board elects a Chairman and one or more Deputies from among its members. If two Deputies are appointed, then the order in which they are to take up the post shall be determined. The term in office runs until the end of the next Annual General Meeting. If the Chairman or one of the elected Deputies withdraws from his/her post, the Supervisory Board must immediately hold a vote to replace him/her. Should no candidate win a simple majority vote, then a runoff election is held between the people who have received the most votes. Should the runoff election result in a tie, lots shall be drawn to decide the election. If the Chairman or one of the elected Deputies withdraws from his/her post, the Supervisory Board must immediately hold a new election to appoint a successor. The Chairman and the Deputies can resign their post at any time following a 14-day notice period upon a written declaration to the Supervisory Board; this does not require them to step down from the Supervisory Board at the same time.

Every Deputy Chairman has the same rights and responsibilities as the Chairman when he/she is standing in for him. This also applies to holding a casting vote in elections and passing resolutions. Should the Chairman and his deputies be prevented from realising their obligations, this obligation passes to the oldest Supervisory Board member (in terms of age) for the duration of the incapacity. Declarations of intent by the Supervisory Board and its committees shall be submitted to the Chairman of the Supervisory Board, or to his Deputy should he/she be incapacitated.

In line with its legal responsibilities and those arising from the Articles of Association, the Supervisory Board produces rules of procedure. Resolutions of the Supervisory Board on its rules of procedure require a simple majority of the members appointed by the general shareholders meeting in addition to the general requirements on resolutions.

The Supervisory Board can form committees made up of its members. Their responsibilities and powers as well as their general rules of procedure are specified by the Supervisory Board. The committees can also take on the authority to make decisions. The committees can be convened long-term or for individual tasks. The employee representatives on the Supervisory Board have the right to nominate members with voting rights to the committees in the ratio specified by Article 110 Section 1 of the Labour Constitutional Act. This does not apply to meetings and votes which relate to relationships between the company and the Managing Board members, except resolutions on the appointment or revocation of a Managing Board member as well as resolutions granting options in company shares.

The Supervisory Board passes resolutions in its regular meetings. The Supervisory Board shall hold meetings as often as the interests of the company require, at least once per quarter. In 2016 the Supervisory Board held six regular Supervisory Board meetings. The Chairman determines the form of the meeting, the way in which resolutions may be passed outside of meetings and the method of counting votes. The Managing Board members attend all meetings of the Supervisory Board and its committees, as long as the Chairman of the meeting does not determine otherwise.

A Supervisory Board member can nominate another member in writing to represent him/her at a meeting. A member represented in this way shall not be included in the count determining if the meeting is quorate. The right to chair the meeting cannot be deputised. A Supervisory Board member who is unable to attend a meeting of the Supervisory Board or its committees is entitled to submit his/her written vote on individual agenda items via another member of the respective Board or committee.

The Supervisory Board is quorate when all members of the Supervisory Board have been properly invited to attend and when at least three Supervisory Board members, including one Chairman or Deputy, participate in the resolution. A topic of negotiation which is not on the agenda can only be ruled on by the Supervisory Board if all Supervisory Board members are present or represented and no member participating in the resolution objects.

Resolutions are passed by simple majority of votes cast. Abstentions are not counted as votes cast. In the case of a tie – also in elections – the Chairman has the casting vote. Every Deputy Chairman acting in the capacity of the Chairman's representative has a casting vote in resolutions and elections; this also applies to committee Chairmen.

Composition of the Supervisory Board

The following table shows the members of the Supervisory Board in 2016, their date of birth, their position, the date of their first appointment to the Supervisory Board, as well as the probable end of their time in office.

Members of the Supervisory Board

Name	Date of birth	Position	Member since	appointed until
Karl-Heinz Strauss[1]	27.11.1960	Chairman	14.4.2011	AGM 2019
Iris Ortner[2]	31.8.1974	Deputy Chairman	14.4.2011	AGM 2019
Christian B. Maier[5]	9.1.1966	Member	3.5.2013	AGM 2019
Klaus Ortner[3]	26.6.1944	Member	15.1.2015	AGM 2019
Ludwig Steinbauer[5]	26.10.1965	Member	15.1.2015	AGM 2019
Paul Unterluggauer	28.4.1967	Member	15.1.2015	AGM 2019
Bernhard Vanas[5]	10.7.1954	Member	15.1.2015	AGM 2019
Susanne Weiss[5]	15.4.1961	Member	15.1.2015	AGM 2019
Martin Kudlicska	14.2.1972	Member	30.6.2016	n/a[4]
Günter Schnötzinger	20.8.1973	Member	30.6.2016	n/a[4]
Hannes Muster	28.11.1967	Member	30.6.2016	n/a[4]
Johann Kaller	6.1.1955	Member	30.6.2016	n/a[4]

1 Karl-Heinz Strauss was Deputy Chairman of the Supervisory Board from 27 February 2013 and has been Chairman since 18 September 2014.
2 Iris Ortner has been Deputy Chairman of the Supervisory Board since 18 September 2014 and was previously a member of the Supervisory Board from 2 July 2003 to 5 May 2010.
3 Klaus Ortner was previously a member of the Supervisory Board from 18 March 2000 to 14 May 2014.
4 appointed by the Works Council on 30 June 2016 in accordance with Article 110 Section 1 Labour Constitutional Act.
5 independent member that does not hold shares of more than 10% (C Rule 54)

The members of the Group's Supervisory Board each fulfil the following additional functions on Supervisory Boards or comparable positions in (non-consolidated) Austrian and foreign companies as at 31 December 2016.

Functions of the Supervisory Board

Name	Company	Function
Karl-Heinz Strauss	DATAX HandelsgmbH	Supervisory Board Member
	KAPSCH-Group Beteiligungs GmbH	Supervisory Board Member
	Kapsch Aktiengesellschaft	Supervisory Board Member
	PORR Bau GmbH	Chairman of the Supervisory Board
	PORR Deutschland GmbH	Chairman of the Supervisory Board
	PORR SUISSE AG	President of the Administrative Board
	TEERAG-ASDAG Aktiengesellschaft	Chairman of the Supervisory Board
Iris Ortner	ELIN GmbH	Deputy Chairman of the Supervisory Board
	PORR AG[1]	Supervisory Board Member
	TKT Engineering Sp. z.o.o. (Poland)	Deputy Chairman of the Supervisory Board
Christian B. Maier	Porr Bau GmbH	Deputy Chairman of the Supervisory Board
	Rath Aktiengesellschaft	Supervisory Board Member
	TEERAG-ASDAG Aktiengesellschaft	Deputy Chairman of the Supervisory Board
	Raiffeisenbank Aichfeld eGen	Supervisory Board Member
Klaus Ortner	ELIN GmbH	Chairman of the Supervisory Board
	PORR AG[1]	Deputy Chairman of the Supervisory Board
Ludwig Steinbauer	-	-
Paul Unterluggauer	-	-
Bernhard Vanas	PORR AG[1]	Supervisory Board Member
	SDN Beteiligungs GmbH	Supervisory Board Member
Susanne Weiss	ROFA AG	Chairman of the Supervisory Board
	PORR AG[1]	Supervisory Board Member
	Schattdecor AG	Supervisory Board Member
	Wacker Chemie AG	Supervisory Board Member
Martin Kudlicska	-	-
Günter Schnötzinger	-	-
Hannes Muster	-	-
Johann Kaller	-	-

[1] listed

Criteria for independence

C Rule 53 of the Austrian Code of Corporate Governance specifies that the majority of the members of the Supervisory Board elected by the general shareholders meeting or appointed by shareholders in line with the Articles of Association shall be independent of the company and its Managing Board. A Supervisory Board member shall be considered independent if he/she does not have any business or personal relationship with the company or its Managing Board which constitutes a material conflict of interests and could therefore influence the behaviour of the member.

On this basis, the Supervisory Board of UBM has determined the following criteria for independence, which are available to the public on the UBM website:

a) In the past five years the Supervisory Board member shall not have served on the Managing Board or as a management-level employee of UBM or one of UBM's subsidiaries.
b) In the past year the Supervisory Board member shall not maintain or have maintained any business relations with UBM or one of UBM's subsidiaries to an extent which is significant for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, although this does not apply to exercising functions in bodies of the Group; knowledge of Group issues and the mere exercising of the activities of a Managing Board member or Managing Director by a Supervisory Board member do not, as a rule, lead to the affected company being viewed as a "company in which a member of the Supervisory Board has a considerable economic interest" as long as circumstances do not give rise to the assumption that the Supervisory Board member has a direct personal benefit from a business dealing with these companies. The approval of individual transactions by the Supervisory Board pursuant to Rule 48 does not automatically mean the person is classified as not independent.
c) In the past three years the Supervisory Board member shall not have been an auditor of the company or been a shareholder or employee of the audit company which audited UBM.
d) The Supervisory Board member shall not serve on the Managing Board of a different company in which a Managing Board member of UBM serves on the Supervisory Board.
e) The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
f) The Supervisory Board member shall not be a close family member (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the UBM's Managing Board, or of a person to whom any of the aforementioned they're not listed as a) to e) this year apply.

In accordance with these criteria, the Supervisory Board members Karl-Heinz Strauss, Christian B. Maier, Ludwig Steinbauer, Bernhard Vanas and Susanne Weiss have declared themselves to be independent.

Committees

The Articles of Association specify that the Supervisory Board can form committees made up of its members. The following three committees were formed in the 2016 business year for the support and efficient handling of complex issues:

Audit committee: The responsibilities of the audit committee include (i) monitoring the financial reporting process as well as issuing recommendations or suggestions to ensure its reliability; (ii) monitoring the effectiveness of the Group-wide internal control system, the internal audit system, where appropriate, and the Group's risk management system; (iii) monitoring the auditing of the individual and consolidated financial statements under consideration of the findings and conclusions in the reports published by the Regulatory Authority on Auditors in accordance with Article 4 Section 2 Line 12 of the Supervision of Auditors Act (APAG); (iv) assessing and monitoring the independence of the chartered auditors, in particular as regards any additional services they may have provided to UBM (Article 5 of EU Regulation Nr. 537/2014 and Article 271a Section 6 of the Austrian Commercial Code apply); (v) producing the report on the results of the audit to the Supervisory Board and a statement on how the audit has contributed to the reliability of financial reporting and the role of the audit committee; (vi) assessing the annual financial statements and preparing for their approval, assessing the proposal for appropriation of profits, the Management Report and the Corporate Governance Report, as well as reporting on the audit findings to the Supervisory Board; (vii) assessing the consolidated financial statements and the Group Management Report as well as reporting back to the Supervisory Board of the parent on the audit findings; and (viii) carrying out the process for selecting the auditor under consideration of the appropriateness of his/her fee and preparing the Supervisory Board's recommendation on the choice of auditor (Article16 of EU Regulation Nr. 537/2014 applies).

The audit committee met three times in the 2016 business year. A meeting of the audit committee was held on 22 April 2016 in the presence of the auditors for the purpose of auditing and preparing the approval of the 2015 consolidated financial statements. At the same meeting, the Supervisory Board selected the auditor for the individual and consolidated financial statements as at 31 December 2016. In a meeting on 21 September 2016 the audit committee dealt with the amendment to the Audit Act as well as monitoring the financial reporting process, evaluating the effectiveness of the internal control system, the internal audit system and risk management within the Group. Another meeting of the audit committee was held on 12 December 2016 to determine how the mutual communication between the auditor and the audit committee shall be realised. This meeting also gave the audit committee and the (Group) auditor the chance to communicate without the presence of the Managing Board. In the same meeting the audit committee addressed risk management and the internal audit report on the internal audit plan.

The members of the audit committee are Karl-Heinz Strauss (Chairman), Iris Ortner, Christian B. Maier (financial expert) and Susanne Weiss.

Nomination committee: The nomination committee has the following responsibilities: (i) preparing Managing Board appointments including successor planning: before appointing Managing Board members, the nomination committee shall define the profile for the Managing Board member taking into account the corporate strategy and state of the company and prepare the decision by the full Supervisory Board; (ii) proposing possible candidates to the Supervisory Board when places become available: the nomination committee is involved with planning the allocation of Supervisory Board mandates. The nomination committee shall submit appointment proposals to the entire Supervisory Board, which shall be proposed on the basis of a resolution of the entire Supervisory Board to the general shareholders meeting for their approval. When proposing appointments, attention must be paid to the qualifications and personal skills of the Supervisory Board members, as well as the balanced composition of the Supervisory Board in light of the structure and business area of UBM. Furthermore, the aspects of diversity in the Supervisory Board with regard to representation of gender, age and internationality shall be considered appropriately. Attention shall be paid to the fact that no-one shall be put forward as a member of the Supervisory Board who has been convicted of a crime which calls his/her professional reliability into question.

In 2016 the nomination committee held one meeting. The change in the Managing Board was discussed in the meeting on 4 May 2016 and Thomas G. Winkler was proposed as the new Chairman of the Managing Board and CFO. A proposal was also made to extend the Managing Board mandate of Martin Löcker. The nomination committee consists of the following Supervisory Board members: Karl-Heinz Strauss (Chairman), Iris Ortner and Susanne Weiss.

Remuneration committee: The remuneration committee has the following responsibilities: (i) handling matters related to the remuneration of the Managing Board members and the content of the employment agreements with Managing Board members, particularly specifying the underlying principles of Managing Board member remuneration and determining the criteria for variable remuneration components in line with Rules 27, 27a and 28 of the Austrian Code of Corporate Governance; (ii) evaluating the remuneration policy for Managing Board members at regular intervals; (iii) approving additional duties of Managing Board members.

The remuneration committee met twice in 2016. The variable/performance-related remuneration of the Managing Board members was discussed in the meetings on 4 May 2016 and 27 June 2016. The remuneration committee consists of the following members: Karl-Heinz Strauss (Chairman), Iris Ortner and Susanne Weiss (remuneration expert).

Promoting women's issues

UBM is working hard on increasing the number of women in the organisation. Compared to other companies in the real estate sector, UBM measures up positively, with eleven women in management positions as of 31 December 2016 (including Supervisory Board, Managing Directors and authorised signatories at UBM Development AG and significant subsidiaries). This represents a significant increase of women in management positions against the previous year.

As a sustainable corporation, UBM focuses on topics relevant for society, such as equal opportunities in the workplace. In order to ensure that equal opportunities are firmly anchored in the company, the focus of UBM is on finding suitable female candidates when recruiting managers and employees. In 2016 68 new employees were recruited across the Group, of which 30 were women and 38 were men (excluding hotel workers). There are no salary differences between men and women performing the same activity and with the same qualifications. Women are specifically addressed in job advertisements. In order to support a balance between professional and family life, the company offers flexible working hours through flexitime system.

UBM is proactively and sustainably committed to a working environment free of discrimination and a culture of mutual respect and appreciation among all employees. The company treats its employees equally – regardless of gender, social background, sexual orientation, nationality, religion or age. Any form of discrimination or harassment is categorically opposed.

Remuneration Report

Remuneration of the Managing Board

The remuneration of the UBM Managing Board consists of components which are not related to performance (fixed salary and pension entitlements), those which are performance-related (variable performance bonus), one-off payments and severance for members who have left the Managing Board.

Fixed remuneration: The amount of the fixed salary of each Managing Board member is based on the sphere of responsibility in accordance with the corporate plan on division of responsibilities. Any additional duties of or by Managing Board members require the approval of the Supervisory Board. The fixed remuneration is paid as non-performance-linked, basic compensation on a monthly basis in the form of a salary. The Managing Board members also receive additional, non-cash fringe benefits (company car, telephone, travel expenses), which are in principle equally available to all Managing Board members.

Variable/performance related remuneration: The maximum value of the variable performance bonus for the Chairman of the Managing Board amounts to 2.5% of the EBT shown in the financial statements, up to a maximum of €300,000.00 gross per year. If the earnings meet or exceed the amount defined with the remuneration committee, the Chairman of the Managing Board is entitled to the maximum amount of the variable performance bonus. If earnings are below the defined amount, he is entitled to an aliquot share.

The Managing Board member Martin Löcker receives a variable performance bonus under the aforementioned scheme, albeit up to a maximum of €200,000.00 gross per year. This regulation was also applied to the former Managing Board member Heribert Smolé. The Managing Board members Claus Stadler and Michael Wurzinger received a variable performance bonus for 2016, respectively amounting to €200,000.00 and €300,000.00 gross, as well as a one-off payment of €100,000.00 each. The one-off payment was the result of a delayed conversion of the earlier management contracts into Managing Board member contracts.

Pension regulations: Annual payments are made to a pension fund for the Managing Board members. The amount paid in is based on the age of the member. In the business year 2016 provisions were formed in the amount of €458,976.00.

Severance entitlements: Karl Bier received severance pay under the analogous application of the legal severance entitlement pursuant to the Austrian Employee Act.

Thomas G. Winkler, Heribert Smolé, Michael Wurzinger, Claus Stadler and Martin Löcker are not entitled to severance pay at the end of their employment.

D&O liability insurance: D&O liability insurance covers the members of the Managing Board, the cost of which is borne by the company.

Remuneration policy principles for significant subsidiaries: The remuneration of the Board members of significant subsidiaries also consists of components which are not related to performance and those which are performance-related. In addition, they receive non-cash fringe benefits (company car, telephone, travel expenses).

Supervisory Board remuneration

In addition to reimbursement of expenses and an attendance fee for every meeting, all Supervisory Board members receive an annual payment for their services. The amount of the attendance fee and the annual payment are determined by a resolution by the general shareholders meeting. The general shareholders meeting can also rule on a total amount of remuneration for the Supervisory Board and leave the Chairman of the Supervisory Board to decide how it is distributed.

If members of the Supervisory Board take on special activities in this function and in the interests of the company, extra compensation for this can be approved by general shareholders meeting resolution.

Managing Board remuneration 2016 (in €)[1]

Name	Salery	Variable gratuities[2]/One-off payment	Pension fund/Severance	Total
Karl Bier	363,110.36	772,500.00[3]	671,009.76	**1,806,620.12**
Martin Löcker	227,744.00	500,000.00[4]	9,615.60	**737,359.60**
Heribert Smolé	249,136.00	500,000.00[5]	18,312.00	**767,448.00**
Claus Stadler	257,803.14	300,000.00	-	**557,803.14**
Thomas G. Winkler[6]	262,500.02	275,000.00	-	**537,500.02**
Michael Wurzinger	297,728.00	434,900.00[7]	8,720.94	**741,348.94**
Total	**1,658,021.52**	**2,782,400.00**	**707,658.30**	**5,148,079.82**

[1] The provisions for severance pay and pensions are not included in these figures.
[2] probable variable gratuities for 2016, payable in 2017
[3] €300,000.00 special bonus and €472,500.00 annual bonus
[4] €300,000.00 special bonus
[5] €300,000.00 special bonus and €200,000.00 annual bonus
[6] since 1 June 2016
[7] €34,900.00 relates to the remainder of a bonus payment for the year 2015.

In the interests of the company, Supervisory Board members are covered by an appropriate level of D&O liability insurance, the costs of which are borne by the company.

The resolution of the Annual General Meeting on 25 May 2016 determined the following remuneration for members of the Supervisory Board: the resolution states that the Chairman of the Supervisory Board shall receive fixed remuneration of €25,000.00 per year, the Deputy Chairman of the Supervisory Board shall receive fixed remuneration of €20,000.00 per year and the other members shall receive fixed remuneration of €15,000.00 per year. The attendance fee for meetings was set at €1,000.00 per meeting of the Supervisory Board or one of its committees. Members of the Supervisory Board who do not reside in Austria receive an additional reimbursement of tax at source settled by the company. The fixed remuneration is due in arrears once a year, within four weeks of the Annual General Meeting. The attendance fee for meetings is due within the four weeks following the respective Supervisory Board meeting.

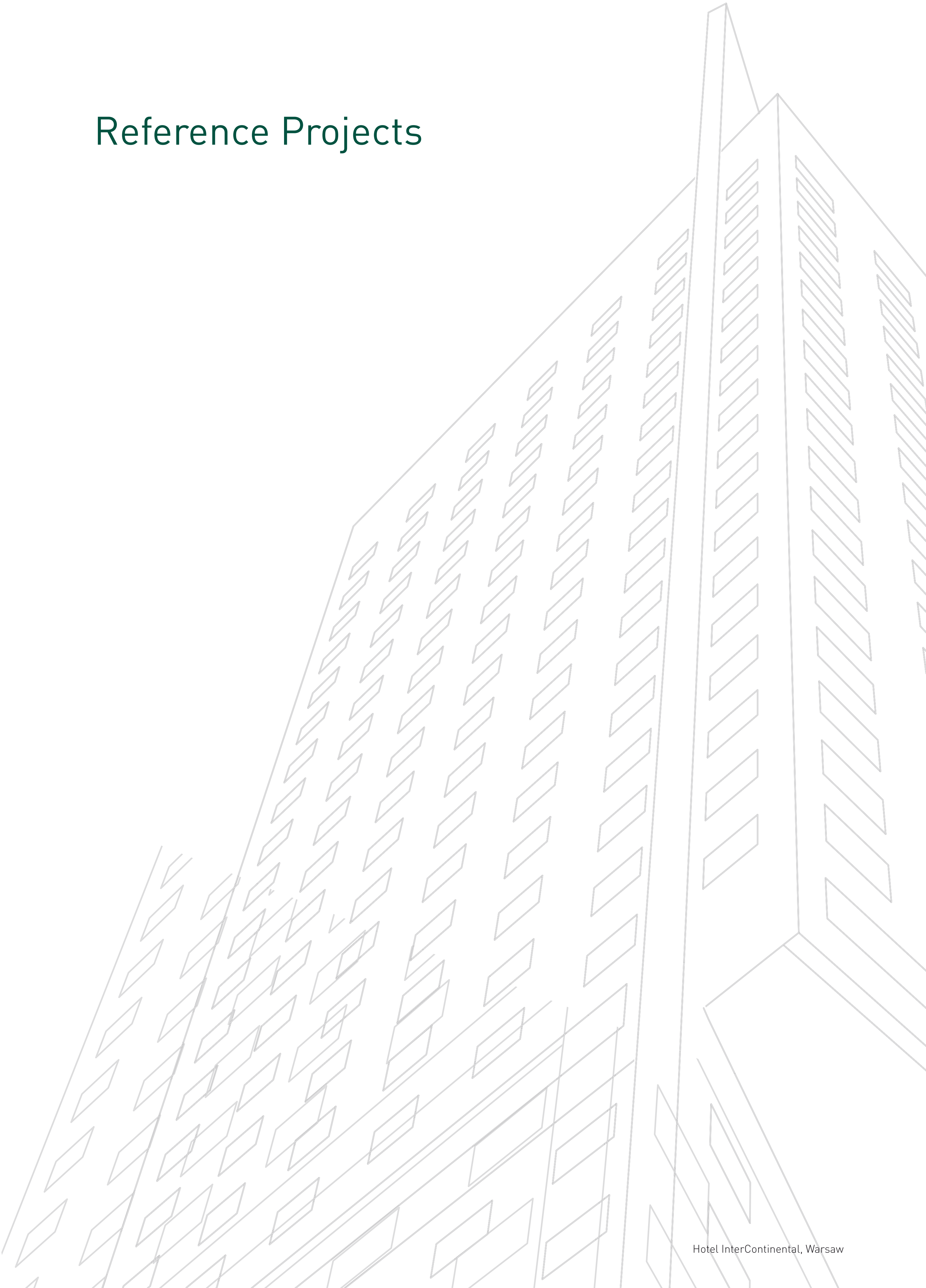
The Supervisory Board members appointed by the Works Council in accordance with Article 110 Section 1 of the Labour Constitutional Act do not receive any additional payment for their work on the Supervisory Board.

Supervisory Board remuneration 2016 (in €)

Name	Fixed remuneration[1]	Attendance fee for meetings
Karl-Heinz Strauss (Chairman)	25,000.00	6,000.00
Iris Ortner (Deputy Chairman)	20,000.00	6,000.00
Christian B. Maier	15,000.00	6,000.00
Klaus Ortner	15,000.00	6,000.00
Ludwig Steinbauer	15,000.00	6,000.00
Paul Unterluggauer	15,000.00	6,000.00
Bernhard Vanas	15,000.00	6,000.00
Susanne Weiss	15,000.00	5,000.00

[1] Payout within four weeks following the Annual General Meeting 2016

Reference Projects



Hotel InterContinental, Warsaw

Hotel / Completed

Hotel angelo Leuchtenbergring, Munich

Gross floor area: approx. 46,710 m²
Office space (development): 13,134 m²
Rooms (hotel expansion): 131, existing rooms 148
Commercial space (expansion): 8,388 m²
Garage: 385 parking spaces
Completion: 2008
Expansion: Q2/2018

In view of the exceptional development of the 148-room hotel, opened in 2008, UBM decided to expand it. A five-storey office building with 385 parking spaces on two underground storeys and commercial space will also be built on the site that has excellent transport links.

Gross floor area: 14,920 m²
Hotel brand: Holiday Inn Express
Rooms: 302
Operator: InterContinental Hotel Groups
Completion: Q3/2016 (sold)

Holiday Inn Express, Munich

In the past two years UBM has been developing the Holiday Inn Express Hotel in Munich. Currently the largest Holiday Inn Express in Germany, the hotel has seven storeys above ground and two underground.

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Holiday Inn Gateway Gardens, Frankfurt

Gross floor area: 14,226 m²
Hotel brand: Holiday Inn
Rooms: 288
Operator: Holiday Inn, Primestar Hospitality GmbH
Completion: Q4/2016 (sold)

The new business hotel under the Holiday Inn brand lies in a prominent location at the west entrance of Gateway Gardens in Bessie-Coleman-Strasse 16 and a short walk from Terminal 2 of Frankfurt Airport.

Under development

Hyatt Regency, Amsterdam

The hotel is located in the historic city of Amsterdam. Sustainability was given top priority during the hotel's construction – for which the project was awarded the BREEAM "Excellent" certificate.

Gross floor area: 15,883 m²
Hotel brand: Five-star Hotel Hyatt Regency
Rooms: 211 (of which 15 suites), spa and fitness area, conference facilities, ballroom, bar, restaurant
Completion: Q2/2017

Gross floor area: 13,436.76 m²
Hotel brand: Holiday Inn
Rooms: 254
Operator: InterContinental Hotels Group
Completion: Q1/2018 (forward deal – sold)

Holiday Inn Warsaw City Centre, Warsaw

Construction work on the downtown plot in the very heart of the business centre of Warsaw, not far from the Palace of Culture and the Central Station, began in early 2016.

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QBC 5 Novotel and ibis, Vienna

Gross floor area: approx. 27,000 m²
Hotel brand: Three-star ibis and four-star Novotel
Rooms: 311 (ibis), 266 (Novotel)
Operator: AccorHotels
Completion: Q2/2017 (forward deal – sold)

UBM is currently developing two hotels under the brands ibis and Novotel for the AccorHotels Group near Vienna Central Station in the so-called QBC – Quartier Belvedere Central. The hotels were sold to Amundi Real Estate already in November.

Office

Completed

Gross floor area: approx. 18,990 m²
Lettable space: 17,303 m²
Completion: Q3/2015 and Q3/2016

Poleczki Business Park B2+B3, Warsaw

Poland's biggest business park is taking shape in several construction phases on a 14-hectare site near Warsaw Airport. Lots B2 (Lisbon) and B3 (Madrid) were completed in Q3/2016.

Pegaz Times II, Wroclaw

Gross floor area: approx. 38,900 m²
Lettable space: approx. 18,500 m²
Garage: approx. 365 parking spaces
Completion: Q3/2016

PEGAZ consists of two five-storey office buildings with 18,500 m² rental space and approx. 365 parking spaces in the heart of Wroclaw. More than 70% of the space is already let, with tenants such as Axiom, Regus, Unic.

Under development

QBC 3 & 4, Vienna

QBC 3 was sold to Union Investment already in the development phase.

Offices on the upper storeys, eateries and retail space on the ground floor
Gross floor area: approx. 7,650 m²
Completion: Q4/2017 (sold in a forward deal)

QBC 4 was acquired by partners of BDO and will serve as the new BDO Vienna office in the first quarter of 2018.

Usage type: Office
Gross floor area: approx. 16,900 m²
Completion: Q1/2018
(sold in a forward deal)

Zalando Headquarters, Berlin

Lot A
Plot area: 6,961 m²
Gross floor area: 34,874 m²
Lettable space: 28,292 m²
Warehousing space: 399 m²
Underground garage/parking spaces: 107
Completion: Q3/2018

Lot B
Plot area: 2,553 m²
Gross floor area: 15,471 m²
Lettable space: 13,407 m²
Warehousing space: 247 m²
Underground garage/parking spaces: 49
Completion: Q3/2018

UBM's largest individual office project in Germany is currently under construction in Berlin. UBM is developing two office buildings for the future headquarters of the world's largest online fashion retailer Zalando SE, with space for around 2,700 employees.

Residential / Completed

BERLIVING, Hohenzollerndamm, Berlin

Gross floor area: 16,769 m²
Apartments: 136
Garage: 104 parking spaces
Completion: Q2/2016 (sold)

UBM has developed 136 spacious apartments with generous glazed areas and above-average ceiling heights in a five-storey apartment complex in Schmargendorf, between Hohenzollerndamm and Fritz-Wildung-Strasse.

Alexanderplatz Residential Quarter, Berlin

Gross floor area: 25,320 m²
Apartments: 190 rental apartments, 22 retail and office units
Garage: 71 parking spaces
Completion: Q3/2015 (sold)

UBM is developing 190 residential units and 3,200 m² of office and commercial space on ten upper storeys and two recessed storeys. The residential quarter is situated in a uniquely central and quiet location directly beside Alexanderplatz in Berlin.

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central living riedberg, Frankfurt

Gross floor area: 22,366 m²
Apartments: 143 apartments and 7 retail units
Garage: 158 parking spaces
Completion: Q2/2016 (sold)

In Frankfurt's popular city quarter of Riedberg, UBM is developing a generous residential complex with integrated commercial units along Altenhöferallee. The modern ensemble with four city villas and classic building elements surrounds a sophisticated, green city garden that is accessible to the public.

Under development

Rosenhügel, Vienna

Gross floor area: approx. 31,000 m²
Apartments: 205
Garage: 239 parking spaces for cars and 14 for motorcycles
Completion: Q1/2018

UBM is developing seven buildings with 205 privately financed freehold flats on a plot of around 16,000 m² on the site of the former Rosenhügel film studio. Sales are already very successfully underway.

Living in QBC, Vienna

Gross floor area: approx. 16,250 m²
Apartments: 140
Garage: approx. 30 parking spaces
Completion: Q2/2018

140 freehold flats and other serviced apartments are being built in lot QBC 6 at the corner Karl-Popper-Strasse/Canettistrasse, Vienna. The sale of the apartments is already in full swing.

In planning phase

Granary Island, Gdansk

Asset class: Hotel
Gross floor area: 13,700 m²
Hotel brand: Holiday Inn
Rooms: 236
Operator: InterContinental Hotels Group
Completion: Q4/2018

Q4/2018

Q1/2019

Q4/2017

Kotlarska 11, Krakow

Asset class: Office
Plot area: 6,028 m²
Office space: 11,000 m²
Completion: Q4/2017

NeuHouse (Enckestrasse), Berlin-Kreuzberg

Asset class: Residential
Gross floor area: approx. 7,760 m²
No. of apartments: 75
No. of commercial units: 6
Garage: 34 parking spaces
Completion: Q1/2019

Asset class: Office
Plot area: 3,274 m²
Lettable space: approx. 11,000 m²
Completion: Q4/2019

Mogilska, Krakow

Thulestrasse, Berlin-Pankow

Asset class: Residential
Gross floor area: approx. 44,280 m²
No. of apartments: 520
Garage: 229 parking spaces
Completion: Q2/2020

Q2/2020

Q4/2019

Q2/2019

QBC 1 & 2, Vienna

Asset class: Office
Gross floor area: approx. 44,000 m²
Lettable office and commercial space: approx. 36,500 m²
Completion: Q4/2019

Asset class: Residential
Gross floor area: approx. 8,400 m²
No. of apartments: 101
Garage: 61 parking spaces
Completion: Q2/2019

The Brick (Kühnehöfe), Hamburg

Green Building

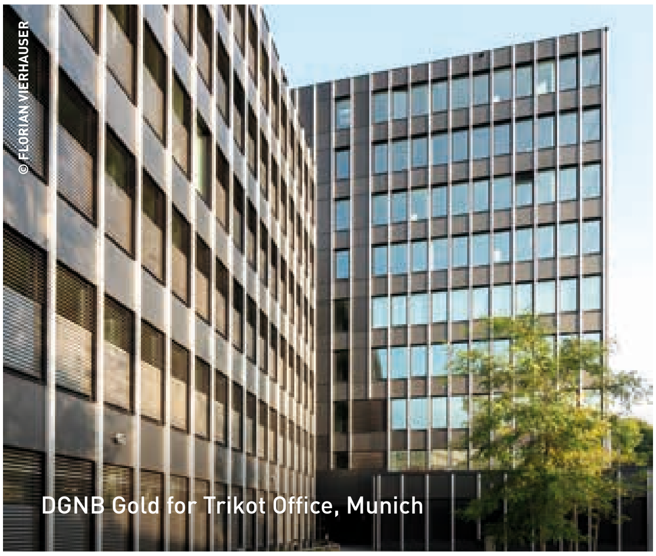
UBM's sustainable developments

Consistent consideration of sustainability aspects is a guiding principle of UBM's corporate activities and a main pillar of its value system. With this in mind, the company has been building all of its commercial projects to Green Building Standards since as far back as 2009. The growing interest from investors and especially users – who have recognised the added value of buildings that protect the environment and conserve resources and who are increasingly demanding them – encourages UBM to intensively address the issue of sustainability in its role as an international real estate developer.

Energy efficiency and a careful approach to resources
UBM has implemented the requirements of the European Energy Efficiency Guidelines in the form of the Energy Efficiency Act (Energieeffizienzgesetz) in Austria and the Energy Services Act (Energiedienstleistungsgesetz) in Germany. The guidelines foresee a 20% reduction in primary energy consumption by 2020.

In line with the Sustainable Development Goals (SDGs) of the United Nations, passed in December 2015 – these define the goals of sustainable and modern energy – UBM considers the following aspects, among others, during project development: attention is paid in every commercial and residential construction project to reducing hazardous materials in interiors as well as primary energy demand ("ecological rucksack") through ongoing construction project management, whereby the effectiveness of resources related to the structure is increased significantly. As regards the approach to water and energy, the efficiency of UBM buildings is significantly higher than those of comparable buildings and exceeds the legal construction stipulations. UBM strives to maximise roof and facade greening for this purpose. Under the motto "Design for Climate Change", this thereby makes a contribution to urban heat islands and also reduces the rainwater that needs to be disposed of in regard to the expected climate changes. By creating green spaces and the use of manifold domestic and local plants, the biodiversity in and around the building is increased.

UBM also relies on alternative energy sources – for example, a photovoltaic system was integrated into the building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DGNB Gold for Trikot Office, Munich

when developing the Quartier Belvedere Central in Vienna and Leuchtenbergring in Munich, thereby reducing the environmental impact of the buildings' operations. In addition, UBM developments incorporate new forms of transport such as electric charging stations for vehicles and parking spaces for mopeds. These concepts have been included, for example, in the Vienna Quartier Belvedere Central, the expansion of Leuchtenbergring in Munich and in the headquarters of Zalando in Berlin.

Projects with sustainability certification
As a sustainable developer of properties at a high technical level, UBM offers its clients quality-assured planning processes. With this in mind, a large number of the Group's buildings are certified to DGNB or ÖGNI, LEED or BREEAM. Office property and hotels in particular are now fully certified.

In view of the broad range of certification requirements, the sensible use of resources such as energy, water, emissions, wastewater and waste, as well as its transport, is already included in the design and construction phase, along with the effects on health and safety. In 2016 four completed UBM buildings in Germany and Austria received final certification in the categories DGNB Gold, DGBN Platinum and LEED Platinum. Ten development projects received preliminary certification in the categories DGNB Gold and Platinum, LEED Platinum and LEED. The Pegaz office building was awarded final LEED Platinum certification at the end of February 2017. Certification was pending for a further 15 projects in 2016: this involves a colourful mix of LEED, BREEAM and the DGNB family for projects such as the Twin Yards office building and the Holiday Inn Express in Munich, the sixth construction phase of EURO PLAZA and the QBC developments in Vienna. In Poland there are four office buildings for which the certification process is underway – the properties Mogilska and Kotlarska in Krakow and the two office buildings currently under development in Poleczki Business Park in Warsaw, as well as two hotels in Gdansk and Warsaw.

DGNB (Gold)

Arena Boulevard, Berlin, DE (2016)[1]
Trikot Office, Munich, DE (2016)[1]
Campus Zalando BT A, Berlin, DE (2016)[2]
Campus Zalando BT B, Berlin, DE (2016)[2]
Eiffestrasse Holiday Inn, Hamburg, DE (2016)[2]
Eiffestrasse Super 8, Hamburg, DE (2016)[2]
Holiday Inn Gateway Gardens, Frankfurt, DE (2016)[3]
Holiday Inn Express, Berlin, DE (2016)[3]
Holiday Inn Express, Munich, DE (2016)[3]
Twin Yards, Munich, DE (2016)[3]
My Sky, Vienna, AT (2016)[3]
QBC 6.1,Vienna, AT (2016)[3]
QBC 6.2, Vienna, AT (2016)[3]
Holiday Inn "Alte Oper", Frankfurt, DE (2015)[1]
Hotel & Office Campus, Berlin, DE (2015)[1]

DGNB (Platinum)

Twin Yards, Munich, DE (2016)[1]
EURO PLAZA 6, Vienna, AT (2016)[2]
QBC 5, Vienna, AT (2016)[2]
Hafenallee Super 8, Mainz, DE (2016)[3]
QBC 1+2, Vienna, AT (2016)[3]
EURO PLAZA 5, Vienna, AT (2015)[1]
QBC 3/4, Vienna, AT (2015)[2]
QBC 3, Vienna, AT (2016)[1]
QBC 4, Vienna, AT (2016)[1]
EURO PLAZA 5, Vienna, AT (2015)[2]

LEED (U.S. Green Building Council, USGBC)

Poleczki Business Park Building B3, Warsaw, PL (2016)[2]
Pegaz Building A, Wroclaw, PL (2016)[2]
Pegaz Building B, Wroclaw, PL (2016)[2]
Kotlarska 11 Office, Krakow, PL (2016)[2]
Holiday Inn Gateway Gardens, Frankfurt, DE (2016)[3]
Leuchtenbergring, Munich, DE (2016)[3]
My Sky, Vienna, AT (2016)[3]
QBC 1–5, Vienna, AT (2016)[3]
Hotel Holiday Inn Warsaw City Centre, Warsaw, PL (2016)[3]
Poleczki Business Park Buildings B2, C2, D Warsaw, PL (2016)[3]
Mogilska Office, Krakow, PL (2016)[3]
Hotel, Gdansk, PL (2016)[3]
Hotel & Office Campus, Berlin, DE (2015)[1]
Poleczki Business Park Buildings B1, C1 Warsaw, PL (2013)[1]

LEED Platinum (U.S. Green Building Council, USGBC)

Arena Boulevard, Berlin, DE (2016)[1]
Premium Plaza, Karlsbad, CZ (2015)[1]
Pilot Tower, Krakow, PL (2014)[1]
Poleczki Business Park Buildings B2, B3 Warsaw, PL (2015)[2]
Times II / Pegaz Buildings A, B, Wroclaw, PL (2015)[2]

BREEAM®

Hyatt Regency, Amsterdam, NL (2015)[2]

Key:

[1] Certified
[2] Preliminary certification
[3] Certification pending

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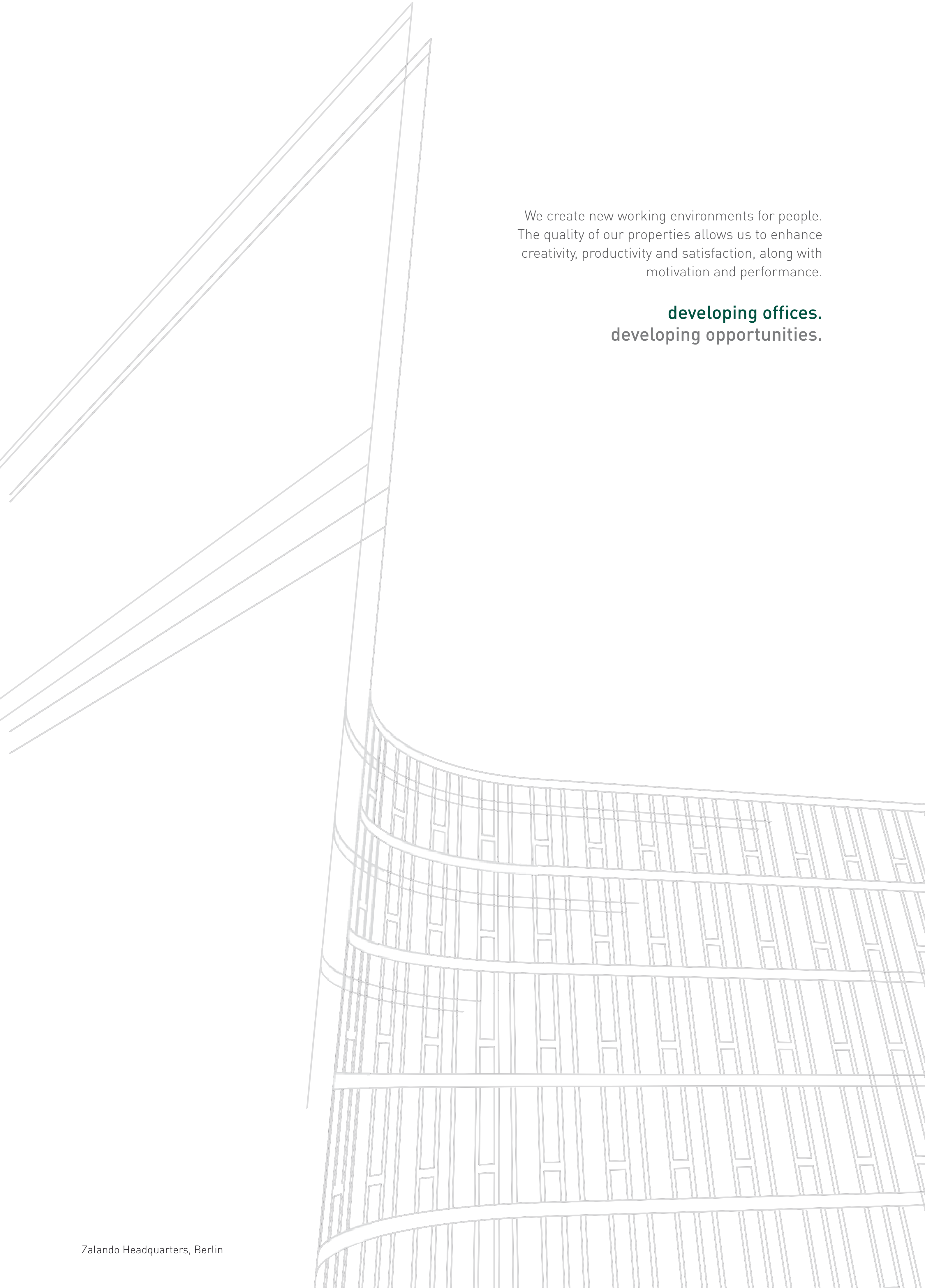
developing opportunities.



Zalando Headquarters, Berlin

Group Management Report

Economic environment

Moderate growth for global economy – eurozone holds steady
Increasing political and economic uncertainty characterised another difficult year for the global economy in 2016.[1] The restrained, below-average growth was only supported by private spending and the state of the job markets, which had a positive impact on consumers in the industrial states. In the USA economic growth forecasts[2] improved following the presidential elections in the fourth quarter and the economy in Asia picked up. Global interest rates remained extremely low. Both the US Federal Reserve (key rate: 0.25%–0.50%) and the European Central Bank (0.00%) maintained their expansive monetary policy approach. Overall, worldwide GDP growth of 3.1% matched the level of the previous year (3.2%).[3]

The European economy continued its moderate growth path at a reduced level in 2016.[4] The primary factors putting the brakes on growth were political uncertainty, the fragile global economy and, last but not least, the Brexit vote in Great Britain, although this has not yet had an impact on the real economy in Britain. GDP growth was primarily driven by domestic demand.[5] Overall, economic growth in the eurozone stood at 1.7%, which was below the previous year's level of 2.0%.[6]

UBM core markets remain on track
In Germany the economic upsurge continued in 2016, with GDP growth of 1.9% in the reporting period. Private consumption once again proved to be a decisive economic pillar, benefiting as it did from a very good job market situation. In addition there was a sharp increase in investment, particularly for residential buildings. Public spending grew as a result of the refugee influx and this added a further boost to the economy.[7]

Following the weak growth of the past years – four years in a row of less than 1% - the Austrian economy achieved growth of 1.4% in 2016. Consumption growth accelerated thanks to the increase in available income as a result of the 2015/16 tax reform and because of refugee migration. Investments also picked up.[8] Goods manufacturing, construction and the service sector had all improved by year-end and was thereby higher than the long-term average. In the medium term, inflationary pressure remains moderate but higher than in the eurozone, so that growth in real income is set to be lower in Austria.[9]

The countries in Central and Eastern Europe once again reached the 3% GDP mark and thereby surpassed growth in Western Europe again. In 2016 Poland held onto its position as one of the EU members with the strongest growth, achieving a plus of 2.8%, even though the domestic political situation gave rise to uncertainty about the Polish economy.[10] Following on from a record year in 2015, the Czech economy recorded stable growth of 2.4% in the period under review.[11]

[1] Global Outlook, World Bank, January 2017
[2] WIFO Monthly Report 12/2016, p. 829.
[3] IMF, http://www.imf.org/external/pubs/ft/weo/2017/update/01/
[4] ibidem
[5] OeNB "Investment and consumer spending driving economic upswing", 12/2016
[6] http://wko.at/statistik/eu/europa-wirtschaftswachstum.pdf
[7] http://wko.at/statistik/eu/europa-wirtschaftswachstum.pdf
[8] ibidem; OeNB "Investment and consumer spending driving economic upswing" 12/2016
[9] WIFO Monthly Report, 2016, 89(4), p. 219-225
[10] http://wko.at/statistik/eu/europa-wirtschaftswachstum.pdf
[11] ibidem

Developments on the real estate markets

A strong year-end for Europe[1]
Investments in commercial property in Europe generated a total volume of €251.1 bn (2015: €277.5 bn). The sentiment on the market was dominated by the Brexit vote and increasing economic and political uncertainty. A strong reversal in the trend was felt at the end of the year: the fourth quarter saw the highest quarterly investment volume achieved so far of €86.8 bn – a 5% increase on the fourth quarter of the previous year. The primary investment focus was on office properties (€108.4 bn) and retail properties (€54.0 bn). The interest in property investment was unwaveringly strong, supported by a good economic backdrop, low financing costs and less attractive investment alternatives.[2]

Germany as number one in Europe
The German real estate market remained on top form in 2016 – investments in commercial property generated the highest volumes since the investment boom of 2006/2007. With a strong fourth quarter 2016 (€19.8 bn), investments for the full year 2016 of €52.5 bn almost matched the level of the previous year. This meant that investments exceeded the 50-billion mark for the fourth time since 2006, despite significant price rises and declines in returns. Germany is one of the world's most popular target markets for real estate, as the market is increasingly in the focus of international investors because it is seen as a safe haven.[3]

With record revenue from letting, as well as rising rental prices and declining vacancy rates, office property remained the most popular asset class for institutional investors. In the year under review German office property saw the sharpest increases with €24.8 bn, thereby accounting for 47% of total real estate transactions. Two thirds of office investments were made in the top locations in Germany – Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. This corresponds to a year-on-year increase of 4%.[4] Returns in prime locations on the top five office markets averaged 3.6%. Munich reported the lowest returns of 3.2%, followed by Berlin with 3.4% and Frankfurt still at 4.0%.[5] Here investors are displaying a slightly higher appetite for risk and a greater focus on second locations in A cities.[6]

2016 was another strong year on the housing investment market – particularly for property developers. The volume of forward deals surpassed €3 bn for the first time – more than one in four transactions was a project development. This meant that developers were responsible for the most sales with almost €4 bn. The majority of purchases were made by German special funds with a transaction volume of €2.6 bn. Berlin came out on top (€2.9 bn) for residential transactions, followed by Frankfurt (€790 mn), which established itself as the project development capital.[7] Supply is unable to keep pace with the demand caused by the sharp population increase in major cities, despite the increasing number of new builds completed.[8] Domestic investors continue to dominate and were responsible for around 70% of residential property transaction volumes.

Austria holds steady in the centre
The high demand for investments on the Austrian real estate market was coupled with scarce supply. In 2016 a total of €2.8 bn was invested in commercial property in Austria. While this did represent a decrease of 29% compared to the record

1 CBRE Market view European Investment Quarterly Q4 2016
2 CBRE European Investment Market Snapshot Q4 2016
3 CBRE Germany Investment Market H2 2016
4 CBRE Market view European Investment Quarterly Q4 2016
5 CBRE Germany Office Investment Market Q4 2016
6 JLL Investment Market Overview, Q4 2016 Germany
7 JLL Investment Market Overview, Q4 2016 Germany
8 CBRE Germany Residential Investment Market Q4 2016

year 2015, the volume was still 16% higher than the five-year average. This performance was primarily due to the high number of forward deals and the delayed closing of several large-volume transactions.[9] Around 60% of the total was generated in Vienna. The asset classes with the highest demand were office and hotel properties with 40% and 26% respectively. The transaction volume of hotels reached a record level in 2016 with 28%. In 2007 hotels only accounted for 1% of investments. Hotels have become a popular asset class, a trend that has been seen across the whole of Europe.

The majority of office properties were completed for occupiers; there was a lack of newly built space available. Letting output on the Vienna office market stood at 329,000 m² in 2016 and was thereby 59% higher than the previous year. As a result, return on office property in prime locations – starting out from a low level – fell to 4.0%; inner-city retail property declined even more sharply and stood at 3.4%.[10]

The majority of the transactions were carried out by national investors (around 56%), while the share of international investors was lower in 2016 at 44% due to the lack of large-scale transactions.[11]

Positive CEE performance – Poland booming

Once again in 2016 the markets in Central and Eastern Europe (CEE) performed very well. Transaction volumes on every core market increased against 2015 – with large investment volumes generated in the office and industry sectors in particular. With a transaction volume of €4.5 bn, the Polish real estate market[12] continued to outperform the region in 2016. The stable economy and the availability of high-quality office properties attracted a growing number of investors – around 97% of the capital invested came from abroad. The number of projects under construction in Warsaw recorded a steady rise, with 850,000 m² under construction at year-end. In addition the production rate of new builds exceeded demand, leading to an increase in vacancy rates for office properties.[13] Returns in prime locations in Poland remained under pressure in recent months and reached a record low: top returns in Warsaw stood at 5.35% at year-end; in regional cities such as Wroclaw and Krakow they were at 6.25%.

Growth on the Polish hotel market continues to accelerate – the number of hotels has practically doubled in the past ten years. This strong growth has been caused by the increasing number of tourists and business travellers. The three-star segment therefore is and will remain the strongest hotel category in Poland.[14]

The transaction volume in the Czech Republic[15] also reached record levels of €3.8 bn. Office property was the dominant sector with 51% of transactions.[16] Strong demand by institutional investors led to a further compression of returns in prime locations in the individual sectors. Returns on office property fell to 5.00%; returns on offices in A locations even slipped to 3.75%.[17] The asset classes hotel and residential accounted for 8% of the total capital invested in the Czech market.[18]

[9] CBRE Austria Investment Q4 2016
[10] ibidem
[11] Press Release "37 new retailers in Austria 2016. Investments taking longer. CEE investments at record levels."
[12] CBRE Market View, Poland Investment, H2 2016
[13] CBRE Warsaw Office Q4 2016
[14] Christie & CO Poland Snapshot 07.06.2016
[15] CBRE Czech Republic Property Investment Q4 2016
[16] JLL CEE Investment Pulse H2 2016
[17] CBRE Czech Republic Property Investment Q4 2016
[18] JLL CEE Investment Pulse H2 2016

Business Performance

Total Output and segments
In 2016 UBM Development AG generated Total Output of €557.5 mn (2015: €593.3 mn). The decrease of 6.0% against the previous year primarily resulted from the lower sales volumes (property transaction value) in the fourth quarter compared to the same period in 2015 as well as the high percentage of forward sales – these do not have an immediate impact on Total Output, only taking effect upon completion and handover of the property.

The Total Output of the **"Germany" segment** stood at €275.3 mn in 2016 and increased by 31.8% against the previous year (€208.8 mn). This rise was due in particular to the successful property sales in Munich (Trikot office property, Hotel Holiday Inn Express Munich City West) and the sale of Arena Boulevard in Berlin. Other sales from the completion of the residential construction projects Berlin-Hohenzollerndamm and Frankfurt-Central Living II are also included in the Total Output of the segment. Regular income from hotel operations contributed an additional amount of around T€25.2 mn to output (2015: €19.2 mn).

The Total Output of the **"Austria" segment** reached €175.0 mn (2015: €193.6 mn) in the period under review. This includes the sales of the standing assets in Salzburg (Neue Mitte Lehen office and retail property), Wiener Neustadt (Cine Nova retail park) and Vienna (office property Doppio Offices), as well as apartment sales in Graz and Salzburg. This was complemented by the output from project management activities in Vienna, Salzburg and Graz, which nevertheless contrasted with declining rental revenue. Forward sales were concluded in particular for the two large-volume transactions in Vienna, the sale of the QBC 3 office buildings and the hotels ibis and Novotel QBC 5. However, this will only have an impact on Total Output upon handover in 2017.

In the **"Poland" segment** UBM generated Total Output of €65.2 mn (2015: €79.5 mn). In the hotel sector, rental income from standing assets – including Poleczki Business Park – as well as project management services from UBM Polska contributed to this output. The decrease in Total Output was caused by the lower sales volumes. This resulted primarily from the political uncertainty felt by some investors in the second half of the year.

In 2016 Total Output in the **"Other markets" segment** amounted to around €42.0 mn (2015: €111.4 mn). The sharp fall compared to the previous year was due to the one-off effect – the sale of the share in the M6 in Hungary (€52.2 mn) in 2015. The largest percentage of Total Output in the "Other" segment was from revenues from operating the hotels in France and the Netherlands as well as the sale of the last apartments from the Špindlerův Mlýn project in the Czech Republic. Added to this were project management services and rental income from standing assets in the Czech Republic and Romania.

Total Output by region

in € mn	2016	2015	Change
Germany	**275.3**	208.8	31.8%
Austria	**175.0**	193.6	-9.6%
Poland	**65.2**	79.5	-18.0%
Other markets	**42.0**	111.4	-62.3%
Total	**557.5**	**593.3**	**-6.0%**

In the **"Office" segment** UBM Development AG generated Total Output of €118.2 mn (2015: €58.7 mn). The two-fold increase against 2015 came from the sales in Salzburg-Lehen, Vienna (Doppio Offices and Franzosengraben), Munich (Trikot office building) and Berlin (Arena Boulevard). Rental income in 2016 primarily came from letting the office buildings in the Poleczki Business Park.

In 2016 the **"Hotel" segment** produced Total Output of €142.1 mn (2015: €198.5 mn). The sale of the hotel Holiday Inn Express Munich City West in Munich for €45.7 mn is included in the Total Output. In addition, multiple forward deals were concluded in the hotel sector in 2016 – including the two hotels in Quartier Belvedere Central – that will only have an effect on Total Output after the completion and handover of the properties in 2017. The slight decrease in the hotel operations sector was primarily caused by changes to the portfolio, resulting from the sales of the hotels Andel´s Berlin, Radisson blu Wroclaw and Ramada Innsbruck in 2015. Revenue from hotel operations totalled €96.4 mn (2015: €100.6 mn).

In the **"Residential" segment** UBM achieved Total Output of €97.4 mn (2015: €86.3 mn). The increase resulted from the completion and sale of residential construction projects in Salzburg, Graz, Berlin, Frankfurt and the Czech Republic, as well as various sales of apartments from standing assets.

In 2016 Total Output of €62.9 mn (2015: €142.3 mn) was generated in the **"Other" segment**. The significant decline resulted from the one-off effect of the sale of the M6 motorway in the previous year. Total Output for 2016 includes the sale of the standing asset Cine Nova in Wiener Neustadt, as well as rental income from mixed-use properties in Poland, Austria, Czech republic and Romania.

The Total Output of the **"Service" segment** reached €129.8 mn (2015: €90.3 mn) and included management services for the subsidiaries Münchner Grund, STRAUSS & PARTNER and UBM Polska, including for the projects Quartier Belvedere Central in Vienna and STUWO Graz, the hotel projects Holiday Inn Express in Berlin and Munich and the office projects Zalando and Leuchtenbergring in Berlin and Munich respectively. These were complemented by management services for the Pegaz office building in Wroclaw, the hotel project Holiday Inn City Centre in Warsaw and the Kotlarska office project in Krakow.

The **"Administration" segment** containing €7.1 mn (2015: €17.2 mn) exclusively consisted of services of UBM Development AG and invoicing management services.

Total Output by asset class

in € mn	2016	2015	Change
Office	**118.2**	58.7	101.4%
Hotel	**142.1**	198.5	-28.4%
Residential	**97.4**	86.3	12.8%
Other	**62.9**	142.3	-55.8%
Service	**129.8**	90.3	43.9%
Administration	**7.1**	17.2	-58.2%
Total	**557.5**	**593.3**	**-6.0%**

Financial Indicators

Financial performance

The core business of the UBM Group involves the project-based real estate business. Given the IFRS accounting regulations and the fact that projects take multiple years to realise, the revenue reported in the income statement is subject to significant fluctuations as the proceeds are only recognised as revenue once the sale takes effect. If properties are sold as a share deal or projects are developed and sold within companies accounted for under the equity method, these are not recognised in revenue. This has an impact on the informative value and comparability with prior periods. In order to improve the overview and transparency of the business performance, UBM additionally shows its Total Output. Alongside revenue, this financial indicator includes proceeds from the sale of real estate, rental services, proceeds from hotel operations, settled planning and construction invoices from own building sites, and supplies and management services to third parties. In addition, the output from companies accounted for under the equity method and from sales as pure share deals is also included. The Total Output is determined in line with the amount of the stake held by UBM. In 2016 Total Output of €557.5 mn was 6.0% lower than the previous year (€593.3 mn). The revenue stated in the consolidated income statement totalled €417.0 mn for the full year and was thereby 35.5% higher than the value at year-end 2015. The increase in revenue resulted from the significant rise against the comparable period of sales of fully consolidated projects. In contrast, in the previous year, sales by companies recognised under the equity method made up a disproportionately high share of Total Output. This did not, however, have an impact on the revenue shown in the consolidated financial statements.

The share of profit/loss of companies consolidated under the equity method stood at €25.1 mn in 2016, almost matching the figure from the previous year, and included the pro-rata results, as well as gains on the sale of properties.

Gains from fair value adjustments to investment property reached €54.6 mn (previous year: €29.7 mn) and primarily resulted from forward deals with fixed sales prices and value adjustments by external expert opinions. Losses from fair value adjustments to investment property amounted to €20.5 mn (previous year: €3.1 mn). The increase against the previous year is primarily due to necessary writedowns on standing assets in Austria. The net gains from positive and negative fair value adjustments stood at €34.1 mn in 2016 (previous year: €26.6 mn).

In the period under review other operating income totalled €7.5 mn (previous year: €8.8 mn) and mainly consisted of exchange gains, other external invoices to third parties and other rents. Other operating expenses rose slightly against the previous year from €48.3 mn to €52.4 mn. These mostly comprised exchange losses, administrative fees, travel expenses, advertising costs, other third-party services (such as brokerage fees), contributions and charges, and legal and consultancy services.

The increase in expenses for materials and other manufacturing costs caused by the growth in revenue reflected expenses for building inventory property and investments in standing assets, as well as the book value of disposals from real estate sales. In the year under review these amounted to €300.4 mn compared to €252.7 mn at year-end 2015.

The number of staff members of all companies included in the consolidated financial statements rose to 716 (previous year: 685). 309 staff members (previous year: 354) were employed in real estate development. Staff expense increased from €37.3 mn in the business year 2015 by 18.8% to €44.3 mn. Factors behind the increase in staff expense included the changes in the Managing Board in 2016 and the related one-off effects.

EBITDA of €49.6 mn was below the previous year's figure of €76.5. Financial income of €13.1 mn (previous year: €7.4 mn) primarily included interest income on project financing loans to companies accounted for under the equity method and companies of minor significance, income from equity interests and earnings from share deals, which led to an increase in the period under review.

Financial expenses fell from €30.8 mn in 2015 to €19.3 mn for the reporting period 2016. This development was caused by the low interest rates and proactive improvement in the financing structure as compared to the previous year, as well as the writedowns on other equity interests in 2015.

EBT (earnings before taxes) of €40.1 mn were below the record level of the previous year (€50.3 mn). The tax burden fell from €13.0 mn in the business year 2015 to €10.7 mn in the comparable period of 2016. The profit for 2016, before deductions for non-controlling interests, stood at €29.4 mn and was thereby €7.9 mn below the comparable period of the previous year. This resulted in earnings per share of €3.90 compared to €4.90 in 2015, whereby the figure is based on the weighted average of the number of shares, which was significantly lower in the previous year.

Financial position and cash flows

At 31 December 2016 the total assets of the UBM Group increased by 4.1% against the previous year to €1,233.8 mn. Property, plant and equipment amounted to €44.5 mn (previous year: €38.7 mn), whereby the increase was due to investment in a hotel in Munich.

Investment property declined as at 31 December 2016 to €496.6 mn (previous year: €553.9 mn). Here a retail park and two office properties were sold. In addition to sales of investment property in 2016, the effect was primarily caused by reclassifications into current assets, as the sale of these properties in the business year 2017 is judged to be highly probable. This item rose in the 2016 statement of financial position to €157.1 mn (previous year: €1.4 mn). The equity interests in companies accounted for under the equity method decreased slightly to €109.6 mn (previous year: €111.5 mn). This was mainly because of the sale of two Austrian companies.

The increase in project financing to €111.9 mn (previous year: €88.8 mn) came from the capital requirements of companies accounted for under the equity method due to investments.

Other financial assets stood at €5.6 mn (previous year: €5.9 mn) and financial assets amounted to €1.5 mn (previous year: €3.5 mn).

Under current assets, the decrease in inventories was predominantly due to the sale of a hotel in Munich and apartment sales in Germany and Austria. Inventories totalled €185.4 mn (previous year: €215.2 mn).

At 31 December 2016 trade receivables amounted to €38.6 mn (previous year: €43.1 mn).

Other receivables and assets underwent a significant rise due to the VAT rebate that has not yet been received and stood at €18.8 mn (previous year: €9.2 mn).

Cash and cash equivalents decreased from €93.7 mn in the previous year to €42.3 mn. This resulted in an effect that reduced assets/liabilities at the same time as business volumes increased; nevertheless, this was overcompensated for by other effects on the balance sheet.

At the end of the reporting period equity stood at €341.5 mn (previous year: €332.0 mn). The earnings for the period led to an increase and contrasted with decreasing factors such as the dividend payout in June of €12.0 mn and the interest payment on the mezzanine and hybrid capital due in the same period in the amount of €4.8 mn. The equity ratio was 27.7% (2015: 28.0%). Return on assets was 4.8% in 2016 (2015: 6.8%). Return on equity stood at 11.7% (2015: 15.1%).

Bond liabilities (current and non-current) of €321.3 mn at 31 December 2016 remained almost unchanged against the previous year (€321.9 mn) despite the redemption and re-issue of a bond. Financial liabilities (current and non-current) of €412.2 mn rose against the previous year (€381.5 mn) by €30.7 mn, which was once again due to the higher investment activity.

Trade payables increased against the previous year from €55.2 mn by €22.2 mn to €77.4 mn and mostly contained subcontractor payments that had not yet been settled on the reporting date.

Other financial liabilities (current and non-current) declined by €19.5 mn to €36.6 mn (previous year: €56.1 mn). A decisive factor here was the reduction in liabilities to companies accounted for under the equity method.

Higher provision requirements for income tax led tax payables to increase from €5.7 mn to €7.5 mn.

At 31 December 2016 net debt totalled €691.2 mn and thereby increased by 13.4% against 31 December 2015. This is primarily the direct result of strong investments, particularly in ongoing project developments.

Cash flows

Cash flow from operating activities of €42.2 mn compared to €14.4 mn in 2015 had a significant impact on the positive liquidity situation.

As decisive factor here was the clearly positive net of the decrease in inventories in the full year 2016 of €29.9 mn. This included the sale of properties recorded as inventories of €97.3 mn, which was significantly higher than the investments in properties recorded as inventories of €44.4 mn. Other inventories climbed to €23.0 mn.

Overall, a capital release from working capital of €8.1 mn was achieved. This consisted of an increase in receivables of €3.2 mn, a rise in liabilities (excluding banks) of €34.3 mn and growth in tied-up capital from increasing other inventories to €23.0 mn.

Cash flow from investing activities amounted to €-114.6 mn (previous year: €-3.1 mn). It represented the increased outflow of funds from investments in property, plant and equipment, as well as investment property and project financing. The key drivers for the increased outflow of funds were investments in property, plant and equipment and investment property totalling €213.8 mn and investments in project financing of €44.9 mn. This contrasted with inflows from the disposal of investment property and property, plant and equipment of €121.5 mn and inflows from financial assets of €20.2 mn, as well as inflows from project financing of €6.9 mn.

Cash flow from financing activities of €21.4 mn (previous year: €35.6 mn) showed the inflow of funds from a bond issue and the outflow from redeeming a bond. The positive balance from taking out and paying back loans and borrowings resulted in an inflow of €40.3 mn. The outflow of funds from dividend payments and payouts to non-controlling interests totalling €17.5 mn had a contrasting effect.

Non-Financial Performance Indicators

Environmental issues

Environmental protection and conserving resources are an important part of the way UBM Development AG approaches and conducts its business. This is why every effort is taken to plan and construct projects and developments in an environmentally friendly manner. By consciously using energy-efficient building materials and energy-saving planning concepts, the project developments result in sustainable, ecological buildings.

The average staffing levels at 31 December 2016 when all Group companies are included stood at 716 staff members (of which 86 were waged workers). This represents an increase of 4.5% compared to 2015 (685 staff members, of which 53 waged workers).

In total around 81% of UBM employees work abroad. Vocational education and training measures for personal and professional development are offered in the areas of planning and project development, business economics and law, as well as language courses and seminars. Here the individual needs of staff as well as the requirements of the market are taken into account. Since UBM is geographically diverse, the personnel often have to work in international teams; the resultant exchange of expertise is yet another important factor within the context of comprehensive HR development.

Branch offices
UBM Development AG has the following branch offices entered in the Commercial Register:
Upper Austria branch office
Pummererstrasse 17, 4020 Linz
Tyrol branch office
Porr-Strasse 1, 6175 Kematen in Tirol
Styria branch office
Thalerhofstrasse 88, 8141 Unterpremstätten

Outlook

According to the IMF, global economic growth will remain moderate in 2017 at around 3.4%, with a continuing lack of sustainable, positive stimuli. Weaker threshold countries, the sharp fall in the oil price, and the start of the rebound of interest rates in the USA bring additional risks.[1]

In the future the real estate markets in continental Europe will continue to benefit from increasing economic and political uncertainty, as well as low interest rates. Growth in the eurozone is set to remain weak at 1.6% and no immediate changes are expected in the general interest rate environment in Europe.[2]

The three core markets of UBM – Germany, Austria and Poland – thereby count as safe havens. Central Europe is seen by CBRE as the winner of the year 2017. Favourable financing conditions and lower returns on alternative investments lead to the expectation that property will be an increasingly sought-after asset class for investors in the future. According to CBRE, the supply of properties in good locations will remain scarce in 2017, leading to a further compression in yields.

In this environment UBM is not planning any fundamental change of strategy, but will instead concentrate on the most consistent execution of its strategy and delivering on promises made. This also includes minimising future market risks through forward sales, in which prices are already fixed today with buyers for projects that will only be completed in the future. What's more, UBM is planning a significant reduction in the assets that are not part of the core business.

2017 will see the continued implementation of the accelerated sales programme "Fast Track 2017". The goal is achieving a reduction in net debt through sales in 2017 of development projects in forward deals and through the sale of standing assets. Net debt should peak by March 2017 at a probable level of around €750 mn. Effects are expected here from investments in ongoing large-scale projects and from recent acquisitions – the Viennese "Office Providers" from Sachsenfonds and a Vienna property portfolio from Bank Austria. However, by the end of the year sales totalling around €600 mn should lead to a reduction in net debt of around €550 mn. These proceeds contrast with investments of approximately €400 mn, but will ensure the earnings and revenues of the future.

Furthermore, the efficiency-enhancement programme "Next Level" will have a positive impact on future profitability. The primary goal of the programme is to optimise cost structures and processes to achieve sustainable increases in efficiency.

All of these measures together will help to strengthen UBM in the good times. The main focus here is on a balance between future profitability and the company's risk profile.

Assuming a positive backdrop for real estate and the implementation of all measures planned for 2017, the Managing Board expects the performance of Total Output and earnings in 2017 to increase compared to 2016.

[1] Savills Analysis Outlook Real Estate Market Germany 2017
[2] CBRE Research Real Estate Market Outlook, Europe 2017

Risk Report

Fundamentals
As a result of the business activity of UBM Development AG and its operating subsidiaries and equity interests in multiple European cities and multiple asset classes, the UBM Group is exposed to a range of risks. On the other hand, this diversification, i.e. conducting activities in various countries and multiple asset classes, also leads to risk management and reduction; this holds true as changes do not usually occur simultaneously and in every region. Furthermore, the opportunity exists to promote individual asset classes over the others and/or increase or decrease the focus on certain countries and markets.

General goals of UBM risk management
- Safeguarding the assets of the company (e.g. property, capital, image)
- Securing the annual results
- Being able to meet (payment) obligations at any time
- Fulfilling legal stipulations all of the time

Material risks
The material risks of UBM lie in the nature of the project development business and result from the company's value chain. Risks are thereby subdivided into the areas of real estate acquisitions, planning, project calculation and project financing, realisation (construction), operations (letting and leasing) and sales (distribution and sales). General business risks such as macroeconomic and miscellaneous risks also define the risk management.

UBM has been active in project development for many decades and thereby has considerable experience in the early identification, analysis, evaluation, monitoring and control of risks. Here all material risks are considered that could have a significant impact on the annual results.

Risk management system (RMS) measures in 2016
1. Risk identification and analysis: A comprehensive risk catalogue covering the entire UBM value chain was drawn up in order to produce a comprehensive risk profile of the company and thereby highlight potential hazards. All of the individual risks identified were allocated to defined risk categories.

2. Risk assessment: Evaluation of individual risks is based on a risk characterisation and on the assessment of the probability of different scenarios occurring and the possible extent of the damage of incidents that impact on the annual results.

When assessing the possible extent of damage, the impacts of unexpected expenses and/or declines in revenue were evaluated against the projected results. Furthermore, the probability of events occurring were evaluated, whereby an occurrence probability – in five levels from frequent (at least once every two years) to improbable (every 20 years) – was applied. The results were presented in a risk map, which gives a clear overview of the largest individual risks to UBM.

3. Risk management: The results were collated in a report that serves as the basis for subsequent prioritising and controlling of risks. The results were reported by the Managing Board to the Supervisory Board.

4. Risk monitoring: This structured approach is embedded in the RMS as a continuous process. The risks identified in the RMS are constantly monitored and a risk report is presented by the Managing Board to the Supervisory Board every six months.

Material risks

A number of the individual UBM risks determined have been clustered into seven main risk categories.

1. Real estate acquisition risks: In addition to the inherent risks involved in buying real estate, i.e. zoning, third-party rights (neighbours, easements etc.), current status in the Land Registry, length of time until building permit granted, unknown installations, partial hazardous sites (Land Registry), undocumented contamination, protective legislation (heritage protection, tree stock, protected areas), more difficult development and/or access, unknown sources, groundwater, emissions etc., risks such as market entry risks, country risks, political risks and competition and market environment risks are taken into consideration.

Knowledge of the region and the respective competitive environment enjoyed by the individual operating subsidiaries, their knowhow and good networks in the regional market environments, as well as standardised due diligence and acquisition processes help to mitigate these risks.

2. Project costing and planning risks: In this phase of a project the risk focus is on purchase and sales prices, rental prices and changes, project financing and interest rates, as well as market viability and third-party usability. Internal and external experts work in a team to develop the necessary fundamentals that serve as a basis for the decisions of the Managing Board. Longstanding experience in every aspect of project development increases planning security.

3. Construction and quality risks: This is where all of the risks associated with the actual construction of a property are evaluated. Risks of this kind arise from the length and possible delay of the construction period, possible supplier failure, and the quality of execution including the costs for subsequent improvements.

In order to mitigate these risks, UBM relies on experienced project managers to avoid overpriced offers already during the tender award period and to secure ongoing costs, quality and construction scheduling controls during the construction phase. Regular project reports given to the Managing Board allow deviations between targets and performance to be identified early on and the requisite countermeasures taken swiftly.

4. Operating risks (letting offices or leasing hotels): Operating real estate is also connected with a range of risks, whereby particular risks evaluated include the credit standing of the tenant (creditworthiness, security of rental income), a cluster risk (loss of an important major tenant), vacancy risks, maintenance risks (regular checks, maintenance, servicing, repairs, subsequent technical investments), and building management risks (insufficient processes for debt collection and payment reminders, inadequate invoicing of operating and running costs).

In order to safeguard the value of the property, various specialists from subsidiaries, specialist departments or external expert companies are deployed during the operating phase to continuously generate the planned proceeds on the one hand and sustainably secure the technical quality of the buildings on the other.

5. Sales and distribution risks: Here differentiation is made between the sales risks in the process of home ownership, distribution risks (rental risks for initial letting) and the sales risks when selling complete properties. The main risk in the sales process is the macro factors underlying the valuation methods. These include the expected rental income and the discounting rate applied. The annual results of UBM depend significantly on adjustments to the fair value of property assets. When purchasing real estate, the achievable sales price is directly linked to the realisable market price at the time. This can deviate from the production costs and from the fair value as determined by a valuation expert, thereby deviating from the carrying amount. Further risks in the transaction process include contractual liabilities and guarantees, as well as possible customer warranty claims.

In this regard UBM analyses the optimal moment to buy in relation to the achievable sales price. Longstanding contact with potential investors and large-scale clients helps with selecting and approaching interested buyers. A dedicated, central transaction team with the requisite experience and contacts works with experts from the UBM legal department and with external consultants, which should allow UBM to optimise this process.

6. General business risks: These include, in particular, personnel risks (staffing, fluctuation, human error, internal fraud etc.), IT risks (hardware, software, loss of data, hackers, espionage etc.), commercial risks (liquidity risk, tax-related risks, financial penalties etc.), as well as legal risks (compliance risks, compensation, general contractual and insurance risks, legislative environment etc.). All of the risks are monitored by the respective specialist department and communicated without delay to the Managing Board whenever necessary.

7. Macroeconomic and miscellaneous risks: These risks include economic performance risks (inflation, unemployment, purchasing power etc.), interest rate risks, currency risks and the risk of acts of god (natural disasters, fire, strikes, war, terror). The risks are continuously monitored by the responsible Managing Board members in close cooperation with the staff units. Interest rate and currency exchange risks have been consciously accepted in the past; however, appropriate hedging is not excluded for the future.

Other risks

Legal disputes: In January 2015 resolutions were passed for a merger by the general shareholders meetings of PIAG Immobilien AG, as the transferring company, and UBM Realitätenentwicklung AG, as the acquiring company, in the course of which the existing shareholders of PIAG Immobilien AG would become shareholders of UBM. The conversion ratio was set at 10:3.701098. In accordance with Article 225c Stock Corporation Act, shareholders who fulfil certain criteria are entitled to submit a request for the legal review of the conversion ratio. Consequently, a total of eleven shareholders submitted requests for the legal review of the conversion ratio in spring 2015. In essence, the shareholders argued that the conversion ratio was inadequate for a range of reasons. UBM disputes this, as the conversion ratio was based on the corporate valuations that were applied using comparable methods, principles and approaches. A settlement was reached with all petitioners in this case. Under the terms of the settlement, the conversion ratio remains in place unchanged; no financial compensation was agreed.

The criminal proceedings against former Managing Board members Karl Bier and Heribert Smolé, who stood accused of embezzlement under Article 153 of the Austrian Penal Code as the result of a payment of €600,000 made by the company to a company of Walter Meischberger in 2005, ended in acquittals in the first instance. The verdicts are not legally binding.

The criminal proceedings against Managing Board member Michael Wurzinger on charges of aiding embezzlement under Article 153 of the Austrian Penal Code, as a result of payments made by IMMOFINANZ AG to Ronald Leitgeb in 2006 in relation to a property project in the south of France, ended in a legally binding acquittal in the first instance.

Internal control system

The material goals of the Internal Control System (ICS) within UBM are checking compliance with the business policy and the set goals, safeguarding the assets of the company, ensuring the reliability of accounting and reporting, ensuring the effectiveness and efficiency of operating processes, timely risk detection and reliable assessment of potential risks, compliance with statutory and legal provisions, and the efficient use of resources and cost-efficiency.

In addition to the internal controls implemented in the core processes of UBM, the company has commercial and technical controlling units, both of which report directly to the Managing Board. Commercial controlling monitors current business developments for variations from the budgeted figures, and ensures that the necessary information is passed on to the management for any such deviations. Technical controlling supervises the ongoing implementation of projects in terms of scheduling, construction costs and all processes relevant to technical implementation. Regular reports give the management a basis for any measures needed to achieve the aforementioned goals.

In addition to the legal requirements, UBM has a wide range of rules that serve as tools for employees to use when realising their tasks and also facilitate the efficient set-up of processes and controls. Work instructions, guidelines and templates of this kind promote transparency, simplify communication and documentation, help to make work processes run efficiently and allow controls to be carried out effectively.

UBM has thereby taken the necessary precautions to ensure both legal and internal guidelines are complied with on the one hand, and possible weaknesses in operating and organisational processes are quickly recognised and rectified on the other.

In the field of reporting, uniform accounting and valuation regulations ensure that financial reporting is proper and meaningful. Clear divisions of functions and control measures such as plausibility tests, regular control activities and invoice approval procedures, along with the dual-control principle, ensure reliable and accurate accounting.

This systematic control management ensures that the accounting processes in the UBM Group are consistent with national and international accounting standards as well as internal guidelines.

As part of the internal control system, the audit committee is responsible for monitoring accounting procedures and for financial reporting on behalf of the Supervisory Board.

Internal audit

The internal audit department has been established with the goal of conducting independent and objective audit and consulting services within UBM. Its work is based on the internal audit rules, which legitimise it to the public, and the internal audit handbook, which specifies the tasks, competencies and responsibilities within UBM. In accordance with C Rule 18 of the Austrian Code of Corporate Governance, it reports directly to the Chief Executive Officer (CEO). Internal audit examines corporate processes and the effectiveness of internal controls and contributes to improving them. When circumstances require it, internal audit carries out ad hoc audits under the corresponding instructions of the Managing Board.

Furthermore, internal audit serves as an advisor to the Managing Board. Its integrated perspective and knowledge of the company should enable it to highlight effective ways of improving the effectiveness, efficiency and profitability of processes. The internal audit department was newly organised in mid-2016, when it began to realise its responsibilities and carry out audits. Its findings have already led to concrete proposals for improvement, some of which have already been implemented. Prior to this, UBM drew on the support of the internal audit department of PORR AG when required.

Research and development

The Group does not conduct any research or development.

Disclosure acc. to Art. 243a, Austrian Commercial Code
as at 31 December 2016

1. Composition of capital
As at 31 December 2016 the share capital is composed of 7,472,180 no-par bearer shares, each representing the same amount of the total share capital of €22,416,540. All 7,472,180 shares were in circulation at the end of the reporting period. All shares bear the same legal rights and obligations, and each share carries the right to vote, which may be exercised in accordance with the number of shares held. The share capital of the company is fully paid in. In accordance with Article 5 Section 3 of the Articles of Association and in line with Article 10 Section 2 Stock Corporation Act, the bearer shares must be documented in a global certificate, several if required, and deposited at a collective securities depository in accordance with Article 1 Section 3 of the Securities Deposit Act or at an equivalent foreign institution.

2. Limitations regarding voting rights or the transfer of shares
A syndicate agreement is in place between the Strauss Group and the IGO-Ortner Group. The Managing Board has no knowledge of the content of the syndicate agreement. Resolutions passed by the syndicate oblige the syndicate members to exercise their voting rights. There is a reciprocal acquisition right.

3. Direct or indirect shareholding
The following shareholders hold a direct or indirect interest amounting to at least ten percent of the share capital as at 31 December 2016: Ortner & Strauss Syndicate 38.84% (of which Strauss Group 11.22%, IGO-Ortner Group 27.62%).

4. There are no **shares with special control rights** at the company.

5. There are no **employee stock ownership plans** in which the employees do not exercise voting rights directly at UBM Development AG.

6. Provisions of the composition of the Managing Board and the Supervisory Board and on amending the Articles of Association
In accordance with Article 6 Section 1 of the Articles of Association, the Managing Board consists of between two and six people. In line with Article 6 Section 2 of the Articles of Association, the Supervisory Board can appoint deputies to the Managing Board. In line with Article 6 Section 3 of the Articles of Association, the Supervisory Board can name one member as the Chairman and one member as the Deputy Chairman. Any deputy Managing Board members have the same powers of representation as the regular Managing Board members in line with Article 8 Section 3 of the Articles of Association.

In line with Article 9 Section 1 of the Articles of Association, the Supervisory Board is composed of at least three and not more than twelve members appointed by the general shareholders meeting. In line with Article 9 Section 8 of the Articles of Association, a replacement member can be appointed at the same time as the appointment of a Supervisory Board member, in which case the replacement member would take up his seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of his time in office. If multiple replacement members are appointed, the order in which they are to replace a Supervisory Board member who steps down must be determined. A replacement member can also be appointed as a replacement for multiple Supervisory Board members, so that he takes a seat on the Supervisory Board if any one of these members steps down prematurely. The term of office of a replacement member who joins the Supervisory Board is terminated as soon as a successor to the former Supervisory Board member has been appointed, or at the latest when the remainder of the former Supervisory Board member's time in office comes to an end. Should the term of office of a replacement member who joins the Supervisory Board be terminated because a successor to the former Supervisory Board member has been appointed, the replacement member still serves as a replacement for the additional Supervisory Board members he has been chosen to represent. In line with Article 9 Section 2 of the Articles of Association, the general shareholders meeting can determine a shorter period in office than legally stipulated for individual Supervisory Board members or all of the members it appoints. Should certain members leave the Board before the end of their term in office, in line with Article 9 Section 6 of the Articles of Association, a vote to replace them is not required until the next general shareholders meeting. However, a replacement vote is required at an extraordinary general meeting, to be held within six weeks, if the number of Supervisory Board members falls below three. In line with Article 9 Section 4 of the Articles of Association, the appointment of a member of the Supervisory Board can be rescinded before the end of his time in office by general shareholders meeting resolution requiring a simple majority of votes cast.

In accordance with Article 19 Section 1 of the Articles of Association, the resolutions of the general meeting of shareholders shall be passed with a simple majority of votes cast and – in cases in which a capital majority is required – with a simple majority of the share capital represented at the vote. From the legal viewpoint of the Managing Board, this resolution has reduced the necessary majority of at least three quarters of the share capital represented in voting as required by the Stock Corporation Act for changes to the Articles of Association to a simple capital majority.

7. Authority of the members of the Managing Board
In accordance with Article 4 Section 4 of the Articles of Association, as at 31 December 2016, the Managing Board is authorised to increase the share capital by up to €4,613,460 by 7 May 2019 with the approval of the Supervisory Board by issuing up to 1,537,820 new ordinary no-par bearer shares in exchange for cash and/or contribution in kind, in multiple tranches if so wished, also under application of indirect pre-emptive rights pursuant to Article 153 Section 6 Stock Corporation Act; the Managing Board is also authorised to specify the issue price, issue conditions, the subscription ratio and other details with the approval of the Supervisory Board. The Supervisory Board is entitled to pass resolutions on amending the statutes to allow the Managing Board to make use of this authorisation.

8. Significant agreements
In 2011 the company issued a bond (partial debenture) (2011–2016), which was paid back in full on 9 November 2016. In July 2014 a bond (partial debenture) worth €160,000,000.00 (2014–2019) was issued, which was raised by €15,000,000.00 to €175,000,000.00 in December 2014 and by €25,000,000.00 to €200,000,000.00 in February 2015. In December 2015 a bond (partial debenture) with a total nominal value of €75,000,000.00 (2015–2020) was issued. In November 2016 a bearer bond with a total nominal value of €18,500,000.00 (2016–2021) was issued. The bonds involve the following condition: If there is a change of control in the sense of a takeover and this change of control results in a lower credit rating of the issuer, and the issuer is unable to produce proof of its credit standing within 60 days of becoming aware of the change of control, any bond creditor is entitled to call in his/her partial debenture and demand the immediate repayment at nominal value along with any interest accrued until the date of repayment. Furthermore, the company concluded Schuldscheindarlehen agreements with a total nominal value of €32,000,000.00 in November 2016. These Schuldscheindarlehen agreements provide for the right of termination in the case that a change of control event occurs and that this change of control event leads to (i) a significant impairment of the company's ability to meet its obligations from the respective loan agreement or (ii) a breach of the legally binding regulations of the respective lender. (In this context a change of control means the acquisition of a direct controlling interest in the company pursuant to the Austrian Takeover Act with the legal consequence of a mandatory offer by a natural or legal person who did not hold an interest in the company at the time that the respective loan agreement was concluded.)

There were no other significant agreements under the terms of Article 243a Line 8 of the Commercial Code.

9. Indemnification agreements under the terms of Article 243a Line 9 of the Commercial Code shall not apply.

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Consolidated Financial Statements

Consolidated Income Statement
for the business year 2016

in T€	Notes	2016	2015
Revenue	(7)	**417,020**	307,781
Changes in the portfolio	(7)	**-36,961**	45,105
Own work capitalised in non-current assets		**-**	1,205
Share of profit/loss of companies accounted for under the equity method		**25,124**	25,322
Income from fair-value adjustments to investment property		**54,570**	29,675
Other operating income	(8)	**7,450**	8,759
Cost of materials and other related production services	(9)	**-300,372**	-252,720
Staff expense	(10)	**-44,278**	-37,305
Expenses from fair-value adjustments to investment property		**-20,514**	-3,109
Other operating expenses	(11)	**-52,427**	-48,263
EBITDA		**49,612**	**76,450**
Depreciation, amortisation and impairment expense	(12)	**-3,406**	-2,807
EBIT		**46,206**	**73,643**
Financial income	(13)	**13,147**	7,407
Finance costs	(14)	**-19,288**	-30,765
EBT		**40,065**	**50,285**
Income tax expense	(15)	**-10,709**	-12,952
Profit/loss for the period		**29,356**	**37,333**
Profit/loss for the period attributable to shareholders of the parent		**29,109**	**33,808**
of which attributable to non-controlling interests		**247**	3,525
Earnings per share (diluted and basic in €)	(16)	**3.90**	**4.90**

Statement of Comprehensive Income
for the business year 2016

in T€	Notes	2016	2015
Profit/loss for the period		**29,356**	**37,333**
Other comprehensive income			
Remeasurement from benefit obligations	(34)	**-856**	-24
Income tax expense on other comprehensive income		**219**	5
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)		**-637**	**-19**
Gains/losses from cash flow hedges of associates – recycled		**-**	34,886
Losses/gains from fair value measurement of securities		**-16**	-18
Exchange differences		**-963**	-319
Income tax expense/income on other comprehensive income		**4**	-2
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)		**-975**	**34,547**
Other comprehensive income		**-1,612**	**34,528**
Total comprehensive income		**27,744**	**71,861**
of which attributable to shareholders of the parent		**27,501**	68,340
of which attributable to non-controlling interests		**243**	3,521

Consolidated Statement of Financial Position
as of 31 December 2016

in T€	Notes	2016	2015
ASSETS			
Non-current assets			
Intangible assets	(17)	2,841	2,883
Property, plant and equipment	(18)	44,464	38,749
Investment property	(19)	496,583	553,907
Shareholdings in companies accounted for under the equity method	(20)	109,636	111,543
Project financing	(21)	111,905	88,777
Other financial assets	(22)	5,605	5,894
Financial assets	(25)	1,533	3,505
Deferred tax assets	(29)	8,818	7,314
		781,385	**812,572**
Current assets			
Inventories	(23)	185,355	215,219
Trade receivables	(24)	38,616	43,118
Financial assets	(25)	10,168	10,016
Other receivables and current assets	(26)	18,825	9,176
Cash and cash equivalents	(27)	42,298	93,744
Assets held for sale	(28)	157,114	1,391
		452,376	**372,664**
TOTAL ASSETS		**1,233,761**	**1,185,236**
EQUITY AND LIABILITIES			
Equity			
Share capital	(30,31)	22,417	22,417
Capital reserves	(32)	98,954	98,954
Other reserves	(32)	132,422	121,725
Mezzanine/hybrid capital	(33)	80,100	80,100
Equity attributable to shareholders of the parent		**333,893**	**323,196**
Non-controlling interests		7,561	8,828
		341,454	**332,024**
Non-current liabilities			
Provisions	(34)	9,211	11,895
Bonds	(35)	321,296	271,436
Non-current financial liabilities	(36)	193,704	229,819
Other non-current financial liabilities	(38)	6,151	5,746
Deferred tax liabilities	(29)	20,109	16,038
		550,471	**534,934**
Current liabilities			
Provisions	(34)	4,280	1,098
Bonds	(35)	-	50,472
Current financial liabilities	(36)	218,495	151,727
Trade payables	(37)	77,400	55,204
Other current financial liabilities	(38)	30,460	50,356
Other current liabilities	(39)	3,744	3,663
Tax payables	(40)	7,457	5,758
		341,836	**318,278**
TOTAL EQUITY AND LIABILITIES		**1,233,761**	**1,185,236**

Consolidated Cash Flow Statement

for the business 2016

in T€	2016	2015
Profit/loss for the period	29,356	37,333
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	-30,649	-18,820
Interest income/expense	12,815	15,969
Income from companies accounted for under the equity method	-25,124	-25,310
Dividends from companies accounted for under the equity method	1,204	31,497
Decrease in long-term provisions	-3,731	-754
Deferred income tax	1,042	8,127
Operating cash flow	**-15,087**	**48,042**
Decrease in short-term provisions	3,205	540
Increase in tax provisions	1,714	-1,220
Losses/gains on the disposal of assets	-2,937	803
Decrease/increase in inventories	29,863	-5,580
Increase in receivables	-3,244	-5,137
Increase/decrease in payables (excluding banks)	34,315	-7,253
Interest received	6,355	6,280
Interest paid	-18,449	-23,091
Other non-cash transactions	6,468	1,064
Cash flow from operating activities	**42,203**	**14,448**
Proceeds from sale of intangible assets	1	6
Proceeds from sale of property, plant and equipment and investment property	121.467	85,259
Proceeds from sale of financial assets	20,185	55,713
Proceeds from settling project financing	6,977	20,673
Investments in intangible assets	-70	-96
Investments in property, plant and equipment and investment property	-213,777	-146,188
Investments in financial assets	-6,303	-4,813
Investments in project financing	-44,926	-24,349
Proceeds from current financial assets	-	17,000
Proceeds from the sale of consolidated companies	1,662	-
Payouts from the purchase of subsidiaries less cash and cash equ. acquired	175	-6,296
Cash flow from investing activities	**-114,609**	**-3,091**
Dividends	-16,725	-11,051
Dividends paid out to non-controlling interests	-809	-2,019
Schuldscheindarlehen	32,000	-
Proceeds from bonds	18,500	100,425
Repayment of bonds	-51,863	-50,191
Obtaining loans and other financing	270,979	102,660
Redeeming loans and other financing	-230,649	-78,797
Capital increase	-	55,252
Redeeming mezzanine capital	-	-50,000
Payout for obligations of PIAG from UBM shares	-	-30,708
Cash flow from financing activities	**21,433**	**35,571**
Cash flow from operating activities	**42,203**	**14,448**
Cash flow from investing activities	**-114,609**	**-3,091**
Cash flow from financing activities	**21,433**	**35,571**
Change to cash and cash equivalents	**-50,973**	**46,928**
Cash and cash equivalents at 1 January	93,744	40,309
Currency differences	-473	-87
Changes to cash and cash equivalents resulting from changes to the consolidated group	-	6,594
Cash and cash equivalents at 31 December	**42,298**	**93,744**
Tax paid	7,967	6,537

Statement of Changes in Group Equity
for the business year 2016

in T€	Share capital	Capital reserves	Remeasurement from benefit obligations	Foreign currency translation reserves
Balance at 1 January 2015	**18,000**	**44,642**	**-1,307**	**1,991**
Additions from common control transaction	30	211	-912	-461
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-19	-326
Total comprehensive income for the period	-	-	-19	-326
Dividend payout	-	-	-	-
Capital increase	4,387	54,101	-	-
Redeeming mezzanine capital	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at 31 December 2015	**22,417**	**98,954**	**-2,238**	**1,204**
Total profit/loss for the period	-	-	-	-
Other comprehensive income	-	-	-637	-946
Total comprehensive income for the period	-	-	-637	-946
Dividend payout	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at 31 December 2016	**22,417**	**98,954**	**-2,875**	**258**

Total debt securities available for sale - fair value reserve	Reserve for cash flow hedges	Other reserves	Mezzanine/ hybrid capital	Equity attributable to equity holders of the parent	Non-controlling interests	Total
-	**-**	**115,049**	**-**	**178,375**	**2,071**	**180,446**
57	-34,886	-9,663	126,729	81,105	3,761	**84,866**
-	-	26,898	6,910	33,808	3,525	**37,333**
-14	34,886	5	-	34,532	-4	**34,528**
-14	34,886	26,903	6,910	68,340	3,521	**71,861**
-	-	-7,512	-3,539	-11,051	-2,019	**-13,070**
-	-	-2,427	-	56,061	-	**56,061**
-	-	-	-50,000	-50,000	-	**-50,000**
-	-	366	-	366	1,494	**1,860**
43	**-**	**122,716**	**80,100**	**323,196**	**8,828**	**332,024**
-	-	24,339	4,770	29,109	247	**29,356**
-12	-	-13	-	-1,608	-4	**-1,612**
-12	-	24,326	4,770	27,501	243	**27,744**
-	-	-11,955	-4,770	-16,725	-809	**-17,534**
-	-	-79	-	-79	-701	**-780**
31	**-**	**135,008**	**80,100**	**333,893**	**7,561**	**341,454**

Notes to the Consolidated Financial Statements

1. General information

The UBM Group consists of UBM Development AG (UBM) and its subsidiaries. UBM is a public limited company according to Austrian law and has its registered head office at 1210 Vienna, Floridsdorfer Hauptstrasse 1. The company is registered with the commercial court of Vienna under reference number FN 100059 x. The Group deals mainly with the development, utilisation and management of real estate.

The consolidated financial statements have been prepared pursuant to Art. 245a of the Austrian Commercial Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The reporting currency is the euro, which is also the functional currency of UBM. For the individual subsidiaries included in the consolidated financial statements the functional currency is the respective national currency. Figures are reported in thousands of euros (T€) and rounded accordingly. The year under review corresponds to the calendar year and ends on 31 December 2016.

2. Consolidated group

In addition to UBM, 63 (previous year: 66) domestic subsidiaries and 81 (previous year: 80) foreign subsidiaries are included in the consolidated financial statements. In the reporting period nine companies were included in the UBM consolidated financial statements for the first time as a result of new foundations, an increase in the interest held, or purchases (see item 2.1.).

Six companies were eliminated from internal transfers in the form of mergers, three companies were sold and two companies were liquidated. The proceeds from the sale amounting to T€2,279 are shown in the consolidated income statement under financial income; T€2,369 of the total sales price of T€3,453 was settled in cash and T€1,084 is still outstanding. This represents a related party transaction. The assets and liabilities over which control was lost break down as follows:

in T€	2016
Non-current assets	
Intangible assets	13
Property, plant and equipment	46
Deferred tax assets	18
Current assets	
Inventories	1
Trade receivables	1,062
Other financial assets	19
Other receivables and current assets	72
Cash and cash equivalents	707
Assets held for sale	17,808
Non-current liabilities	
Provisions	5
Deferred tax assets	166
Current liabilities	
Provisions	23
Financial liabilities	13,987
Trade payables	557
Other financial liabilities	3,652
Other liabilities	140
Tax payables	15

In addition, 27 (previous year: 26) domestic and 30 (previous year: 30) foreign associates and joint ventures were valued under the equity method.

In the reporting period the stake in three companies was increased insofar as to be included fully in the consolidated group. Five companies were founded; three companies were included for the first time in the UBM consolidated financial statements as a result of acquisitions and four companies were deconsolidated due to sales. For two companies this involved a transaction with a related party; the sales price of T€12,268 was settled in cash.

For twelve subsidiaries UBM does have the majority of voting rights, but the rules in the shareholders agreements state that there is no right of control. These companies are recognised as joint ventures.

2.1. First-time consolidations

In the 2016 business year the following companies were fully consolidated for the first time (see list of shareholdings for details):

Because of new foundations	Date of initial consolidation
UBM hotels Management GmbH	4.5.2016
UBM hotels München GmbH	26.10.2016
Poleczki Madrid Office Spólka z ograniczona odpowiedzialnoscia	21.10.2016
MGH Potsdam I GmbH & Co. KG	21.12.2016

Because of an increase in the interest held	Date of initial consolidation
PBP IT-Services spolka z ograniczona odpowiedzialnoscia	11.1.2016
Poleczki Development Spolka z ograniczona odpowiedzialnoscia	11.1.2016
Poleczki Lisbon Office Spolka z ograniczona odpowiedzialnoscia	11.1.2016
GF Ramba Spolka z ograniczona odpowiedzialnoscia	30.6.2016

Because of purchases	Date of initial consolidation
Ligustria 12 Spolka z ograniczona odpowiedzialnoscia	1.1.2016

The increases in the interests held in Poleczki Development Spolka z ograniczona odpowiedzialnoscia and Poleczki Lisbon Office Spolka z ograniczona odpowiedzialnoscia relate to the purchase of real estate and the respective financing of this real estate and are not classified as a business combination pursuant to IFRS 3.

T€16 was used to purchase the remaining 50% in GF Ramba Spolka z ograniczona odpowiedzialnoscia. The purchase price was paid in full and was provisionally allocated to the Group's assets and liabilities as follows:

in T€	2016
Non-current assets	
Intangible assets	1
Property, plant and equipment	186
Investment property	12,167
Deferred tax assets	109
Current assets	
Trade receivables	10
Other financial assets	196
Cash and cash equivalents	130
Non-current liabilities	
Deferred tax payables	-708
Current liabilities	
Financial liabilities	-4,283
Trade payables	-372
Other financial liabilities	-5,771
Other liabilities	-10
Fair value of the equity interest already held	**1,639**
Purchase price	**16**

The initial consolidation contributed T€113 to EBT for the period and T€466 to revenue.

T€38 was used to purchase the remaining 50% in PBP IT-Services spolka z ograniczona odpowiedzialnoscia. The purchase price was paid in full and was provisionally allocated to the Group's assets and liabilities as follows:

in T€	2016
Non-current assets	
Property, plant and equipment	159
Current assets	
Trade receivables	10
Other receivables and assets	21
Cash and cash equivalents	99
Non-current liabilities	
Current liabilities	
Trade receivables	-71
Other financial liabilities	-120
Fair value of the equity interest already held	**60**
Purchase price	**38**

No profit resulted from the valuation of the previously held shares.

The initial consolidation of the company contributed T€17 to earnings before taxes for the period and T€122 to revenue.

3. Consolidation principles

Business combinations are accounted for in accordance with the acquisition method. According to this method, the assets acquired and liabilities assumed as well as contingent liabilities are measured on the acquisition date at their fair values attributable at this date. Where the difference between the acquisition costs and the attributable proportion of net assets valued at fair value shows an excess, this item is shown as goodwill, which is not written off or amortised in regular amounts but is subjected to a test for impairment at least once a year.

All accounts receivable and payable between consolidated companies are eliminated during debt consolidation. Intragroup income and expense is offset within the framework of consolidation of income and expense. Intragroup profits or losses from intragroup deliveries are eliminated if these relate to significant amounts and the relevant assets are still recognised in the consolidated financial statements.

Shares in net assets of subsidiaries not attributable to UBM are shown separately as part of equity under the item "Non-controlling interests".

4. Accounting and measurement methods

The annual financial statements of all companies included in the consolidated financial statements are prepared according to standard accounting and measurement methods.

Measurement principles

Historic acquisition costs form the basis for the measurement of intangible assets, property, plant and equipment, inventories, accounts receivable from billed orders and liabilities.

The fair value at the end of the reporting period is the basis for the measurement in respect of securities available for sale, derivative financial instruments and investment property.

Currency translation

The companies included in the consolidated financial statements prepare their annual financial statements in their respective functional currencies, whereby the functional currency is the relevant currency for the commercial activities of the company concerned.

Items in the consolidated statement of financial position are translated at the mean rate of exchange at the end of the reporting period and income statement items are translated at the annual mean rate of exchange for the fiscal year (as an arithmetic mean of all end-of-month quotations). Differences resulting from the currency translation are recognised directly in equity. These translation differences are recognised in the income statement at the date of disposal of the business activities.

The following significant exchange rates were applied for the inclusion and translation of foreign subsidiaries:

	Mean exchange rate at 31 Dec 2016	Average annual exchange rate
PLN	4.4240	4.3757
CZK	27.0200	27.0425

	Mean exchange rate at 31 Dec 2015	Average annual exchange rate
PLN	4.2615	4.1848
CZK	27.0250	27.2688

In the event of company acquisitions, adjustments of the carrying amounts of the acquired assets and assumed liabilities to the fair value at the date of acquisition or, if applicable, goodwill, are treated as assets or liabilities of the acquired subsidiary and are, accordingly, subject to currency translation.

Exchange gains or losses on transactions undertaken by companies included in the consolidation in a currency other than the functional currency are recognised in profit or loss for the period. Monetary items not denominated in the functional currency held by companies included in the consolidation are translated at the mean rate ruling at the end of the reporting period.

Intangible assets are capitalised at acquisition cost and amortisation is recognised on a straight-line basis over the probable useful life. Rates of amortisation of between 10% and 50% were applied.

The amortisation apportionable to the fiscal year is shown in the income statement under the item "Depreciation, amortisation and impairment expense".

If impairment is established, the relevant intangible assets are recognised at the recoverable amount, which is the fair value less costs of sale or the value in use, if higher. If the impairment ceases to apply, a reversal of the impairment is performed equivalent to the increase in value, but up to a maximum of the carrying amount which was calculated when applying the amortisation plan based on the original acquisition and manufacturing costs.

Goodwill is recorded as an asset and tested at least once a year for impairment in accordance with IFRS 3 in conjunction with IAS 36. Any impairment is immediately recognised in profit or loss and a subsequent reversal is not permitted.

Property, plant and equipment is valued at cost, including incidental costs less reductions in the acquisition costs, or at manufacturing cost, and is subject to the previously accumulated and regularly applied straight-line depreciation during the year under review, whereby the following rates of depreciation are applied:

Buildings	1.5% to 33.3%
Technical equipment and machinery	4.0% to 50.0%
Other facilities, fixtures and office equipment	4.0% to 50.0%

If impairment is established, the relevant tangible assets are impaired to the recoverable amount, which is the fair value less costs of sale or the value in use, if higher. If the impairment ceases to apply, a reversal of the impairment is performed equivalent to the increase in value, but up to a maximum of the carrying amount which was calculated when applying the amortisation plan based on the original acquisition and manufacturing costs. Fundamental rebuilding work is recognised in the statement of financial position, while ongoing maintenance work, repairs and minor rebuilding work are recognised in profit or loss at the time they arose.

Low-value assets were written off in full in the year of purchase, as they are of minor importance for the consolidated financial statements.

Plants under construction, including buildings under construction, which are to be used for operational purposes or whose type of use has not yet been established, are accounted for at acquisition cost or manufacturing cost less impairment.

Borrowing costs for qualifying assets are included in the acquisition or manufacturing cost. Depreciation or impairment of these assets commences upon their completion or attainment of operational status. In the current business year, T€10,005 (previous year: T€13,302) was recognised in interest on property. Please refer to the disclosures in note 36 for the capitalisation rate.

Investment property is real estate that is held for the purpose of obtaining rental income and/or for the purpose of its rise in value. This includes office and commercial premises not used for the Group's own business purposes, residential buildings and unimproved land. These are recognised at their fair values. Gains or losses from changes in value are reflected in profit or loss for the period in which the change in value occurred. If a fair value cannot be reliably determined, buildings under construction are accounted for at acquisition cost or manufacturing cost, or with the fair value generally determined by the residual value method.

Market value reports by experts are used as the basis for determining the fair value of investment property and/or the fair value is determined using the present value of estimated future cash flows which are expected from the use of the property or have been achieved in similar transactions.

Properties held for sale are measured at the lower of acquisition cost, manufacturing cost and net realisable value. Borrowing costs for qualifying assets are included in the acquisition or manufacturing cost.

For **properties recognised under current assets** where the market value can be determined based on comparable transactions, the market value was determined using the sales comparison approach or the cost approach; this applies to real estate held under current assets that is intended for immediate sale once completed. In accordance with accounting standards, the carrying amount is only aligned with the market value if this is lower. The external appraisers determined the parameters with the local project developers based on the size, age and condition of the buildings and country-specific parameters.

Leases

The Group as lessor: Where the Group is the lessor, the only lease contracts applicable are operating leases. The rental income from these contracts is recognised in net income on a straight-line basis over the term of the corresponding lease.

The Group as lessee: Leases are classified as finance leases when, according to the lease contract, essentially all the risks and rewards relating to the ownership are transferred to the lessee.

Assets held under finance leases are recorded as Group assets at their fair values or at the present value of the minimum lease payments, if this is lower, at the beginning of the lease. The minimum lease payments are those amounts payable during the non-terminable term of the lease, including a guaranteed residual value. The corresponding liability owed to the lessor is recorded in the statement of financial position as obligations under finance leases. The lease payments are apportioned between interest paid and the reduction of the lease obligation in such a way as to achieve a constant rate of interest on the remaining liability. Interest expense is recognised in the income statement.

Shares in companies accounted for under the equity method are accounted for at acquisition cost, which is apportioned between the pro rata net assets acquired at fair value and, if applicable, goodwill. The carrying amount is increased or decreased annually by the proportionate annual profit or loss, dividends received and other changes to equity. Goodwill is not subject to planned amortisation, rather it is assessed for impairment, as per IAS 36, once a year as well as when circumstances exist that indicate there may be possible impairment. If the recoverable amount differs from the carrying amount, the difference is written off.

Project financing is measured at amortised cost. If indicators of impairment are determined, project financing is written down to the present value of the expected cash flows.

The **shares in non-consolidated subsidiaries** and other shareholdings shown under **other financial assets** are valued at acquisition cost, as it is not possible to determine a reliable fair value. If impairment is established on the financial assets valued at acquisition cost, they are written down to the present value of the expected cash flows.

Construction contracts are recognised according to the percentage of completion of the contract (POC method). The anticipated revenues from the contracts are shown under revenue according to the respective percentage of completion. The percentage of completion, which is the basis for the amount of the contract revenues shown, is, as a rule, determined according to the ratio of the services supplied compared to the estimated total services at the end of the reporting period. Claims are only recognised when it is likely that the customer will accept them and when they can be reliably measured. Where the result of a construction contract cannot be reliably estimated, the amount of the accumulated contract costs alone shall represent the amount recorded for contract revenues. If it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognised immediately and in full.

The revenues attributable to the services supplied so far according to the percentage of completion method are, to the extent that they exceed the payments on account made by the customer, shown in the statement of financial position under trade receivables. Amounts by which the payments on account received exceed the revenues attributable to the services supplied so far are shown under other liabilities.

Receivables are fundamentally recognised at amortised cost. Should there be substantial evidence of default risks, allowances are set up.

Deferred tax items are recognised where there are temporary differences between the values of assets and liabilities in the consolidated financial statements on the one hand and the values for tax purposes on the other hand in the amount of the anticipated future tax expense or tax relief. In addition, a deferred tax asset for future asset advantage resulting from tax loss carryforwards is recognised if there is sufficient certainty of realisation. Temporary differences arising from the first recognition of goodwill constitute exceptions to this comprehensive tax deferral.

The calculation of the deferred tax amount is based on the rate of income tax valid in the country concerned; for Austrian companies this is a tax rate of 25%.

The **provisions for severance payments, pensions and anniversary bonuses** were determined by the projected unit credit method in accordance with IAS 19 and based on the life table AVÖ 2008-P, whereby an actuarial assessment is performed on each reference date. In the valuation of these provisions for Austria and Germany, an interest rate for accounting purposes of 1.65% p.a. (previous year: 2.25%) was applied with salary increases of 2.50% (previous year: 2.50%). When determining provisions for severance payments and anniversary bonuses for Austria, deductions are made for fluctuations based on statistical data within a range of 0.0% to 10.6% (previous year: 1.1% to 14.2%) and for anniversary bonuses in Germany a range of 0.0% to 10.6% (previous year: 0.0% to 25.0%) was applied. For Austrian companies the assumed retirement age is the earliest possible retirement age permitted by law following the 2004 pension reform (corridor pension), taking into account all transitional arrangements; for German companies the legal retirement age is used. The life table AVÖ 2008-P – Pagler & Pagler is used for calculating provisions in Austria, while for Germany the life table Richttafeln 2005 G by Klaus Heubeck is applied.

Actuarial gains and losses for severance payments and pensions are recognised in full in other comprehensive income, while anniversary bonuses are under profit or loss for the period. Service costs are shown under staff expense. Interest paid is recorded under finance costs.

Other provisions take account of all currently discernible risks and contingent liabilities. They are recognised with the best estimate of the expenditure required to settle the present obligation if a reliable estimate exists.

Liabilities are recognised at amortised cost in accordance with the effective interest method.

If the amount to be paid back is lower or higher, this is subjected to appreciation or depreciation in accordance with the effective interest method.

Derivative financial instruments are recognised at fair value. Derivatives which involve hedges are treated in line with the requirements for hedge accounting.

Revenue is measured at the fair value of the consideration. Discounts and other subsequent reductions in revenue are deducted from this amount. Revenue is recognised on delivery and transfer of ownership. Revenue from construction contracts is recognised according to the percentage of completion allocated over the period of the contract.

Interest income and expense is limited under consideration of the respective outstanding sum borrowed and the applicable interest rate.

Dividend income from financial investments is recognised when legal title arises.

5. Key assumptions and key sources of estimation uncertainty

Estimates and assumptions made by management which relate to the amount and recognition of the assets and liabilities in the statement of financial position and to income and expenses and contingent liabilities are inextricably linked to the preparation of annual financial statements. The key assumptions and sources of estimation uncertainty in accordance with IAS 1.125 et seq. relate to:

Determining fair values of real estate: The fair value is generally equal to the present value of realisable rental income. If the estimate regarding the future realisable rental income or the predicted rate of return on alternative investments changes, the fair value of the given item will also change. The capitalisation rate (bandwidth from 5.00% to 10.25%; previous year: 5.50%–11.00%) is the rate at which the return from the property is generally computed on the market. One criterion for choosing the capitalisation rate is the general and specific risk that the return from the property is subject to.

In the current year the majority of investment property has been valued using internationally accepted valuation methods, particularly the Term and Reversion approach (more details on valuation methods are given in note 19).

For real estate under development (assets under construction – IAS 40) the residual value method was used for valuation. Using this method, the income values are estimated by the appraisers – provided there has been no pre-letting activity – in consultation with the project developers. The budgeted completion costs, including an appropriate developer margin, are deducted from the income values. What is left after this valuation method constitutes the market value of our properties under development.

The following sensitivity analysis shows the impact of key parameter changes on the fair value of investment property:

in T€

PORTFOLIO PROPERTY

	Carrying amount as at 31 Dec 2016	214,792		Carrying amount as at 31 Dec 2015	272,687	
	Adjustment to long-term rent			Adjustment to long-term rent		
	0.00%	10.00%	-10.00%	0.00%	10.00%	-10.00%
Adjustment to yield						
0.00%	-	19,772	-16,885	-	17,791	-18,064
0.50%	-11,615	4,915	-28,908	-17,345	-1,022	-33,929
-0.50%	15,933	35,013	-3,743	19,985	39,897	62

in T€

DEVELOPMENT PROJECTS

	Carrying amount as at 31 Dec 2016	281,791	Carrying amount as at 31 Dec 2015	281,220
Developer profit	-5.00%	5.00%	-5.00%	5.00%
	35,516	-38,073	32,242	-33,631
Adjustment to yield	-0.50%	0.50%	-0.50%	0.50%
	59,656	-52,431	44,032	-46,434
Adjustment to construction costs	10.00%	-10.00%	10.00%	-10.00%
	-66,606	64,106	-43,153	56,977
Adjustment to rental income	-10.00%	10.00%	-10.00%	10.00%
	-80,026	80,674	-62,981	61,614

The classification as investment property (IAS 40) or inventories (IAS 2) is based on the following considerations. Projects that are held for the purpose of generating rental revenue or for the purposes of increasing value are classified as investment property. The inventory category comprises real estate that is intended for resale at the outset.

Properties intended for sale: for any (inventory) property where the market value can be determined based on comparable transactions, the market value was determined using the sales comparison approach or the cost approach. This primarily applies to real estate held under current assets (residential buildings) that is intended for immediate sale once completed. In accordance with accounting standards, the carrying amount is only aligned with the market value if this is lower. The external appraisers determined the parameters with the local project developers based on the size, age and condition of the buildings and country-specific parameters. With regard to carrying amounts and the possible impact of impairment, please refer to note 23.

Provisions: the estimated values of severance payments, pension and anniversary bonus provisions are based on parameters such as discount factors, salary increases or fluctuations, which can lead to higher or lower provisions, staff expense and interest costs if changes occur. Other provisions are based on estimates related to the likelihood of an event occurring or the probability of an outflow of funds. Changes to these estimates or the occurrence of an event previously classed as unlikely can have a significant impact on the financial performance of the Group.

Sensitivity analysis of pension provisions: The following actuarial assumptions were deemed relevant and the following margins were applied: Discount rate +/-0.25%, Pension trend +/-0.25%, Life expectancy +/-1 year.

The sensitivity analysis of life expectancy was carried out on the basis of a shift in life expectancy for the total candidates of the respective plan.

The difference to the values disclosed in the statement of financial position is shown in the tables below as relative deviations:

	Interest +0.25%		Interest -0.25%	
	vested	liquid	vested	liquid
Pension DBO	-4.2%	-2.8%	4.4%	2.9%

	Pension trend +0.25%		Pension trend -0.25%	
	vested	liquid	vested	liquid
Pension DBO	4.4%	2.9%	-4.2%	-2.8%

	Life expectancy +1 year		Life expectancy -1 year	
	vested	liquid	vested	liquid
Pension DBO	3.7%	4.8%	-3.3%	-4.2%

Sensitivity analysis of severance payments: For severance payments, the following actuarial assumptions were deemed relevant and the following margins were applied: Discount rate +/-0.25%, Salary trend +/-0.25%, Fluctuation +/-0.5% up to 25th year of work, Life expectancy +/-1 year.

The sensitivity analysis of life expectancy was carried out on the basis of a shift in average life expectancy for the total candidates of the respective plan.

The difference to the values disclosed in the statement of financial position is shown in the tables below as relative deviations:

	Interest +0.25%	Interest -0.25%	Salary trend +0.25%	Salary trend -0.25%
Severance DBO	-2.21%	2.29%	2.23%	-2.16%

	Fluctuation +0.5% until 25th year of service	Fluctuation -0.5%until 25th year of service	Life expectancy +1 year	Life expectancy -1 year
Severance DBO	-0.26%	0.26%	0.17%	-0.17%

The following table shows the average duration of the respective obligations:

	Maturity profile – DBO			DBO	Maturity profile – Cash			Cash
	1–5 years	6–10 years	10+ years	Duration	1–5 years	6–10 years	10+ years	Duration
Pensions	1,617	1,724	4,786	13.82	1,577	1,796	6,322	15.57
Severance	574	566	977	9.15	641	824	2,154	11.21

Project financing: As the parent company, UBM issues loans to its companies accounted for under the equity method and subsidiaries. These loans serve as financing for the equity share of property projects. They are subject to interest at common market rates and are payable after the sale of the project.

The actual amounts realised in the future could differ from the estimates and assumptions based on the success of individual projects. With regard to carrying amounts and possible impacts from impairment, please refer to note 21.

6. New and amended accounting standards

Standards adopted for the first time in the year under review
The first-time application of the standards and interpretations and the amendments to the standards did not have any impact on the consolidated financial statements.

New standards
IFRS 14 – Regulatory Deferral Accounts
IFRS 14 "Regulatory Deferral Accounts" permits an entity which is a first-time adopter of IFRSs to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 was issued in January 2014 and applies to reporting periods beginning on or after 1 January 2016.

Amendments to standards and interpretations
Amendment to IAS 19 Employee Benefits
The amendment clarifies how contributions from employees or third parties which are linked to service should be attributed to periods of service and also permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendment applies to fiscal years beginning on or after 1 February 2015.

Annual Improvements to IFRSs (2010–2012 Cycle)
The Annual Improvements to IFRSs 2010–2012 Cycle contains a number of minor amendments to different standards. The amendments apply to fiscal years beginning on or after 1 February 2015. The standards affected by these amendments include: IFRS 2 Share-based Payment; IFRS 3 Business Combinations; IFRS 8 Operating Segments; IFRS 13 Fair Value Measurement; IAS 16 Property, Plant and Equipment; IAS 24 Related Party Disclosures; and IAS 38 Intangible Assets.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
The amendments relate to accounting for interests in joint ventures and joint operations. This amendment will involve the inclusion of new guidance in IFRS 11 on accounting for acquisitions on interests in joint operations which constitute a business. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because such methods reflect factors other than the pattern of consumption of an asset's expected future economic benefits. The amendments also specify that a revenue-based amortisation method for determining the future economic benefits of intangible assets is generally inappropriate, whereby this presumption can be overcome under specific limited circumstances. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41: Bearer Plants
The amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" relate to the financial reporting for bearer plants. Bearer plants, which are used solely to grow produce, have been brought into the scope of IAS 16. This means that they can be accounted for in the same way as property, plant and equipment. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The minor amendments to IAS 27 "Separate Financial Statements" allow entities to use the equity method as an accounting option for investments in subsidiaries, joint ventures and companies accounted for under the equity method in an entity's separate financial statements. The amendments apply to fiscal years beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle involves a range of small amendments to various standards. Some of the amendments relate to:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – clarifies that no accounting change is required in cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa.
- IFRS 7 "Financial Instruments: Disclosures" – clarifies whether a servicing contract is continuing involvement in a transferred asset and clarifies offsetting disclosures to the condensed interim financial statements.
- IAS 19 "Employee Benefits" – the amendments clarify that the corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 "Interim Financial Reporting" – proposes the inclusion of a cross-reference to information disclosed in interim financial reports.

All of the amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 1: Disclosure Initiative

In December 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments primarily relate to the following points:

- Clarifying that disclosures in the financial statements are only necessary if their content is not immaterial.
- Guidance on aggregating and disaggregating items in the statement of financial position and statement of profit or loss and other comprehensive income.
- Clarifying how to account for an entity's share of other comprehensive income of equity-accounted companies accounted for under the equity method in the statement of comprehensive income.
- Eliminating the model structure of the financial statements in order to take account of relevance to the specific company.

The amendments apply to reporting periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The IASB issued amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Companies accounted for under the equity method and Joint Ventures" with regard to applying the consolidation exception for investment entities. The amendments serve to clarify three issues related to the consolidation exception for investment entities whose subsidiaries are measured at fair value.

The amendments apply to reporting periods beginning on or after 1 January 2016.

The first-time application of the standards and interpretations and the amendments to the standards did not have any impact on the consolidated financial statements.

New accounting standards that have not yet been applied

The following standards and interpretations had already been published at the time that these consolidated financial statements were being prepared; they were not mandatory in the current fiscal year and the option to apply them early was not applied.

Standards and interpretations already adopted by the European Union

New standards

IFRS 9 – Financial Instruments

The IASB published the final version of the standard on 24 July 2014 in the course of completing the various phases of its comprehensive financial instruments project. This means that IAS 39 Financial Instruments and Recognition can now be fully replaced with the application of IFRS 9. The most recently published version of IFRS 9 replaces all earlier versions of the standard. The amendment applies to reporting periods beginning on or after 1 January 2018. In future the Group will probably use the simplified model pursuant to IFRS 9.5.5.15 et seq. to determine impairment of specific financial instruments. This model provides for the exclusive use of Levels 2 and 3. This means that a risk provision in the amount of the expected loss over the remaining term – lifetime expected loss – will be formed for the financial instrument upon inception. Loans to associates or joint ventures, issued in the course of project development, shall in future be valued pursuant to the 12-month Expected Loss Model or transferred to the Lifetime Expected Loss Model should there be a significant worsening in the credit risk. UBM is currently evaluating the impact of the first-time application.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to reporting periods beginning on or after 1 January 2018. The Group expects only limited impacts on revenue realisation from the first-time application of IFRS 15. In the area of proceeds from rent from IAS 40 Investment Property, it is assumed that there will be no changes regarding the point in time that the revenue is generated. Revenue from utilising real estate is significantly tied to the contractual nature of the transfer and the time of closing. Every contract shall be analysed individually in accordance with the five-step model; nevertheless, UBM assumes that here there will also not be any significant changes to the current standard. With regard to proceeds from construction contracts, in individual cases it shall be determined whether separable services have been provided. In general, the Group operates as a general contractor, which is why one should expect the ongoing application of the POC method for the majority of projects.

Standards and interpretations not yet adopted by the European Union

New standards

IFRS 16 – Leases

The standard specifies how to recognise, measure, present and disclose leases. IFRS 16 replaces the previous standard IAS 17 and three interpretations related to leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value (option to choose). The standard was published in January 2016 and its application will be obligatory for reporting periods beginning on or after 1 January 2019. The Group is currently evaluating the impact of the standard on the consolidated financial statements.

New interpretations

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The goal of this interpretation is to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to standards and interpretations

Amendments to IFRS 10 and IAS 28: Investments in Companies accounted for under the equity method and Joint Ventures

The amendments address an inconsistency between the requirements of IFRS 10 and IAS 28. They clarify how to deal with gains and losses resulting from a transaction between an investor and its associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business must be recognised in full by the investor. Transactions involving assets which do not constitute a business require only partial recognition of the gain or loss. The application of the amendments has been postponed for an indefinite period. The Group is currently evaluating the impact of the amendments on the consolidated financial statements.

Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

The amendments to IAS 12 aim in particular to clarify how to account for deferred tax assets for unrealised losses from assets measured at fair value in order to address diversity in practice. The amendments apply to reporting periods beginning on or after 1 January 2017. The application is not likely to have any impact on the consolidated financial statements.

Amendments to IAS 7: Disclosure Initiative

The amendments come with the objective that an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply to reporting periods beginning on or after 1 January 2017.

Annual Improvements to IFRSs 2014–2016 Cycle

The Annual Improvements to IFRSs 2014–2016 Cycle involves a range of small amendments to various standards. Some of the amendments relate to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IFRS 12 Disclosure of Interests in Other Entities: Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 28 Investments in Associates and Joint Ventures: Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Amendments to IFRS 15: Clarification to IFRS 15

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and aim to provide some transition relief for modified contracts and completed contracts.

The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments address individual questions related to accounting for cash-settled share-based payment transactions. The most important amendment or addition is that IFRS 2 now contains specifications relating to determining the fair value of liabilities resulting from share-based payment transactions. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments aim to limit the impacts from the different effective dates of IFRS 9 and the follow-up standard to IFRS 4, particularly for entities with comprehensive insurance activities. Two options were introduced that can be used by entities that issue insurance contracts as long as specific conditions are fulfilled: the overlay approach and the deferral approach. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IAS 40: Transfers of Investment Property

The amendments serve to clarify the guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The amendments apply to reporting periods beginning on or after 1 January 2018.

7. Revenue

Revenue totalling T€417,020 (previous year: T€307,781) includes proceeds from the sale of properties and project companies, rental income, construction services invoiced for certain projects and other revenue from ordinary activities.

The following table shows total Group output based on internal reporting by region, which in particular shows the proportional output of companies accounted for under the equity method and subsidiaries which are not consolidated in full.

in T€	2016	2015
Regions		
Germany	**275,263**	208,853
Austria	**175,014**	193,559
Poland	**65,193**	79,480
Other markets	**42,049**	111,423
Total Group output	**557,519**	**593,315**
less revenue from companies accounted for under the equity method, subsidiaries and joint ventures	**-177,460**	-240,429
less changes to the portfolio	**36,961**	-45,105
Revenue	**417,020**	**307,781**

8. Other operating income

in T€	2016	2015
Income from the release of provisions	**642**	558
Staff cost allocations	**494**	607
Exchange gains	**2,345**	1,677
Rent from space and land	**567**	241
Miscellaneous	**3,402**	5,676
Total	**7,450**	**8,759**

9. Cost of materials and other related production services

in T€	2016	2015
Expenditure on raw materials and supplies and for purchased goods	-129,623	-42,107
Expenditure on purchased services	-170,749	-210,613
Total	**-300,372**	**-252,720**

In the business year disposals of carrying amounts from properties sold were recognised in cost of materials, the figures for the previous years have been adjusted correspondingly.

10. Staff expense

in T€	2016	2015
Salaries and wages	-38,828	-30,801
Social welfare expenses	-5,005	-6,251
Expenditure on severance payments and pensions	-445	-253
Total	**-44,278**	**-37,305**

Expenditure on severance payments and pensions includes the current service costs and expenditure on defined contribution obligations. The interest expense is shown under the item finance costs.

11. Other operating expenses

The significant other operating expenses break down as follows:

in T€	2016	2015
Office operations	-7,677	-7,155
Advertising	-1,607	-2,913
Legal and consultancy services	-9,450	-10,625
Depreciation/impairment on current real estate assets	-5,547	-5,105
Exchange losses	-8,513	-1,295
Taxes, contributions and charges	-3,137	-3,975
Bank charges	-1,775	-2,912
Miscellaneous	-14,721	-14,283
Total	**-52,427**	**-48,263**

The miscellaneous other operating expenses primarily comprise other third-party services, travel expenses, charges and fees, as well as general administrative costs.

12. Depreciation, amortisation and impairment expense

Amortisation of T€78 (previous year: T€67) was applied to intangible assets and depreciation of T€3,329 (previous year: T€2,740) to property, plant and equipment.

13. Financial income

in T€	2016	2015
Income from shareholdings	4,069	659
of which from affiliates	4,068	305
Interest and similar income	6,385	6,330
of which from project financing for companies accounted for under the equity method and subsidiaries	4,894	3,624
of which from affiliates	44	365
Income from the disposal of/reversal of impairment of current financial assets	2,693	418
of which from affiliates	-	-
Total	**13,147**	**7,407**

14. Finance costs

in T€	2016	2015
Interest and similar expenditure relating to bonds	-13,336	-11,225
Interest and similar expenditure relating to other financial liabilities	-2,921	-4,444
Other interest and similar expenses	-2,943	-6,630
Expenditure relating to shareholdings	-	-
of which from companies accounted for under the equity method	-	-
of which from affiliates	-	-
Expenditure from other financial assets	-88	-8,466
of which impairment and amortisation	-	-4,939
Total	**-19,288**	**-30,765**

15. Income tax

Income tax is the taxes on income and earnings paid or owed in the individual countries, the tax allocation for other shareholders of a non-consolidated shareholding in accordance with Article 9 Austrian Corporate Tax Act and deferred taxes.

The calculation is based on tax rates that will be applicable pursuant to the prevailing tax laws or according to tax laws whose entry into force is essentially finalised, at the probable date of realisation.

in T€	2016	2015
Actual tax expense	9,667	5,306
Deferred tax expense/income	1,042	7,646
Tax expense (+)/income (-)	**10,709**	**12,952**

The tax expense resulting from the application of the Austrian Corporation Tax rate of 25% can be reconciled to the actual expense as follows:

in T€	2016	2015
Profit before income tax	40,065	50,285
Theoretical tax expense (+)/income (-)	10,016	12,571
Differences in rates of taxation	2,940	317
Tax effect of non-deductible expenditure and tax-exempt income	-5,442	-9,194
Income/expenditure from companies accounted for under the equity method	-3,529	2,013
Changes in deferred tax assets not applied in relation to loss carryforwards	5,569	8,356
Effect of changes in tax rates	-141	103
Tax losses (-)/income (+) related to other periods	-1,110	-1,603
Other differences	2,406	389
Taxes on income and earnings	**10,709**	**12,952**

In addition to the tax expense recognised in the consolidated income statement, the tax effect of expenses and income set off to other comprehensive income was also recognised in other comprehensive income. The income recognised in other comprehensive income amounted to T€223 (previous year: T€3) and related to the tax effect of the remeasurement from benefit obligations.

16. Earnings per share

Earnings per share are calculated by dividing the proportion of the annual profit relating to the shareholders of the parent by the weighted average number of shares issued. Basic earnings per share correspond to diluted earnings per share.

	2016	2015
Proportion of annual surplus relating to shareholders of the parent (in T€)	29,109	33,808
Weighted average number of shares issued	7,472,180	6,901,962
Earnings per share (in €)	**3.90**	**4.90**

17. Intangible assets

in T€	Concessions, licences and similar rights	Goodwill	Total
Acquisition and manufacturing costs			
Balance at 1 Jan 2015	355	3,861	**4,216**
Additions from common control transaction	438	-	**438**
Additions	96	-	**96**
Disposals	-164	-	**-164**
Reclassifications	6	-	**6**
Currency adjustments	2	-	**2**
Balance at 31 Dec 2015	733	3,861	**4,594**
Changes through corporate acquisitions	6	-	**6**
Additions/disposals through changes to the consolidated group	-117	-21	**-138**
Additions	70	-	**70**
Disposals	-83	-	**-83**
Reclassifications	-	-	**-**
Currency adjustments	-4	-	**-4**
Balance at 31 Dec 2016	605	3,840	**4,445**
Accumulated amortisation and impairment			
Balance at 1 Jan 2015	289	1,182	**1,471**
Additions from common control transaction	329	-	**329**
Additions	67	-	**67**
Disposals	-158	-	**-158**
Reclassifications	-	-	**-**
Currency adjustments	2	-	**2**
Appreciation	-	-	**-**
Balance at 31 Dec 2015	529	1,182	**1,711**
Changes through corporate acquisitions	5	-	**5**
Additions/disposals through changes to the consolidated group	-104	-	**-104**
Additions	78	-	**78**
Disposals	-82	-	**-82**
Reclassifications	-	-	**-**
Currency adjustments	-4	-	**-4**
Appreciation	-	-	**-**
Balance at 31 Dec 2016	422	1,182	**1,604**
Carrying amounts – balance at 31 Dec 2015	**204**	**2,679**	**2,883**
Carrying amounts – balance at 31 Dec 2016	**183**	**2,658**	**2,841**

The only acquired intangible assets shown are those with a limited useful life. The details under accounting and measurement methods explain the useful lives and methods of amortisation, depreciation and impairment.

Scheduled depreciation is shown in the income statement under "Depreciation, amortisation and impairment expense".

The impairment test involves comparing the total of the carrying amounts of the assets of the cash-generating unit to which goodwill was allocated with the recoverable amount of the same assets. For the UBM Group the cash-generating unit is the separate consolidated company. The goodwill is allocated to the cash-generating unit of Münchner Grund Immobilien Bauträger AG.

The recoverable amount of the cash-generating unit corresponds to the value in use. The cash flows were derived from budgets for the year 2016 and the following four years (detailed planning period) with a growth rate of 1% (previous year: 1%) approved by the Managing Board and current as at the time of the implementation of the impairment tests. These forecasts are based on past experience and on expectations on future market development. Discounting was applied on the basis of specific capital costs of 6.64% (previous year: 7.68%), based on a perpetual annuity. A 1% change in the specific capital costs would not yield any change in valuation.

18. Property, plant and equipment

in T€	Land, land rights and buildings including buildings on leasehold land	Technical equipment and machinery	Other facilities, fixtures and office equipment	Payments on account and assets under construction	Total
Acquisition and manufacturing costs					
Balance at 1 Jan 2015	28,679	1,894	11,111	45	**41,729**
Additions from common control transaction	4,648	725	3,599	-	**8,972**
Changes through corporate acquisitions	-	1,330	774	-	**2,104**
Additions	14,084	196	3,355	163	**17,798**
Disposals	-	-1,646	-2,532	-7	**-4,185**
Reclassifications	-14,253	5	-1,162	136	**-15,274**
Currency adjustments	8	6	21	-5	**30**
Balance at 31 Dec 2015	33,166	2,510	15,166	332	**51,174**
Changes through corporate acquisitions	-	575	46	-	**621**
Additions/disposals through changes to the consolidated group	-	-62	-324	-	**-386**
Additions	-	222	862	1,491	**2,575**
Disposals	-272	-10	-674	-	**-956**
Reclassifications	5,598	667	-10	-657	**5,598**
Currency adjustments	1	-51	-127	-21	**-198**
Balance at 31 Dec 2016	38,493	3,851	14,939	1,145	**58,428**
Accumulated depreciation and impairment					
Balance at 1 Jan 2015	594	1,363	6,840	0	**8,797**
Additions from common control transaction	638	707	2,988	-	**4,333**
Changes through corporate acquisitions	-	374	342	-	**716**
Additions	999	127	1,614	-	**2,740**
Disposals	-	-1,489	-2,364	-	**-3,853**
Reclassifications	-328	-	-33	-	**-361**
Currency adjustments	1	17	35	-	**53**
Appreciation	-	-	-	-	**-**
Balance at 31 Dec 2015	1,904	1,099	9,422	0	**12,425**
Changes through corporate acquisitions	-	230	46	-	**276**
Additions/disposals through changes to the consolidated group	-	-59	-281	-	**-340**
Additions	730	951	1,648	-	**3,329**
Disposals	-272	-10	-333	-	**-615**
Reclassifications	-	-680	-338	-	**-1,018**
Currency adjustments	-	-23	-69	-1	**-93**
Appreciation	-	-	-	-	**-**
Balance at 31 Dec 2016	2,362	1,508	10,095	-1	**13,964**
Carrying amounts – balance at 31 Dec 2015	**31,262**	**1,411**	**5,744**	**332**	**38,749**
Carrying amounts – balance at 31 Dec 2016	**36,131**	**2,343**	**4,844**	**1,146**	**44,464**

Any impairment recognised in profit or loss is shown together with scheduled depreciation under "Depreciation, amortisation and impairment expense" and any reversals of impairment recognised in profit or loss on assets subject to prior impairment are shown in the income statement under "Other operating income". The carrying amount of property, plant and equipment pledged as collateral as of the reporting date amounts to T€35,867 (previous year: T€31,400). Property, plant and equipment with a carrying amount of T€35,867 (previous year: T€31,400) is subject to restrictions on disposal.

The carrying amounts of property, plant and equipment held under finance leasing agreements amounted to T€2,184 (previous year: T€2,312). These are balanced by corresponding liabilities represented by the present value of the minimum lease payments of T€1,016 (previous year: T€1,097).

Operating leases

The Group essentially leases cars and individual items of real estate under operating leases, in most cases pre-agreed extension options are not exercised. The average term of car leasing agreements is five years and the term of real estate leasing agreements is up to seven years.

in T€	2016	2015
Due with 1 year	2,353	3,099
Due within 1 to 5 years	10,323	14,647
Due after 5 years	-	-

19. Investment property

The carrying amounts of investment property correspond to the fair value and break down as follows:

in T€	
Carrying amounts	
Balance at 1 Jan 2015	229,869
Additions from common control transaction	193,212
Changes through corporate acquisitions	24,632
Additions	128,479
Disposals	-18,327
Reclassifications IFRS 5	-27,973
Reclassifications	-2,306
Currency adjustments	-245
Appreciation	26,566
Balance at 31 Dec 2015	**553,907**
Changes through corporate acquisitions	12,167
Additions	211,203
Disposals	-118,791
Reclassifications IFRS 5	-184,319
Reclassifications	-6,616
Currency adjustments	-5,024
Appreciation	34,056
Balance at 31 Dec 2016	**496,583**

Reconciliation of Level 3 valuations:

	Austria					Germany	
2016 in T€	**Office**	**Other**	**Residential**	**Hotel**	**Land bank**	**Office**	**Residential**
Carrying amount at start of business year	**123,354**	**47,807**	**19,302**	**33,125**	**38,639**	**88,604**	**0**
Change of use/new segmentation	10,712	-	-	-	-10,712	-	-
Carrying amount at start of business year after new segmentation	**134,066**	**47,807**	**19,302**	**33,125**	**27,927**	**88,604**	**0**
Currency adjustments	-	-	-	-	-	-	-
Additions from property purchases	-	-	5,318	5,600	-	-	-
Additions in existing properties	10,552	196	1,226	34,399	-	54,599	-
Additions/disposals from expanding the consolidated group	-	-	-	-	-	-	-
Disposals from reclassifying properties as properties held for sale	-17,808	-	-	-69,271	-	-	-
Reclassification from/into property, plant and equipment	-	-	-	-	-	-5,598	-
Disposals	-32,045	-28,800	-138	-	-	-55,879	-
Net gains/losses from adjustments to fair value[1]	-10,881	-1,418	-5	6,239	4,070	12,500	-
Carrying amount at end of business year	**83,884**	**17,785**	**25,703**	**10,092**	**31,997**	**94,226**	**0**

	Austria					Germany	
2015 in T€	**Office**	**Other**	**Residential**	**Hotel**	**Land bank**	**Office**	**Residential**
Carrying amount at start of business year	**37,176**	**29,194**	**956**	**0**	**2,294**	**42,044**	**936**
Change of use/new segmentation	-	2,529	-869	-	-1,660	-	-
Carrying amount at start of business year after new segmentation	**37,176**	**31,723**	**87**	**0**	**634**	**42,044**	**936**
Addition from common control transaction	98,377	13,924	7,165	5,564	39,286	10,090	-
Currency adjustments	-	-	-	-	-	-	-
Additions from property purchases	-	-	18,118	27,635	145	6,995	-
Additions in existing properties	3,464	65	-	14	-	29,434	-
Additions/disposals from expanding the consolidated group	-	-	-	-	-	-	-
Disposals from reclassifying properties as properties held for sale	-	-	-	-	-	-27,973	-
Additions from reclassifying properties as properties held for sale/disposals in current assets	1,667	2,145	-5,899	-	-	-	-
Disposals	-15,888	-152	-164	-88	-564		-936
Net gains/losses from adjustments to fair value[1]	-1,442	102	-5	-	-862	28,014	-
Carrying amount at end of business year	**123,354**	**47,807**	**19,302**	**33,125**	**38,639**	**88,604**	**0**

[1] Net income from changes in fair value consists of revaluation gains of T€54,570 (previous year: T€29,675) and revaluation losses of T€-20,514 (previous year: T€-3,109).

Germany		Poland				Other markets				
Hotel	Land bank	Office	Other	Hotel	Land bank	Office	Other	Residential	Land bank	Total
917	**9,534**	**58,510**	**64,419**	**8,825**	**0**	**19,051**	**26,879**	**525**	**14,416**	**553,907**
-	-	-	-	-	-	-	-	-	-	**0**
917	**9,534**	**58,510**	**64,419**	**8,825**	**0**	**19,051**	**26,879**	**525**	**14,416**	**553,907**
-	-	-3,259	-1,318	-420	-	-2	-56	5	26	**-5,024**
250	14,074	50,827	-	3,108	-	-	-	-	-	**79,177**
635	1,126	23,025	-	5,653	-	202	91	-	322	**132,026**
-	-	12,167	-	-	-	-	-	-	-	**12,167**
-	-23,500	-73,740	-	-	-	-	-	-	-	**-184,319**
-	-	-	-1,018	-	-	-	-	-	-	**-6,616**
-	-	-188	-	-	-	-851	-	-	-890	**-118,791**
-	18,763	8,708	-2,830	-	-	-1,090	-	-	-	**34,056**
1,802	**19,997**	**76,050**	**59,253**	**17,166**	**0**	**17,310**	**26,914**	**530**	**13,874**	**496,583**

Germany		Poland				Other markets				
Hotel	Land bank	Office	Other	Hotel	Land bank	Office	Other	Residential	Land bank	Total
0	**1,568**	**0**	**0**	**0**	**0**	**35,918**	**73,642**	**0**	**6,141**	**229,869**
-	-	35,088	63,642	-	-	-35,088	-63,427	-	-215	0
0	**1,568**	**35,088**	**63,642**	**0**	**0**	**830**	**10,215**	**0**	**5,926**	**229,869**
-	-	-	-	-	-	10,129	-	523	8,154	193,212
-	-	-422	-2	-162	-	281	-54	2	112	-245
917	8,466	8,623	783	8,699	-	-	495	-	-	80,876
-	-	14,388	-	-	-	3	-	-	235	47,603
-	-	-	-	-	-	8,170	16,462	-	-	24,632
-	-	-	-	-	-	-	-	-	-	-27,973
-	-	-	-	-	-	-	-219	-	-	-2,306
-	-500	-	-4	-	-	-	-20	-	-11	-18,327
-	-	833	-	288	-	-362	-	-	-	26,566
917	**9,534**	**58,510**	**64,419**	**8,825**	**0**	**19,051**	**26,879**	**525**	**14,416**	**553,907**

Fair value of land and buildings
Determining the fair value of properties is carried out by way of a revolving cycle. An internal valuation team determines the market value of any property which has not undergone an external valuation. Discussions related to the parameters which need to be applied to determine fair value (Level 3) are led by operational project developers, the Managing Board and the valuation team.

In the year under review the market values of properties with a carrying amount over T€1,000, including those of non-controlling interests included in the consolidated financial statements, were determined by external appraisers; this involved investment property with a total carrying amount of T€367,605 (previous year: T€491,643). Fewer properties were subjected to an expert revaluation in 2016; the main reason for this was a range of forward deals concluded, whereby the fixed price meant that a valuation of the property was no longer required.

As in the previous year, the majority of fair values were determined using capital earnings methods, particularly the Term and Reversion approach, an international valuation method for determining the value of real estate. This valuation method divides all expected future cash flows into two distinct, independent areas. This division is necessary as when a property is rented out, the period until the current agreement (in place on the valuation date) ends – the so-called TERM – cannot be treated in the same way with regard to the requisite calculations as the period which starts after the existing rental agreement comes to an end – so-called REVERSION (applying to the subsequent rental agreement).

Term (contractual duration) – the present value of the net yield during the term is calculated. This present value is not, however, a perpetual annuity, but merely a temporary annuity which ends when the rental agreement ends.

Reversion (adjustment period) – the net yield of the reversion (market rent starting from the subsequent rental agreement), taking into account the duration the property will be vacant, is capitalised with a common market interest rate for the valuation as a perpetual annuity. A separate discount is not applied to this result, but considered in the capitalisation rate. The structural vacancy rate, should such a rate exist, is deducted separately.

The choice of capitalisation rate in the term and the reversion is specified in light of the current market conditions. An investor expects a certain yield for the respective property in accordance with this estimate. Using this as a starting point, an appropriate capitalisation rate in the term and the reversion is specified for the property.

When choosing the interest rate, factors such as the market potential, the vacancy rate and other risks related to the property are taken into consideration.

For real estate under development (assets under construction – IAS 40) the residual value method was used for valuation. Using this method, the income values are estimated by the appraisers – provided there has been no pre-letting activity – in consultation with the project developers. The budgeted completion costs, including an appropriate developer margin, are deducted from the income values. What is left after this valuation method constitutes the market value of our properties under development.

The following table shows the place in the fair value hierarchy, the valuation method and the information used to value non-observable inputs.

The various levels of the fair value hierarchy are defined as follows:
- Quoted (non-adjusted prices) in active markets for identical assets or liabilities (Level 1)
- Inputs which differ from the quoted market prices in Level 1, which are either indirectly observable (i.e. as a price) or directly observable (i.e. derived from the price) (Level 2)
- Inputs which are based on unobservable market data for the assets or liabilities (Level 3)

Property type	Segment	Fair value hierarchy	Fair value in T€ at 31 Dec 2016	Range of non-observable inputs: Valuation method	Capitalisation rate in %	Rent in € per m²/sales	Maintenance in in €/m² or %
INVESTMENT PROPERTY							
Office	Austria	Level 3	**47,504**	TR*)	6.50–7.50	5.06–9.22	6.0–12.50 €/m²
Office	Austria	Level 3	**36,380**	Residual	5.5–6.0	12.0–16.73	5.39–12.0 €/m²
Other	Austria	Level 3	**7,403**	TR*)	6.0–8.0	6.0–45.0	4.0–25.0 €/m²
Other	Austria	Level 3	**10,382**		-	-	-
Residential	Austria	Level 3	**19,303**	Residual	-	4,500.00	-
Residential	Austria	Level 2	**6,400**	CV*)	-	-	-
Hotel	Austria	Level 3	**10,092**	Residual	4.75–7.25	-	12 €/m²
Land bank	Austria	Level 2	**16,093**	CV*)	-	-	-
Land bank	Austria	Level 3	**15,904**	Residual	5.0–6.0	-	-
Office	Germany	Level 3	**87,465**	Residual	5.25	18.50	3%
Office	Germany	Level 2	**6,761**	CV*)	-	-	-
Hotel	Germany	Level 3	**1,802**	Residual	5.00	16.00	2%
Land bank	Germany	Level 3	**18,430**	Residual	5.50	14.5–18.0	3%
Land bank	Germany	Level 2	**1,567**	CV*)	-	-	-
Office	Poland	Level 3	**14,506**	Residual	6.0–6.50	13.5–15.0	4%
Office	Poland	Level 3	**61,544**	TR*)	7.5–8.0	9.95–10.76	5 €/m²
Other	Poland	Level 3	**10,465**	Residual	7.25	9.4–12.55	3%–4%
Other	Poland	Level 3	**48,788**	TR*)	7.0–8.25	4.24–11.67	2.0–4.0 €/m²
Hotel	Poland	Level 3	**17,166**	-	5.75	-	-
Office	Other markets	Level 3	**8,968**	TR*)	6.50	6.0–6.66	6.0 €/m²
Office	Other markets	Level 3	**8,342**	Residual	6.50	6.0–6.66	6.0 €/m²
Other	Other markets	Level 3	**26,914**	TR*)	8.25–10.25	4.71–7.48	5.0–8.0 €/m²
Residential	Other markets	Level 3	**530**	-	-	-	-
Land bank	Other markets	Level 3	**9,491**	Residual	7.00	4.50–11.50	4%–5%
Land bank	Other markets	Level 2	**4,383**	CV*)	-	-	-

Property type	Segment	Fair value hierarchy	Fair value in T€ at 31 Dec 2015	Range of non-observable inputs: Valuation method	Capitalisation rate in %	Rent in € per m²/sales	Maintenance in in €/m² or %
INVESTMENT PROPERTY							
Office	Austria	Level 3	104,854	TR*)	6.00–6.50	7.08–12.05	5.50–12.50
Office	Austria	Level 3	18,500	Residual	5.50	15.71	8.34
Other	Austria	Level 3	47,807	TR*)	6.00–7.25	6.29–10.58	5.50–6.50
Residential	Austria	Level 2	19,302	Residual	4.00	4,500.00	-
Hotel	Austria	Level 3	33,125	Residual	5.00	-	-
Land bank	Austria	Level 2	38,639	CV*)	-	-	-
Office	Germany	Level 3	88,604	Residual	5.25–5.50	8.90–14.33	5.13–6.16
Hotel	Germany	Level 3	917	-	-	-	-
Land bank	Germany	Level 3	9,534	Residual	6.50	15.50	6.19
Office	Poland	Level 3	35,510	Residual	6.50–7.00	12.00–21.00	3.95–6.13
Office	Poland	Level 3	23,000	TR*)	6.75–7.25	12.51–14.07	2.50
Other	Poland	Level 3	10,737	Residual	7.25	9.07	4.68
Other	Poland	Level 3	53,682	TR*)	7.50–8.50	6.78–8.53	2.00–6.00
Hotel	Poland	Level 3	8,825	Residual	7.00	18.72	6.74
Office	Other markets	Level 3	19,051	TR*)	6.75	9.50–11.94	8.00
Other	Other markets	Level 3	26,879	TR*)	8.25–11.00	4.75–7.35	4.00–8.00
Residential	Other markets	Level 3	525	-	-	-	-
Land bank	Other markets	Level 3	13,485	Residual	7.00–8.50	5.50–5.65	2.19–8.12
Land bank	Other markets	Level 3	931	-	-	-	-

* CE = capitalised earnings | * CV = comparative value | * TR = term reversion

The impact of non-observable inputs on fair value

- Rent: the higher the price per m², the higher the fair value
- Maintenance: the higher the anticipated cost of maintenance, the lower the fair value
- Capitalisation rate: the higher the capitalisation rate, the higher the fair value

At the reporting date existing contractual obligations to acquire or build investment property amounted to T€75,247 (previous year: T€119,799). In addition, investment property with a carrying amount of T€410,897 (previous year: T€421,437) was pledged as collateral.

Rental income from investment property rented out amounted to T€26,321 in the reporting period (previous year: T€20,549), while operating expenses totalled T€5,182 (previous year: T€2,958). Operating expenses related to investment property which did not generate any rental income in the reporting period amounted to T€924 (previous year: T€998).

The carrying amounts of investment property held under finance leasing agreements relate to:

in T€	2016	2015
Real estate leasing	**22,499**	67,386

These carrying amounts are balanced by corresponding liabilities represented by the present value of the minimum lease payments, i.e. of T€13,704 (previous year: T€35,846).

The remaining term of the finance leasing agreements on real estate are between nine to ten years. There are no extension options, although there are purchase options in place.

20. Shares in companies accounted for under the equity method

The requisite disclosures pursuant to IFRS 12 have been made for associates and joint ventures which are classed as significant by the UBM Group for reasons of quality or quantity.

Associates

The following associated company relates to a hotel property in Vienna.

Company	Palais Hansen GmbH		
Share in %	33.57%		
Asset class	Hotel		
Country	Austria		
Development status	Portfolio	2016	2015
Revenue		4,287	3,886
Profit for the year		4,450	122
of which depreciation, amortisation and impairment		-	-
of which interest expense		-3,082	-3,170
of which tax expense		-	-
Total comprehensive income		**4,450**	**122**
Non-current assets		121,800	115,700
Current assets		12,318	13,002
of which cash and cash equivalents		4,165	4,473
Non-current liabilities		66,939	67,346
of which non-current financial liabilities		54,622	57,409
Current liabilities		1,690	326
of which current financial liabilities		-	-
Net assets		65,489	61,030
Group share of net assets at 1 Jan		**20,488**	**-**
Transaction under common control		-	23,838
Group share of total comprehensive income		1,494	41
Dividends received		-	-3,391
Group share of net assets at 31 Dec		21,982	20,488
Carrying amount of companies accounted for under the equity method at 31 Dec		**21,982**	**20,488**

Disclosures on associates of minor significance:

in T€	2016	2015
Carrying amount of share in associates at 31 Dec	4,146	2,463
Group share in		
Profit for the year	1,264	309
Other comprehensive income	-	-
Total comprehensive income	**1,264**	**309**

The accumulated amount of non-recognised shares of losses of associates in the full year 2016 stood at T€374 (previous year: T€344) at 31 December 2016.

Joint ventures

The joint ventures listed below relate exclusively to project companies which are involved with developing and selling properties in various European countries. All companies are accounted for under the equity method.

2016 in T€

Company	W 3 AG	Jochberg Errichtungs KG	CCG Nord KG
Share in %	80.00%	50.00%	50.00%
Asset class	Other	Hotel	Other
Country	Austria	Austria	Austria
Development status	Portfolio	Portfolio	Development
Revenue	4,449	1,504	27,065
Profit/loss for the year	1,955	-1,431	4,780
of which depreciation, amortisation and impairment	-	-2,157	-12
of which interest expense	-576	-635	-195
of which tax expense	-54	-	-
Total comprehensive income	**1,955**	**-1,431**	**4,780**
Non-current assets	75,480	54,076	2,287
Current assets	972	67	26,369
of which cash and cash equivalents	972	-	2,581
Non-current liabilities	61,039	22,305	-
of which non-current financial liabilities	59,228	22,305	-
Current liabilities	1,778	2,126	21,685
of which current financial liabilities	-	-	16,268
Net assets	13,635	29,712	6,971
Group share of net assets at 1 Jan 2016	**9,149**	**15,571**	**96**
Exchange differences 1 Jan 2016	-	-	-
Additions/disposals	-	-	1,000
Group share in total comprehensive income	1,758	-715	2,390
Group share of net assets at 31 Dec 2016	10,907	14,856	3,486
Carrying amount of companies accounted for under the equity method at 31 Dec 2016	**10,907**	**14,856**	**3,486**

QBC Gamma KG	Anders Wohnen GmbH	German Hotel Invest I KG	Lanzarota Sienna Hotel SKA	Emma Hotel CV
65.00%	47.00%	44.18%	50.00%	47.62%
Office	Residential	Hotel	Hotel	Hotel
Austria	Germany	Germany	Poland	Netherlands
Development	Development	Development	Portfolio	Development
-	660	31	22,642	-
2,357	-1,185	5,543	-36	-
-	-	-	-462	-
-	-234	-705	-	-
-	-	-2,690	-	-
2,357	**-1,185**	**5,543**	**-36**	**-**
12,294	41,844	43,718	12,012	102,500
244	6,160	7,251	6,278	4,139
100	500	265	4,116	3,385
7,740	18,553	32,498	1,210	56,430
7,740	18,553	32,498	1,210	56,430
804	385	10,225	1,822	23,287
-	-	-	-	-
3,994	29,066	8,246	15,258	26,922
1,069	**9,157**	**1**	**6,241**	**-**
-	-	-	-218	-
-	-	-	-	-
1,527	-557	2,447	1,606	12,820
2,596	8,600	2,448	7,629	12,820
2,596	**8,600**	**2,448**	**7,629**	**12,820**

2015 in T€

Company	hospitals GmbH	W 3 AG	Jochberg Errichtungs KG
Share in %	**74.00%**	**80.00%**	**50.00%**
Asset class	**Other**	**Other**	**Hotel**
Country	**Austria**	**Austria**	**Austria**
Development status	**Portfolio**	**Portfolio**	**Portfolio**
Revenue	145	4,271	1,231
Profit/loss for the year	10,506	1,882	-1,644
of which depreciation, amortisation and impairment	-11	-	-2,414
of which interest expense	-755	-593	-675
of which tax expense	-2,347	-18	-
Total comprehensive income	**10,506**	**1,882**	**-1,644**
Non-current assets	3,432	75,920	56,145
Current assets	8,794	1,045	86
of which cash and cash equivalents	3,495	752	10
Non-current liabilities	-	64,315	23,428
of which non-current financial liabilities	-	64,315	23,428
Current liabilities	2,843	1,212	1,662
Net assets	9,383	11,438	31,141
Group share of net assets at 1 Jan 2015	**-**	**2,503**	**-**
Exchange differences 1 Jan 2015	-	-	-
Transaction under common control	5,677	5,006	16,392
Group share in total comprehensive income	1,232	1,640	-821
Dividends received	-6,542	-	-
Group share of net assets at 31 Dec 2015	367	9,149	15,571
Carrying amount of companies accounted for under the equity method at 31 Dec 2015	**367**	**9,149**	**15,571**

[1] merged with Vienna Office spzoo and Amsterdam Office spzoo

"hospitals" GmbH	BLV Pasing GmbH	UBX 1 Objekt Berlin GmbH	Polecki Business park spzoo[1]	Sienna Hotel SKA	Top Office Munich GmbH
65.34%	**47.00%**	**50.00%**	**50.00%**	**50.00%**	**47.00%**
Other	**Residential**	**Hotel**	**Other**	**Hotel**	**Other**
Austria	**Germany**	**Germany**	**Poland**	**Poland**	**Germany**
Portfolio	**Development**			**Portfolio**	**Portfolio**
854	750	34,551	232	21,646	56,418
3,838	1,876	18,318	800	94	5,718
-4	-	-2,197	-	-867	-
-96	-203	-2,538	-36	-	-
-30	-323	-	-24	-	-
3,838	**1,876**	**18,318**	**800**	**94**	**5,718**
14,835	38,092	-	-	9,866	-
676	6,268	32,790	29,918	5,187	15,928
78	923	1,033	628	4,446	5,837
4,675	23,487	-	-	1,468	-
3,352	15,857	-	-	1,468	-
48	1,364	2,766	48	1,103	9,786
10,788	19,509	30,024	29,870	12,482	6,142
-	**8,287**	**5,850**	**14,535**	**6,194**	**-**
-	-	-	2	-	-
4,540	-	-	-	-	200
2,508	870	9,162	400	47	2,687
-	-	-14,975	-	-	-
7,048	9,157	37	14,937	6,241	2,887
7,048	**9,157**	**37**	**14,937**	**6,241**	**2,887**

Disclosure on joint ventures of minor significance:

in T€	2016	2015
Carrying amount attr. to joint ventures of minor significance as at 31 Dec	**20,166**	23,198
Share in the Group of		
Annual profit	**1,090**	7,247
Other comprehensive income	**-**	-
Total earnings	**1,090**	**7,247**

The amount of non-recognised shares of losses of joint ventures and companies accounted for under the equity method for the 2016 business year is T€793 (previous year: T€1,452) and the accumulated amount as of 31 December 2016 is T€3,506 (previous year: T€2,713).

As at 31 December 2016 there were no significant restrictions on access to assets. See the details in note 41 for obligations related to contingent liabilities for companies accounted for under the equity method.

21. Project financing

in T€	2016	2015
Project financing for other shareholders	**16,311**	15,875
Project financing for companies accounted for under the equity method	**87,184**	70,010
Other project financing	**8,410**	2,892
Total	**111,905**	**88,777**

In the past business year impairment of T€4,133 (previous year: T€0) and reversals of impairment of T€43 (previous year: T€2,531) were applied.

The maturity of the project financing is tied to the sale of the respective property. There are no sums overdue at present.

22. Other financial assets

in T€	2016	2015
Shareholdings in non-consolidated subsidiaries	**1,575**	1,575
Other shareholdings	**249**	249
Securities available for sale	**874**	1,163
Securities HtM	**2,907**	2,907
Total	**5,605**	**5,894**

Securities available for sale mainly comprise fixed-interest instruments. They are not subject to any restrictions on disposal. As the fair value of shareholdings cannot be determined reliably, they are recognised at acquisition cost.

23. Inventories

Inventories comprise the following items:

in T€	2016	2015
Properties intended for sale		
under development	130,162	152,421
in the portfolio	59,142	89,764
Other inventories	1,883	5,113
Less payments	-5,832	-32,079
Total	**185,355**	**215,219**

Inventories with a carrying amount of T€125,463 (previous year: T€154,072) were pledged as collateral for liabilities.

The carrying amount of the inventories recognised at fair value amounts to T€33,453 (previous year: T€29,669). In the reporting period allowances of T€5,547 (previous year: T€5,105) were recognised.

24. Trade receivables

Construction contracts
The construction contracts valued by the POC method at the end of the reporting period but not yet finally settled, are stated as follows:

in T€	2016	2015
Contract values defined according to POC method (=contract proceeds for the period)	19,840	3,141
Less attributable payments on account	-18,115	-3,065
Total	**1,725**	**76**

Proportional contract values capitalised according to the percentage of completion of the contract as at 31 December 2016 are balanced by contract costs valued at T€13,617 (previous year: T€1,407), so that the recognised profit for these contracts amounts to T€6,223 (previous year: T€1,734).

Composition and maturity terms of **trade receivables:**

in T€	2016	2015
Receivables from third parties	15,845	15,130
Receivables from consortiums	65	-
Receivables from non-consolidated subsidiaries and other shareholdings	2,830	629
Receivables from companies accounted for under the equity method	18,151	27,283
Total	**36,891**	**43,042**

Receivables from third parties totalling T€6,935 (previous year: T€5,785) were not yet overdue and T€8,910 (previous year: T€9,345) were due for less than a year. All other receivables from non-consolidated subsidiaries, other shareholdings and companies accounted for under the equity method are not yet due.

Ageing structure of receivables from third parties:

			Of which overdue at closing date in the following time periods				
in T€	Carrying amount at 31 Dec 2016	Of which not overdue at closing date	Less than 30 days	Between 30 and 60 days	Between 60 and 180 days	Between 180 and 360 days	More than 360 days
Receivables from third parties	**15,845**	6,935	2,628	1,321	2,133	2,828	-

			Of which overdue at closing date in the following time periods				
in T€	Carrying amount at 31 Dec 2015	Of which not overdue at closing date	Less than 30 days	Between 30 and 60 days	Between 60 and 180 days	Between 180 and 360 days	More than 360 days
Receivables from third parties	15,130	5,785	3,980	246	2,003	3,116	-

25. Financial assets

in T€	2016	Remaining term > 1 year	2015	Remaining term > 1 year
Other	**11,701**	**1,533**	13,521	3,505
Total	**11,701**	**1,533**	**13,521**	**3,505**

Other financial assets primarily include receivables from insurance and from managing property, other advances from the previous year and a cash deposit.

26. Other receivables and assets

in T€	2016	Remaining term > 1 year	2015	Remaining term > 1 year
Tax assets	**18,822**	**-**	9,174	-
Other	**3**	**-**	2	-
Total	**18,825**	**-**	**9,176**	**-**

27. Cash and cash equivalents

The cash and cash equivalents include cash at banks amounting to T€41,297 (previous year: T€92,237) and cash in hand of T€1,001 (previous year: T€1,507). UBM used the freed-up cash to settle debts. This resulted in an effect that reduced assets/liabilities at the same time as business volumes increased; nevertheless, this was overcompensated for by other effects on the balance sheet.

28. Non-current assets held for sale

The non-current assets held for sale relate to two office properties in Poland, one hotel property in Austria and an undeveloped plot in Germany, whose sale is considered highly probable and have therefore been reclassified out of investment property. The non-current assets held for sale are recognised at fair value, which corresponds to the purchase price agreed. The significant increase in this item compared to 2015 is mainly due to forward sales agreed in 2016, including the two hotels in QBC 5 in Vienna (ibis and Novotel) and the Pilot Tower office building in Krakow.

29. Deferred tax assets

Temporary differences between the valuations in the IFRS consolidated financial statements and the respective valuations for tax purposes impacted as follows on the tax deferments shown in the statement of financial position:

	2016		2015	
in T€	Assets	Liabilities	Assets	Liabilities
Investment property, other valuation differences	5,648	21,574	6,466	25,217
Property plant and equipment	10	6,106	659	4,071
Financial assets and liabilities	9,501	6,384	17,174	8,102
POC method	-	1,676	346	501
Provisions	6,835	45	3,086	107
Tax loss carryforwards	2,657	-	1,687	-
Other	42	199	55	199
Offsetting	-15,875	-15,875	-22,159	-22,159
Deferred taxes	8,818	20,109	**7,314**	**16,038**
Net deferred taxes	-	11,291	-	**8,724**

Deferred tax assets from loss carryforwards are recognised to the extent that these can probably be offset against future taxable profits. The balance of the non-recognised tax assets for loss carryforwards amounted to T€27,056 (previous year: T€21,778) as of 31 December 2016, of which T€911 (previous year: T€1,346) were foreign losses in Austria. The recognised deferred tax assets for loss carryforwards primarily relate to Austrian pre-consolidation losses. Of this, T€22,396 is vested, the remaining T€4,660 is non-vested within five to nine years.

30. Share capital

Share capital	Number	€
Ordinary bearer shares	**7,472,180**	22,416,540

The share capital of €22,416,540 (previous year: €22,416,540) is divided into 7,472,180 (previous year: 7,472,180) ordinary, no-par bearer shares. The amount of share capital attributed to any single bearer share is €3 (previous year: €3).

Every ordinary share has an equal right to participate in profits, including liquidation profits, and is entitled to one vote at the Annual General Meeting.

31. Authorised capital

Subject to approval being granted by the Supervisory Board, the Managing Board is authorised until 7 May 2019 to increase the share capital by up to €4,613,460 by issuing up to 1,537,820 new ordinary no-par bearer shares in exchange for cash and/or contribution in kind, in multiple tranches if so wished, also under application of indirect pre-emptive rights pursuant to Art. 153 Sec. 6 Austrian Stock Corporation Act; the Managing Board is also authorised to specify the issue price, issue conditions, the subscription ratio and other details with the approval of the Supervisory Board. The Supervisory Board is entitled to pass resolutions on amending the statutes to allow the Managing Board to make use of this authorisation.

Furthermore, the Managing Board is permitted, with the approval of the Supervisory Board, to acquire treasury shares in the Company up to the legally permitted level of 10% of share capital, including treasury shares already bought back for a 30-month period beginning on the date the resolution was passed (20 May 2015).

32. Reserves

The capital reserves result from the capital increases, adjustments and statute-barred dividend claims arising from previous years. The capital reserves include an amount of T€98,954 (previous year: T€98,954), which is restricted. It may only be released to compensate for an accumulated loss which would otherwise be shown in the annual financial statements of UBM, to the extent that free reserves are not available to cover this.

The other reserves comprise the reserves from revaluation of the annual financial statements of subsidiaries in foreign currencies (foreign currency translation reserves), the reserves for remeasurement from benefit obligations, retained earnings of UBM AG including the statutory reserve and the untaxed reserves after deducting deferred tax items, retained profits from subsidiaries since their acquisition and the effects of adjusting the annual financial statements of companies included in the consolidated financial statements to the accounting and measurement methods used in the consolidated financial statements.

Net earnings for the year amounting to T€11,997 (previous year: T€11,976) are available for distribution to shareholders in UBM. In addition, the unrestricted retained earnings of UBM, which come to T€25,871 (previous year: T€18,087) as at 31 December 2016 may be released and distributed to the shareholders of UBM in subsequent periods.

In the year under review dividends from the 2015 net profit totalling €11,955,488 were paid to the shareholders of UBM, amounting to €1.60 per share once again. The Managing Board proposes the distribution of dividends from the 2016 net profit of €1.60 per share, thereby totalling €11,955,488.

Equity interests which are not held by UBM or a Group company are shown under the item "Non-controlling interests".

33. Mezzanine and hybrid capital

The merger of PIAG as the transferring company and UBM as the absorbing company led to the transfer of mezzanine capital totalling €100 mn and hybrid capital totalling €25.3 mn, issued by PIAG in November 2014, to UBM AG by way of legal succession. Both the mezzanine capital and the hybrid capital are fundamentally subject to ongoing interest. €50.0 mn of the mezzanine capital was paid back in December 2015.

UBM is only obliged to pay interest on the mezzanine capital and hybrid capital if it resolves to pay a dividend to shareholders from the annual surplus. UBM is not obliged to pay the due interest for one year in the absence of a profit payout, and if the issuer utilises their right not to pay, then this unpaid interest is kept in arrears which must be paid as soon as the shareholders of UBM decide to pay out a dividend from the annual surplus.

In the case of dismissal by UBM of the mezzanine or hybrid capital, the mezzanine or hybrid capital becomes due to the holders, in addition to the valid interest accrued by this date and outstanding interest. The hybrid capital can only be paid back if, prior to the payback, a process is carried out in accordance with Art. 178 Stock Exchange Act in the amount of the planned equity payback in the course of a capital increase in accordance with Art. 149 et seq. Stock Exchange Act, or if a capital adjustment is carried out.

As payments, interest and capital redemption are only compulsory when the conditions are activated, where their activation can be authorised or prevented by UBM, and the Group therefore has the option of avoiding payment on the mezzanine and hybrid capital permanently, this mezzanine and hybrid capital is categorised as equity instruments. Interest which is paid, less any tax effect such as profit payouts, is to be recorded directly in equity as a deduction.

Both the mezzanine capital and the hybrid capital were held by PORR AG.

34. Provisions

in T€	Severance	Pensions	Anniversary bonuses	Buildings	Rental guarantees	Other	Total
Balance at 1 Jan 2015	2,010	2,651	96	359	1,684	1,160	7,960
Additions from common control transaction	593	3,596	34	50	-	730	5,003
Currency adjustments	-	-	-	1	-	7	8
First-time consolidation	-	-	-	30	-	-	30
Additions	161	166	26	130	-	538	1,021
OCI additions	22	2	-	-	-	-	24
Amounts used	-	-295	-15	-86	-61	-38	-495
Amounts reversed	-	-	-	-30	-123	-405	-558
Balance at 31 Dec 2015	**2,786**	**6,120**	**141**	**454**	**1,500**	**1,992**	**12,993**
of which non-current	2,786	6,120	141	324	1,500	1,024	11,895
of which current	-	-	-	130	-	968	1,098

in T€	Severance	Pensions	Anniversary bonuses	Buildings	Rental guarantees	Other	Total
Balance at 1 Jan 2016	2,786	6,120	141	454	1,500	1,992	12,993
Currency adjustments	-	-	-	-	-	-39	-39
First-time (de)consolidation	-	-5	-	-	-	-23	-28
Reclassification	-	-	-	92	-	-92	0
Additions	162	-2,493	66	37	-	3,863	1,635
OCI additions	265	591	-	-	-	-	856
Amounts used	-1,096	-267	-5	-348	-	-208	-1,924
Amounts reversed	-	-	-	-2	-	-	-2
Balance at 31 Dec 2016	**2,117**	**3,946**	**202**	**233**	**1,500**	**5,493**	**13,491**
of which non-current	2,117	3,946	202	103	1,500	1,343	9,211
of which current	-	-	-	130	-	4,150	4,280

UBM and its subsidiaries must pay their employees in Austria and Germany anniversary bonuses on certain anniversaries in accordance with collective agreements. The provision for anniversary bonuses was determined in accordance with the provisions of IAS 19. Please refer to the notes on accounting and measurement methods with regard to the actuarial assumptions underlying the calculation.

Provisions for buildings relate to obligations from guarantees. The other provisions involve provisions for impending losses and outstanding obligations related to the purchase of plots. Both for provisions from rental guarantees and provisions for impending losses, any possible claim is calculated on the basis of one or two years.

Pension plans

Defined benefit plans

Provisions for severance pay were created for employees (on wages and salaries) who have claims to severance payments pursuant to the Employee Act, the Wage Earners' Severance Pay Act or works agreements. Employees whose employment is subject to Austrian law, if the relevant employment began prior to 1 January 2003 and has been ongoing for a specific period, have a claim to severance pay where the employment is terminated upon the employee reaching the statutory age of retirement. The amount of the severance pay depends on the amount of the pay at the time of termination and of the length of employment. These employee claims should therefore be treated as claims under defined benefit pension plans, in which case plan assets do not exist.

Changes within provisions for severance pay were as follows:

in T€	2016	2015
Present value of severance obligations (DBO) at 1 Jan	2,786	2,010
Additions from common control transaction	-	593
Current service cost	104	105
Interest expense	58	56
Severance payments	1,096	-
Actuarial profits/losses	265	22
of which demographic profits/losses	15	-
of which financial profits/losses	112	-19
of which profits/losses from experience-based adjustments	138	42
Present value of severance obligations (DBO) at 31 Dec	**2,117**	**2,786**

in T€	2016	2015
Current service cost (entitlements)	104	105
Interest expense	58	56
Severance costs (recognised in profit and loss for the period)	**162**	**161**
Severance costs (recognised in comprehensive profit and loss for the period)	**265**	**22**

Please refer to the notes on the accounting and measurement methods with regard to the actuarial assumptions underlying the calculation. For the following business year a current service cost of T€89 and an interest expense of T€33 are planned.

The pension commitments in the UBM Group only relate to former members of the Managing Board. As a rule, these pension commitments are defined individual benefit commitments. The amount of the pension claim depends on the number of years' service in each case.

Pension provisions:

Pension obligations transferred to provisions:

in T€	2016	2015
Present value of obligations covered by plan assets	8,134	7,463
Fair value of the plan assets	-4,188	-1,343
Net value of the obligations covered by plan assets	3,946	6,120
Carrying amount of provisions at 31 Dec	**3,946**	**6,120**

Changes within provisions for pensions were as follows:

in T€	2016	2015
Present value of pension obligations (DBO) at 1 Jan	7,463	3,888
Additions from common control transaction	-	3,596
Transfers	-5	-
Current service cost	106	101
Interest expense	165	165
Pension payments	-267	-295
Actuarial profits/losses	672	8
of which demographic profits/losses	-	-
of which financial profits/losses	622	-5
of which profits/losses from experience-based adjustments	50	13
Present value of pension obligations (DBO) at 31 Dec	**8,134**	**7,463**

The obligations from the direct pension benefits are partly covered by insurance contracts concluded with WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group. In order to secure the pension rights of the employees insured from the corporate pension benefits, the rights from the insurance agreements are pledged in favour of the employees insured. The pension plan reinsurance is held in an independent department of the cover pool for life insurance as laid down in Article 20 Section 2 Line 1 in connection with Article 78 of the Insurance Supervision Law.

Receivables from pension plan reinsurance amounting to T€4,188 (previous year: T€1,343) represent plan assets pursuant to IAS 19 and were offset against the present value of pension provisions.

Plan assets:

in T€	2016	2015
Fair value of the plan assets at 1 Jan	1,343	1,237
Contribution payments	2,905	104
Interest expense	30	28
Payouts (benefit payments)	-171	-32
Actuarial gains/losses	81	6
Fair value of the plan assets at 31 Dec	**4,188**	**1,343**

Pension obligations (net):

in T€	2016	2015
Service cost (entitlement)	106	101
Interest expense	165	165
Pension costs (recognised in profit/loss for the period)	**271**	**266**
Pension costs (recognised in comprehensive income for the period)	**591**	**2**

Please refer to the notes on the accounting and measurement methods with regard to the actuarial assumptions underlying the calculation. For the following business year, a current service cost of T€0 and an interest expense of T€132 are planned.

In the year under review and in the previous year the actuarial gains and losses related to severance and pension provisions primarily involved experience-based adjustments.

Defined contribution plans

Employees whose employment is subject to Austrian law and who commenced employment after 31 December 2002 do not acquire any severance pay claims in respect of their respective employer. For these employees contributions of 1.53% of the wage or salary must be paid to an employee welfare fund. In 2016 this amounted to T€184 (previous year: T€158). A sum of T€37 (previous year: T€35) was paid into a pension fund for three Managing Board members.

The Group employees in Austria, Germany, Czech Republic, Poland and Hungary also belong to their country-specific, state pension plans, which are usually funded on a pay-as-you-earn basis. The Group is only obliged to pay the contributions when they become due. There is no legal or actual obligation to provide benefits.

35. Bonds

in T€	2016
Balance at 1 Jan 2016	321,908
Issued	50,500
Redemption	-51,863
Increase in effective interest	751
Balance at 31 Dec 2016	**321,296**

In the business year 2016 a new bond (tenor 2016–2021) was issued with the nominal amount of T€18,500 and a Schuldschein-darlehen was issued with the nominal amount of T€32,000. Furthermore, one bond due at the end of the business year was redeemed in the amount of T€51,863.

36. Financial liabilities

2016 in T€	Average effective interest in %	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	of which secured by collateral
Borrowings and overdrafts from banks subject to interest at variable rates	1.85–3.48	371,480	191,937	156,545	22,998	371,480
Borrowings and overdrafts from banks subject to interest at fixed rates	3.06–3.86	11,877	11,877	-	-	11,877
Borrowings from other lenders subject to interest at variable rates	4.50	19	19	-	-	-
Borrowings from other lenders subject to interest at fixed rates	1.00–10.00	13,973	13,140	-	833	-
Lease obligations subject to interest at variable rates	0.89–3.51	14,815	1,487	6,133	7,195	14,815
Obligations from derivatives	-	35	35	-	-	-
Total		**412,199**	**218,495**	**162,678**	**31,026**	**398,172**

2015 in T€	Average effective interest in %	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	of which secured by collateral
Borrowings and overdrafts from banks subject to interest at variable rates	0.81–5.06	310,815	148,870	115,837	46,108	310,815
Borrowings and overdrafts from banks subject to interest at fixed rates	1.80	5,808	278	1,480	4,050	5,808
Borrowings from other lenders subject to interest at variable rates	4.46–4.58	19	-	19	-	-
Borrowings from other lenders subject to interest at fixed rates	1.00–10.00	28,724	-	27,900	824	-
Lease obligations subject to interest at variable rates	1.00–3.49	35,846	2,245	9,752	23,849	35,745
Obligations from derivatives	-	334	334	-	-	-
Total		**381,546**	**151,727**	**154,988**	**74,831**	**352,368**

The minimum lease payments for liabilities from finance leasing agreements, which only relate to buildings, break down as follows:

	2016			2015		
in T€	**Nominal value**	**Discount**	**Present value**	**Nominal value**	**Discount**	**Present value**
Due within 1 year	**1,943**	**437**	**1,506**	3,371	1,032	2,339
Due within 1 to 5 years	**7,392**	**1,278**	**6,114**	13,080	3,422	9,658
Due after more than 5 years	**7,640**	**445**	**7,195**	27,036	3,187	23,849
Total	**16,975**	**2,160**	**14,815**	**43,487**	**7,641**	**35,846**

The Group's obligations from finance leasing agreements are secured by the lessor's title retention on the assets leased.

Some individual items of investment property are held under finance leasing agreements. At 31 December 2016 the average effective interest rate was 2.79% (previous year: 2.81%).There are no agreements which involve conditional rental payments, instead all leasing agreements are based on fixed instalments.

37. Trade payables

in T€	**2016**	**2015**
Trade payables	**77,388**	55,192
Payables to consortiums	**12**	12
Total	**77,400**	**55,204**

All of the payables are due in the following year.

38. Other financial liabilities

2016 in T€	**Total**	**Remaining term < 1 year**	**Remaining term > 1 year < 5 years**	**Remaining term > 5 years**	**of which secured by collateral**
Payables to non-consolidated subsidiaries	1,759	1,759	-	-	-
Payables to companies accounted for under the equity method	6,865	6,865	-	-	-
Payables to other shareholdings	5,138	5,138	-	-	-
Payables related to interest on bonds	5,105	5,105	-	-	-
Payables to staff	6,403	6,403	-	-	-
Miscellaneous	11,341	5,190	6,151	-	-
Total	**36,611**	**30,460**	**6,151**	**-**	**-**

2015 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	of which secured by collateral
Payables to non-consolidated subsidiaries	1,757	1,757	-	-	-
Payables to companies accounted for under the equity method	17,673	17,673	-	-	-
Payables to other shareholdings	15,293	15,293	-	-	-
Payables related to interest on bonds	5,310	5,310	-	-	-
Payables to staff	5,036	5,036	-	-	-
Miscellaneous	11,033	5,287	5,746	-	-
Total	**56,102**	**50,356**	**5,746**	**-**	**-**

39. Other liabilities

2016 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	of which secured by collateral
Tax liabilities	44	44	-	-	-
Social security liabilities	410	410	-	-	-
Advances received	3,165	3,165	-	-	-
Miscellaneous	125	125	-	-	-
Total	**3,744**	**3,744**	**-**	**-**	**-**

2015 in T€	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years	of which secured by collateral
Tax liabilities	633	633	-	-	-
Social security liabilities	375	375	-	-	-
Advances received	2,542	2,542	-	-	-
Miscellaneous	113	113	-	-	-
Total	**3,663**	**3,663**	**-**	**-**	**-**

40. Deferred income tax

Advance payments of corporate tax amounting to T€347 (previous year: T€292) were set off against the payment obligations of corporate tax as they were in previous years.

41. Contingent liabilities and guarantees

Guarantees comprise credit guarantees and guarantee declarations amounting to T€177,503 (previous year: T€133,931). Contingent liabilities for companies accounted for under the equity method amounted to T€159,368 (previous year: T€111,031). An availment of these liabilities is improbable.

Securities pledged
In the course of project financing, it is common that individual Group companies pledge securities for loans and borrowings. As a rule, the financing applies individually at the level of the project. Every company must take responsibility for the ongoing servicing of the debt. There are a range of securities available to the lender for hedging loans and borrowings, which can be drawn on if the claims need to be settled. The securities pledged can involve the following collateral:

- Mortgage-backed securities on property
- Pledging shares in the project company
- Pledging rent receivables

The conditions, type and scope of the securities are agreed individually (for each project company) and are tied to the project volume and the amount and duration of the loans and borrowings.

With regard to securities for investment property, please refer to note 19 and for inventories to note 23.

42. Notes on segment reporting

Segment reporting is based on geographical regions in accordance with the internal organisational structure of the UBM Group. The individual development companies within a segment are pooled into groups for the purposes of segment reporting. These groups each constitute a business area of the UBM Group. During the transfer of segment assets and liabilities, internal receivables and liabilities are eliminated for the purposes of debt consolidation.

Internal reporting is based on IFRS figures and adjusted for intragroup sales as standard. High revenues are generated through the sale of real estate projects in the course of UBM's business activities; however, this does not mean the Group is dependent on individual clients.

in T€	Germany 2016	Germany 2015	Austria 2016	Austria 2015
Total Output				
Administration	-	-	7,154	17,150
Hotel	70,914	79,264	11,798	29,486
Office	72,105	28,311	32,518	21,541
Other	5,448	16,322	50,241	66,577
Residential	71,626	73,202	21,518	7,789
Service	55,170	11,754	51,785	51,016
Total Output	275,263	208,853	175,014	193,559
Less revenue from associates and companies of minor significance and from performance companies	-72,640	-57,521	-61,301	-92,102
Change in inventories	57,273	-16,711	-20,294	-25,554
Revenue	259,896	134,621	93,419	75,903
Administration	-	-	1,065	16,606
Hotel	12,915	5,457	7,429	433
Office	4,076	28,429	-10,479	-2,039
Other	12,292	1,401	-4,070	-5,445
Residential	8,819	5,258	212	489
Service	2,796	-418	4,975	-8,084
Total EBT	40,898	40,127	-868	1,960
including: Earnings from associates	1,984	13,038	11,514	4,384
Depreciation, amortisation and impairment	-888	-865	-604	-933
Interest income	846	665	5,488	5,626
Interest expense	-1,466	-1,048	-14,031	-20,856
Segment assets at 31 Dec	356,554	333,496	1,364,175	1,294,474
of which including intangible assets, property, plant and equipment and investment property	148,645	126,843	177,312	270,373
of which including associates	13,531	12,406	68,267	64,655
Segment liabilities at 31 Dec	281,394	273,632	805,705	764,610
Investments in non-current assets and investment property	70,899	45,921	57,722	66,148
Staff	254	175	138	125

Poland		Other markets		Reconciliation		Group	
2016	2015	2016	2015	2016	2015	2016	2015
-	-	-	-			7,154	17,150
29,159	47,763	30,184	42,023			142,055	198,536
12,509	7,948	1,034	880			118,166	58,680
2,960	3,107	4,303	56,300			62,952	142,306
707	600	3,510	4,745			97,361	86,336
19,858	20,062	3,018	7,475			129,831	90,307
65,193	79,480	42,049	111,423			557,519	593,315
-28,739	-19,002	-14,780	-71,804			-177,460	-240,429
-	-2,856	-18	16			36,961	-45,105
36,454	57,622	27,251	39,635			417,020	307,781
-	-	-	-			1,065	16,606
-1,149	1,525	12,987	115			32,182	7,530
3,674	2,522	-1,755	-1,057			-4,484	27,855
-4,643	452	292	5,171			3,871	1,579
-7,148	-4,758	-5,335	-2,116			-3,452	-1,127
1,160	1,213	1,952	5,131			10,883	-2,158
-8,106	954	8,141	7,244			40,065	50,285
1,229	4,464	10,397	3,436			25,124	25,322
-1,241	-484	-673	-525			-3,406	-2,807
50	40	1	-1			6,385	6,330
-2,458	23	-1,245	-418			-19,200	-22,299
343,902	219,456	151,726	145,385	-982,596	-807,575	1,233,761	1,185,236
155,682	133,992	62,249	64,330			543,888	595,538
12,706	28,779	15,132	5,703			109,636	111,543
311,092	219,146	97,883	108,064	-603,767	-512,240	892,307	853,212
83,835	33,520	1,418	785			213,874	146,374
226	273	98	112			716	685

The following information relates to the geographic countries in which the Group operates.

in T€	Revenue by customer base 2016	Revenue by customer base 2015
Austria	93,419	75,903
Germany	259,896	134,621
Poland	36,454	57,622
Other foreign	27,251	39,635
Total foreign	**323,601**	**231,878**
Total segments	**417,020**	**307,781**

43. Notes on the cash flow statement

The cash flow statement is broken down into separate cash flows from operating, investing and financing activities, in which the cash flow from operating activities is derived according to the indirect method. The financial fund exclusively comprises cash on hand/at bank to which the Group has free access and corresponds to the value shown in the statement of financial position for cash and cash equivalents.

Interest and dividends received are included in cash flow from operating activities, as is interest paid. In contrast, dividends paid are stated under cash flow from financing activities.

At 31 December 2016 net debt stood at €691.2 mn (previous year: €609.7 mn), this represents an increase of 13.4%. This was primarily the direct result of high investment activity, particularly in ongoing project developments, which could not be offset by the significant rise in sales proceeds.

44. Notes on financial instruments

Capital risk management
The Group manages its capital with the goal of maximising the return from its shareholdings through optimising the ratio of equity and external capital.

The structure of capital at the Group consists of debts, cash and cash equivalents, as well as the equity of the shareholders of the parent.

Net debt
The Group's risk management subjects the capital structure to regular evaluation.

At year-end net debt broke down as follows:

in T€	31 Dec 2016	31 Dec 2015
Debt (i)	733,495	703,454
Cash and cash equivalents	-42,298	-93,744
Net debt	**691,197**	**609,710**
Equity (ii)	**341,454**	**332,024**
Net debt to equity ratio	202.43%	183.63%

(i) Debt is defined as non-current and current financial liabilities as shown in Notes 35 and 36.
(ii) Equity involves the Group's entire capital and reserves.

The Group's overall strategy remains unchanged against the 2016 business year.

Aims and methods of financial risk management

Original financial assets primarily comprise shareholdings in companies accounted for under the equity method, project financing and other financial assets and trade receivables. Original financial liabilities include bond and other financial liabilities as well as trade payables.

Interest rate risk

The interest rate risk is defined as the risk from rising interest cost or falling interest income in connection with financial items and for UBM this risk results almost exclusively from the scenario of rises in interest rates for financial liabilities at variable interest rates, especially in the long term.

An analysis of the floating interest rate position, which amounted to around T€411,029 at 31 December 2016, showed the following sensitivities which would occur under the scenarios of interest rate increases of 0.25 PP and 0.50 PP. The extent of the interest rate increases is based on the average volatility of the 3-month and 6-month EURIBOR in 2016. An interest rate bandwidth of 1 BPS therefore falls statistically within a probability band of 67% and the probability of an interest rate bandwidth of 2 BPS is respectively 99%. The simulated impact on interest rates is as follows:

in T€	Higher payable interest for the year 2017	Higher payable interest (p.a.) with straightline extrapolation from 2018
At interest rate rise of 25 PP	714	1,042
At interest rate rise of 50 PP	1,428	2,084

Interest for receivables from project financing has an appropriate mark-up in accordance with the UBM Group's refinancing rate. A change of 50 BP would lead to an increase in interest income of T€559 in 2016 (previous year: T€284).

Credit risk
Credit risk describes the threat of losses caused by the default of a business partner no longer capable of meeting its contractual payment obligations. This comprises default and country risks as well as the credit standing of borrowers being downgraded. The credit risk for the real estate business comprises rental obligations. The default of a tenant and the resultant loss of rental payments reduce the present value of the real estate project. This risk is taken into account at project level through expert opinions.

The risk related to receivables from customers can be classified as marginal, owing to the broad dispersion and ongoing creditworthiness checks, with regard to project financing please refer to table 44 of accumulated depreciation for project financing.

The risk of default in the case of other original financial instruments stated under assets in the statement of financial position is also regarded as low because all contracting parties are financial institutions and other debtors with prime credit standing. The carrying amount of the financial assets represents the maximum risk of default. Where risks of default are recognised in relation to financial assets, account is taken of these risks by performing allowances for impairment. There was no need for allowances of this type.

Foreign exchange risk
The interest and currency risks are evaluated regularly by risk management. Market analyses and projections from renowned financial service providers are analysed and regular reports are made to management.

The foreign exchange risk is treated within the UBM Group as transaction-oriented and results from financing in connection with property development.

As of 31 December 2016, currency risks, which result from intragroup financing transactions and/or from loan financing for project companies, were subject to a simulation, in order to be able to estimate possible risks from changes to foreign exchange rates:

FX position in T€	Local currency	FX position in local currency in thousand	VAR[1] in T€
-25,439	CZK	687,380	545
-19,044	HRK	143,968	140
-30	HUF	9,295	1
-240,518	PLN	1,061	8,318
-17,048	RON	77,379	202

[1] VAR = Value At Risk at a one-sided 99% confidence interval, this corresponds to a standard deviation of 2.3 over a time period of ten days.
Correlations between currency pairs remain unconsidered.

The simulated maximum loss at a probability of 99% and over a time period of ten days is currently a maximum of €9.21 mn.

Hedging currency risks
The UBM Group had concluded forward exchange contracts of T€626 (previous year: T€14,735) at 31 December 2016 which all involved €/PLN forward sales. Around T€429 (previous year: T€10,090) are used as hedges for loans financed in euros and the remainder of T€197 (previous year: T€4,645) for hedging intragroup financing.

At 31 December 2016 the market valuation of open forward exchange contracts resulted in a fair value of T€35 (previous year: T€334). In the fiscal year 2016 total expense of T€290 (previous year: T€-701) which resulted from changes in the fair value of forward contracts including exchange differences was recognised in profit or loss.

Derivative financial instruments

The following table shows the fair values of the different derivative instruments. They are differentiated between whether or not they are connected to a cash flow hedge in accordance with IAS 39.

in T€	2016	2015
ASSETS		
Derivatives		
without hedges	-	-
with hedges	-	-
LIABILITIES		
Derivatives		
without hedges	35	334
with hedges	-	-

Liquidity risk

		Non-discounted payment flow		
in T€	Average interest rate	2017	2018–2021	from 2022
Bonds at fixed interest rates	5.42%	14,900	362,351	-
Borrowings and overdrafts from banks at variable interest rates	1.95%	194,656	170,715	25,939
Borrowings and overdrafts from banks at fixed interest rates	3.46%	12,396	-	-
Payables to other lenders at variable interest rates	4.5%	22	-	-
Payables to other lenders at fixed interest rates	7%	14,190	-	1,197
Lease obligations at variable interest rates	2.66%	1,943	7,392	7,640
Liabilities from derivatives	interest-free	35	-	-
Trade payables	interest-free	77,400	-	-
Other financial liabilities	interest-free	30,460	6,151	-

in T€	Average interest rate	Non-discounted payment flow 2016	2017–2020	from 2021
Bonds at fixed interest rates	4.91%	67,912	316,965	-
Borrowings and overdrafts from banks at variable interest rates	2.39%	168,497	111,936	58,732
Borrowings and overdrafts from banks at fixed interest rates	1.8%	803	1,802	3,965
Payables to other lenders at variable interest rates	4.5%	-	22	-
Payables to other lenders at fixed interest rates	5.21%	1,455	28,463	1,197
Lease obligations at variable interest rates	2.81%	3,371	13,080	27,036
Liabilities from derivatives	interest-free	334	-	-
Trade payables	interest-free	55,204	-	-
Other financial liabilities	interest-free	50,356	5,746	-

The liquidity risk is the risk of being able to access funds at any time in order to settle existing liabilities. A precise financial plan is a key instrument for managing the liquidity risk; this plan is implemented by every operating company and consolidated centrally. This plan determines the need for financing and borrowing from banks.

Credit financing largely relates to current real estate projects whose development is not at risk from today's perspective.

Working capital financing is handled by the UBM Group treasury. Companies with surplus funds make these funds available to companies which need liquidity. This reduces the volume of third-party financing and optimises net interest; furthermore, it also minimises the risk that liquidity reserves are insufficient to settle financial obligations on time.

In addition to the contractually fixed project financing, UBM had access to credit lines of T€7,168 as at 31 December 2016 (previous year: T€4,020); the overall liquidity risk is therefore considered to be minimal.

Other price risks

The risk of price changes essentially comprises fluctuations in the market interest rate and in market prices as well as changes in exchange rates.

The UBM Group minimises price risks related to rental income by linking rental agreements to general indices. All other service contracts are also index-linked. Other price risks are of minor importance for the UBM Group.

Carrying amounts, measurement rates and fair values

	Measurement in acc. with IAS 39	Carrying amount at 31 Dec 2016	Measurement in acc. with IAS 39: (Continuing) acquisition costs	Measurement in acc. with IAS 39: Fair value other comprehensive income	Measurement in acc. with IAS 39: Fair value affecting net income	Fair value hierarchy (IFRS 7.27 A)	Fair Value at 31 Dec 2016
ASSETS							
Project financing							
at variable interest rates	LaR	111,905	111,905	-	-	-	-
Other financial assets	HtM	2,907	2,907	-	-	Level 1	3,478
Other financial assets	AfS (at cost)	1,824	1,824	-	-	-	-
Other financial assets	AfS	874	-	874	-	Level 1	874
Trade receivables	LaR	36,891	36,891	-	-	-	-
Financial assets	LaR	11,701	11,701	-	-	-	-
Cash and cash equivalents	-	42,298	42,298	-	-	-	-
LIABILITIES							
Bonds							
at fixed interest rates	FLAC	321,296	321,296	-	-	Level 1	335,600
Borrowings and overdrafts from banks							
at variable interest rates	FLAC	371,480	371,480	-	-	-	-
at fixed interest rates	FLAC	11,877	11,877	-	-	Level 3	12,003
Other financial liabilities							
at variable interest rates	FLAC	19	19	-	-	-	-
at fixed interest rates	FLAC	13,973	13,973	-	-	Level 3	14,502
Lease obligations	-	14,815	14,815	-	-	-	-
Trade payables	FLAC	77,400	77,400	-	-	-	-
Other financial liabilities	FLAC	36,611	36,611	-	-	-	-
Derivatives (without hedges)	FLHfT	35	35	-	35	-	-
BY CATEGORY:							
Loans and Receivables	LaR	160,497	160,497	-	-	-	-
Held to Maturity	HtM	2,907	2,907	-	-	-	-
Available-for-Sale Financial Assets	AfS (at cost)	1,824	1,824	-	-	-	-
Available-for-Sale Financial Assets	AfS	874	-	874	-	-	-
Cash and cash equivalents	-	42,298	42,298	-	-	-	-
Financial Liabilities Measured at Amortised Cost	FLAC	832,656	832,656	-	-	-	-
Financial Liabilities Held for Trading	FLHfT	35	35	-	35	-	-

	Measurement in acc. with IAS 39	Carrying amount at 31 Dec 2015	Measurement in acc. with IAS 39 (Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy (IFRS 7.27 A)	Fair Value at 31 Dec 2015
ASSETS							
Project financing							
at variable interest rates	LaR	88,777	88,777	-	-	-	-
Other financial assets	HtM	2,907	2,907	-	-	Level 1	3,482
Other financial assets	AfS (at cost)	1,824	1,824	-	-	-	-
Other financial assets	AfS	1,163	-	1,163	-	Level 1	1,163
Trade receivables	LaR	43,042	43,042	-	-	-	-
Financial assets	LaR	13,521	13,521	-	-	-	-
Cash and cash equivalents	-	93,744	93,744	-	-	-	-
LIABILITIES							
Bonds							
at fixed interest rates	FLAC	321,908	321,908	-	-	Level 1	335,718
Borrowings and overdrafts from banks							
at variable interest rates	FLAC	310,815	310,815	-	-	-	-
at fixed interest rates	FLAC	5,808	5,808	-	-	Level 3	4,716
Other financial liabilities							
at variable interest rates	FLAC	19	19	-	-	-	-
at fixed interest rates	FLAC	28,724	28,724	-	-	Level 3	28,047
Lease obligations	-	35,846	35,846	-	-	-	-
Trade payables	FLAC	55,204	55,204	-	-	-	-
Other financial liabilities	FLAC	56,102	56,102	-	-	-	-
Derivatives (without hedges)	FLHfT	334	334	-	334	-	-
BY CATEGORY:							
Loans and Receivables	LaR	145,340	145,340	-	-	-	-
Held to Maturity	HtM	2,907	2,907	-	-	-	-
Available-for-Sale Financial Assets	AfS (at cost)	1,824	1,824	-	-	-	-
Available-for-Sale Financial Assets	AfS	1,163	-	1,163	-	-	-
Cash and cash equivalents	-	93,744	93,744	-	-	-	-
Financial Liabilities Measured at Amortised Cost	FLAC	778,580	778,580	-	-	-	-
Financial Liabilities Held for Trading	FLHfT	334	334	-	334	-	-

In accordance with IFRS 7.29, the carrying amount of the financial instruments represents a reasonable approximation of the fair value, with the exception of held to maturity financial assets and available-for-sale assets (fair value hierarchy level 1), bonds subject to fixed interest rates (fair value hierarchy level 1) and borrowings and overdrafts from banks subject to fixed interest rates and other financial liabilities subject to fixed interest rates (fair value hierarchy level 3).

The fair value valuation for the bond is determined in accordance with prevailing market prices. Liabilities from bank loans and overdrafts and other financial assets are valued under the discounted cash flow valuation method, whereby the zero coupon yield curve published by REUTERS as of 31 December 2015 was used for the discounting of the cash flow.

The available-for-sale financial assets all relate to shareholdings (shares in limited companies) of minor importance, which are not listed on an active market and whose market value cannot be reliably determined. These are capitalised at acquisition cost. As long as a project has not been completed there is no intention to sell the shares in these project companies.

Net income by measurement category

in T€	from interest	from dividends	from subsequent measurement	Net income 2016
Loans and Receivables LaR	6,291	-	-4,090	**2,201**
Held to Maturity HtM	87	-	-	**87**
Available-for-Sale Financial Assets AfS (at costs)	-	4,069	-	**4,069**
Available-for-Sale Financial Assets AfS	2	-	-	**2**
Financial Liabilities Measured at Amortised Cost FLAC	-18,593	-	-6,168	**-24,761**
Financial Liabilities Held for Trading FLHfT	-	-	-	**-**

in T€	from interest	from dividends	from subsequent measurement	Net income 2015
Loans and Receivables LaR	6,130	-	2,531	8,661
Held to Maturity HtM	174	-	-	174
Available-for-Sale Financial Assets AfS (at costs)	-	659	-4,939	-4,280
Available-for-Sale Financial Assets AfS	8	-	-	8
Financial Liabilities Measured at Amortised Cost FLAC	-21,241	-	382	-20,859
Financial Liabilities Held for Trading FLHfT	-	-	-	-

An impairment loss is recognised on financial assets if one or more events occur after the initial recognition of the asset for which there is objective evidence that the estimated future cash flows of the financial asset have undergone a negative change. All allowances for impairment relate to project financing.

in T€	2016	2015
ACCUMULATED WRITEDOWNS FOR PROJECT FINANCING LAR		
Value adjustments at 31 Jan	6,518	9,049
Additions from common control transaction	-	520
Amortisation and impairment	4,133	-
Appreciation	-43	-2,531
Use	-199	-520
Balance at 31 Dec	**10,409**	**6,518**

45. Average staffing levels

	2016	2015
SALARIED EMPLOYEES AND WAGED WORKERS		
Domestic	138	125
Foreign	578	560
Total staff	**716**	**685**
of which salaried employees	630	632
of which waged workers	86	53

46. Related party disclosures

Transactions between Group companies included in the consolidated financial statements were eliminated on consolidation and are not examined any further. Transactions between Group companies and their companies accounted for under the equity method primarily involve project development, construction management, and loans granted with their related interest charges, and are disclosed in the following analysis.

in T€ Companies accounted for under the equity method	Selling goods and services		Purchasing goods and services		Receivables		Liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
Joint ventures	26,206	25,925	6,905	1,683	104,162	96,200	4,406	15,092
of which from financing	4,363	3,226	-	851	86,630	69,542	-	-
Associated companies	106	52	-	-	1,173	1,093	2,459	2,581
of which from financing	1	-	-	-	554	468	-	-

Transactions with related parties
In addition to companies accounted for under the equity method, related parties pursuant to IAS 24 include PORR AG and its subsidiaries, as well as companies in the IGO-Ortner Group and Strauss Group, as they and/or their controlling bodies have significant influence over UBM due to the existing syndicate.

Transactions in the business year between companies included in the UBM Group's consolidated financial statements and the PORR Group companies primarily relate to construction services.

In addition, interest totalling T€4,770 was paid to PORR AG for the mezzanine capital and the hybrid capital in the 2016 business year.

	Selling goods and services		Purchasing goods and services		Receivables		Liabilities	
in T€	2016	2015	2016	2015	2016	2015	2016	2015
PORR Group	**7,870**	2,767	**111,154**	86,672	**189**	1,578	**5,425**	3,916
of which from financing	**-**	720	**635**	3,265	**-**	-	**-**	-
IGO-Ortner Group	**12**	85	**15,297**	6,583	**80**	-	**1,158**	767
Strauss Group	**2**	63	**299**	-	**80**	5	**120**	-
Other	**-**	-	**134**	58	**-**	-	**4**	9

47. Events after the end of the reporting period and other information

In connection to a real estate development, STRAUSS & PARTNER Development GmbH was granted advance financing, which amounted to T€45,000 and has a term until the end of 2019, by the main tenant PORR AG.

The Managing Board of UBM approved the consolidated financial statements and handed them over to the Supervisory Board on 29 March 2017. The Supervisory Board is responsible for reviewing the consolidated financial statements and declaring whether or not it accepts them.

UBM paid the sum of T€65 (previous year: T€65) for audit services carried out by the independent auditor. The auditor of the consolidated financial statements also received the sum of T€258 (previous year: T€336) for other services.

48. Executive bodies

The table below shows the remuneration paid to the Managing Board and the Supervisory Board of UBM AG broken down by payment category:

in T€	2016	2015
MANAGING BOARD REMUNERATION		
Current benefits due (annual)	**4,440**	2,622
Due on or after completion of management contract (pension)	**496**	154
Other non-current benefits due (severance)	**-81**[1]	27
Total	**4,855**	**2,803**
Supervisory Board remuneration	**178**	**192**

[1] Severance of T€671 was paid out to a former Managing Board member, which was covered by a provision of T€752, resulting in a release of T€81.

Managing Board members:
Thomas G. Winkler, Chairman (from 1 June 2016)
Martin Löcker
Michael Wurzinger
Claus Stadler
Karl Bier, Chairman (until 31 May 2016)
Heribert Smolé (until 31 May 2016)

Members of the Supervisory Board:
Karl-Heinz Strauss, Chairman
Iris Ortner, Deputy Chairman
Christian B. Maier
Klaus Ortner
Ludwig Steinbauer
Paul Unterluggauer
Bernhard Vanas
Susanne Weiss

Johann Kaller (from 30 June 2016)
Martin Kudlicska (from 30 June 2016)
Hannes Muster (from 30 June 2016)
Günter Schnötzinger (from 30 June 2016)

Vienna, 29 March 2017
The Managing Board

Thomas G. Winkler
Chairman

Martin Löcker | **Claus Stadler** | **Michael Wurzinger**

Shareholdings

Company	Country code	Domicile	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation	Capital share in % direct (31.12.2015)	Capital share in % indirect (31.12.2015)	Type of consolidation	Currency
AFFILIATED COMPANIES									
"Athos" Bauplanungs- und Errichtungsgesellschaft m.b.H.	AUT	Vienna	90.00	100.00	F	90.00	99.00	F	€
"UBM 1" Liegenschaftsverwertung Gesellschaft m.b.H.	AUT	Vienna	100.00	100.00	F	100.00	100.00	F	€
Aiglhof Projektentwicklungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Ariadne Bauplanungs- und Baugesellschaft m.b.H.	AUT	Vienna	100.00	100.00	F	100.00	100.00	F	€
Bahnhofcenter Entwicklungs-, Errichtungs- und Betriebs GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	99.00	F	€
BMU Beta Liegenschaftsverwertung GmbH	AUT	Vienna	50.00	100.00	F	50.00	100.00	F	€
CM Wohnungsentwicklungs GmbH	AUT	Vienna	94.00	100.00	F	94.00	100.00	F	€
Dorfschmiede St. Johann Immobilien GmbH	AUT	Vienna	90.00	100.00	F	90.00	99.00	F	€
Emiko Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	N	0.00	100.00	N	€
Emiko Beteiligungsverwaltungs GmbH & Co. KG	AUT	Kematen in Tirol	0.00	100.00	F	0.00	100.00	F	€
EPS Dike West-IBC GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS Haagerfeldstraße - Business.Hof Leonding 2 Errichtungs- und Verwertungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS Höhenstraße Immobilien GmbH	AUT	Kematen in Tirol	0.00	100.00	F	0.00	100.00	F	€
EPS Immobilienmanagement "Kreuzstraße" GmbH & CO KG	AUT	Innsbruck	0.00	100.00	F	0.00	100.00	F	€
EPS Immobilienmanagement GmbH	AUT	Kematen in Tirol	0.00	100.00	N	0.00	100.00	N	€
EPS Immobilienmanagment "Schützenwirt" GmbH & CO KG	AUT	Innsbruck	0.00	100.00	F	0.00	100.00	F	€
EPS MARIANNE-HAINISCH-GASSE - LITFASS-STRASSE Liegenschaftsverwertungs- und Beteiligungsverwaltungs GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS MARIANNE-HAINISCH-GASSE - LITFASS-STRASSE Liegenschaftsverwertungs- und Beteiligungsverwaltungs-GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS Office Franzosengraben GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS Office Franzosengraben GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS RINNBÖCKSTRASSE - LITFASS-STRASSE Liegenschaftsverwertungs- und Beteiligungsverwaltungs GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS RINNBÖCKSTRASSE - LITFASS-STRASSE Liegenschaftsverwertungs- und Beteiligungsverwaltungs-GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
EPS Welser Straße 17 - Business.Hof Leonding 1 Errichtungs- und Beteiligungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€

Company	Country code	Domicile	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation	Capital share in % direct (31.12.2015)	Capital share in % indirect (31.12.2015)	Type of consolidation	Currency
EPS Welser Straße 17 - Business.Hof Leonding 1 Errichtungs- und Beteiligungs GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Gepal Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Gevas Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Giral Beteiligungsverwaltungs GmbHin Liqu.	AUT	Vienna	0.00	100.00	N	0.00	100.00	N	€
Giral Beteiligungsverwaltungs GmbH & Co. KG	AUT	Vienna	0.00	0.00		0.00	100.00	N	€
Glamas Beteiligungsverwaltungs GmbH & Co "Delta" KG	AUT	Vienna	0.00	0.00		0.00	100.00	F	€
Golera Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
GORPO Projektentwicklungs- und Errichtungs-GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
GORPO Projektentwicklungs- und Errichtungs-GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Gospela Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Gospela Beteiligungsverwaltungs GmbH & Co KG	AUT	Vienna	0.00	0.00	F	0.00	100.00	F	€
IBC Business Center Entwicklungs- und Errichtungs-GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	99.00	F	€
Impulszentrum Telekom Betriebs GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	30.00	76.00	F	30.00	76.00	F	€
Jandl Baugesellschaft m.b.H.	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	99.07	F	€
Logistikpark Ailecgasse GmbH	AUT	Vienna	100.00	100.00	F	100.00	100.00	F	€
MBU Liegenschaftsverwertung Gesellschaft m.b.H.	AUT	Vienna	90.00	100.00	F	90.00	99.00	F	€
MLSP Absberggasse Immobilien GmbH & Co KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
MLSP IBC WEST Immobilien GmbH & Co KG	AUT	Vienna	0.00	0.00		0.00	100.00	F	€
MultiStorage GmbH	AUT	Salzburg	0.00	75.00	N	0.00	75.00	N	€
MultiStorage GmbH & Co KG	AUT	Salzburg	0.00	75.00	F	0.00	75.00	F	€
MySky Verwertungs GmbH & Co. OG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Porr - living Solutions GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Porr Infrastruktur Investment AG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Projekt Ost - IBC Business Center Entwicklungs- und Errichtungs-GmbH & Co KG	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	100.00	F	€
Projekt West - IBC Business Center Entwicklungs- und Errichtungs-GmbH & Co KG	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	0.00		0.00	100.00	F	€
QBC Beta SP Immomanagement GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
QBC Epsilon SP Immomanagement GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
QBC Eta SP Immomanagement GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
QBC Immobilien GmbH & Co Beta KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
QBC Immobilien GmbH & Co Epsilon KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
QBC Immobilien GmbH & Co Eta KG	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Rainbergstraße - Immobilienprojektentwicklungs GmbH	AUT	Vienna	99.00	99.00	F	99.00	99.00	F	€
RBK Wohnbau Projektentwicklung GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Ropa Liegenschaftsverwertung Gesellschaft m.b.H.	AUT	Vienna	50.00	100.00	F	50.00	99.00	F	€

Company	Country code	Domicile	Capital share in % direct (31.12.2016)	Capital share in % indirect (31.12.2016)	Type of consolidation	Capital share in % direct (31.12.2015)	Capital share in % indirect (31.12.2015)	Type of consolidation	Currency
Sabimo Immobilien GmbH	AUT	Vienna	0.00	100.00	F	0.00	99.00	F	€
Sabimo Liebenauer Hauptstraße GmbH	AUT	Vienna	0.00	100.00	F	0.00	99.00	F	€
Sabimo Monte Laa Bauplatz 2 GmbH	AUT	Vienna	0.00	100.00	F	0.00	99.00	F	€
SFZ Freizeitbetriebs-GmbH & Co KG	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	100.00	F	€
SFZ Immobilien GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	N	0.00	100.00	N	€
SFZ Immobilien GmbH & Co KG	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	100.00	F	0.00	100.00	F	€
Somax Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Sovelis Beteiligungsverwaltungs GmbH in Liqu.	AUT	Vienna	0.00	100.00	N	0.00	100.00	N	€
SP Graumanngasse 8-10 Immobilien GmbH	AUT	Vienna	0.00	100.00	F	0.00	99.00	F	€
St. Peter-Straße 14-16 Liegenschaftsverwertung Ges.m.b.H.	AUT	Vienna	50.00	100.00	F	50.00	99.00	F	€
sternbrauerei-riedenburg revitalisierung gmbh	AUT	Vienna	99.00	99.00	F	99.00	99.00	F	€
STRAUSS & PARTNER Development GmbH	AUT	Vienna	99.96	100.00	F	99.96	100.00	F	€
UBM Beteiligungsmanagement GmbH	AUT	Vienna	100.00	100.00	F	100.00	100.00	F	€
UBM Development AG & Co. Muthgasse Liegenschaftsverwertung OG	AUT	Vienna	100.00	100.00	N	100.00	100.00	N	€
UBM hotels Management GmbH	AUT	Vienna	100.00	100.00	F				€
UBM Seevillen Errichtungs-GmbH	AUT	Vienna	100.00	100.00	F	100.00	100.00	F	€
Vermögensverwaltung SFZ Immobilien GmbH & Co KG	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	0.00		0.00	100.00	F	€
WLB Projekt Laaer Berg Liegenschaftsverwertungs- und Beteiligungs-GmbH	AUT	Vienna	0.00	100.00	F	0.00	100.00	F	€
Wohnanlage EZ 208 KG Andritz GmbH	AUT	Graz	49.00	100.00	F	100.00	100.00	F	€
Wohnpark Laaer Berg Verwertungs- und Beteiligungs-GmbH & Co. Bauplatz 4 "blau" Projekt-OG	AUT	Vienna	0.00	100.00	N	0.00	100.00	N	€
UBM BULGARIA EOOD	BGR	Sofia	100.00	100.00	F	100.00	100.00	F	BGN
ANDOVIEN INVESTMENTS LIMITED	CYP	Limassol	100.00	100.00	F	100.00	100.00	F	€
DICTYSATE INVESTMENTS LIMITED	CYP	Limassol	100.00	100.00	F	100.00	100.00	F	€
AC Offices Klicperova s.r.o.	CZE	Prague	0.36	100.00	F	0.36	100.00	F	CZK
Immo Future 6 - Crossing Point Smichov s.r.o.	CZE	Prague	20.00	100.00	F	20.00	100.00	F	CZK
Na Záhonech a.s.	CZE	Prague	30.12	100.00	F	30.12	100.00	F	CZK
PORREAL Cesko, s.r.o.	CZE	Prague	0.00	0.00		100.00	100.00	F	CZK
Reality U Pruhonu s.r.o.	CZE	Prague	0.00	0.00		0.00	89.90	F	CZK
RE Moskevská spol.s.r.o.	CZE	Prague	0.00	100.00	F	0.00	100.00	F	CZK
TOSAN park a.s.	CZE	Prague	100.00	100.00	F	100.00	100.00	F	CZK
UBM - Bohemia 2 s.r.o.	CZE	Prague	100.00	100.00	F	100.00	100.00	F	CZK
UBM Bohemia Development s.r.o.	CZE	Prague	100.00	100.00	F	100.00	100.00	F	CZK
UBX 3 s.r.o.	CZE	Prague	100.00	100.00	F	100.00	100.00	F	CZK
ALBA BauProjektManagement GmbH	DEU	Oberhaching	0.00	100.00	F	0.00	100.00	F	€
Arena Boulevard GmbH & Co. KG	DEU	Berlin	0.00	94.00	F	0.00	94.00	F	€
Arena Boulevard Verwaltungs GmbH	DEU	Berlin	0.00	100.00	N	0.00	100.00	N	€
BERMUC Hotelerrichtungs GmbH	DEU	Munich	94.00	94.00	F	94.00	94.00	F	€
Blitz 01-815 GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€

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Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	DEU	Munich	0.00	99.00	F	0.00	99.00	F	€
Bürohaus Leuchtenbergring Verwaltungs GmbH	DEU	Munich	0.00	100.00	N	0.00	100.00	N	€
City Objekte Munich GmbH	DEU	Munich	0.00	90.00	F	0.00	90.00	F	€
City Tower Vienna Grundstücksentwick-lungs- und Beteiligungs-GmbH in Liqu.	DEU	Munich	0.00	100.00	N	0.00	100.00	N	€
Friendsfactory Projekte GmbH	DEU	Munich	0.00	55.00	F	0.00	55.00	F	€
GeMoBau Gesellschaft für modernes Bauen mbH	DEU	Berlin	0.00	94.00	N	0.00	94.00	N	€
HPG Hirschgarten GmbH	DEU	Munich	0.00	100.00	F	100.00	100.00	F	€
HPG Klosterstraße GmbH	DEU	Munich	0.00	100.00	F	100.00	100.00	F	€
Immobilien- und Baumanagement Stark GmbH & Co. Stockholmstraße KG	DEU	Munich	0.00	100.00	F	0.00	100.00	F	€
Kühnehöfe Hamburg GmbH & Co. KG	DEU	Munich	0.00	80.00	F	0.00	80.00	F	€
Kühnehöfe Hamburg Komplementär GmbH	DEU	Munich	0.00	100.00	N	0.00	100.00	N	€
Leuchtenbergring Hotelbetriebsgesellschaft mbH	DEU	Munich	0.00	100.00	F	0.00	100.00	F	€
Mainz Zollhafen Hotel GmbH & Co. KG	DEU	Berlin	0.00	100.00	F	0.00	100.00	F	€
Mainz Zollhafen Verwaltungs GmbH	DEU	Berlin	0.00	100.00	N	0.00	100.00	N	€
Mainzer Landstraße Hotelbetriebs GmbH	DEU	Munich	0.00	100.00	F	100.00	100.00	F	€
MG Brehmstrasse BT C GmbH & Co. KG	DEU	Munich	0.00	100.00	F	0.00	100.00	F	€
MG Projekt-Sendling GmbH	DEU	Munich	0.00	100.00	F	0.00	100.00	F	€
MG Sendling Hotelbetriebsgesellschaft mbH	DEU	Munich	0.00	100.00	F	0.00	100.00	F	€
MG-Brehmstrasse BT C GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€
MG-Brehmstrasse BT C Komplementär GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€
MG-Dornach Bestandsgebäude GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€
MGO I Development GmbH & Co.KG	DEU	Berlin	0.00	100.00	F	0.00	100.00	F	€
MGO II Development GmbH & Co. KG	DEU	Berlin	0.00	100.00	F	0.00	100.00	F	€
MGR Thulestraße Verwaltungs GmbH	DEU	Berlin	0.00	50.00	N				€
Münchner Grund Immobilien Bauträger GmbH	DEU	Munich	94.00	94.00	F	94.00	94.00	F	€
Münchner Grund Riem GmbH	DEU	Munich	0.00	100.00	N	0.00	100.00	N	€
Schloßhotel Tutzing GmbH	DEU	Starnberg	0.00	94.00	F	0.00	94.00	F	€
SONUS City GmbH & Co. KG	DEU	Berlin	0.00	84.00	F	0.00	84.00	F	€
SONUS City Verwaltungs GmbH	DEU	Berlin	0.00	100.00	N	0.00	100.00	N	€
Stadtgrund Bauträger GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€
UBM hotels Munich GmbH	DEU	Munich	0.00	100.00	F				€
UBM Leuchtenbergring GmbH	DEU	Munich	100.00	100.00	F	100.00	100.00	F	€
UBX 2 Objekt Berlin GmbH	DEU	Munich	50.00	94.00	F	50.00	94.00	F	€
Sitnica drustvo s ogranicenom odgovornoscu za usluge	HRV	Samobor	0.00	100.00	F	0.00	100.00	F	HRK
STRAUSS & PARTNER Development d.o.o. za usluge i graditeljstvo	HRV	Samobor	0.00	100.00	N	0.00	100.00	N	HRK
UBM d.o.o. za poslovanje nekretninama	HRV	Zagreb	100.00	100.00	F	100.00	100.00	F	HRK
Gamma Real Estate Ingtalanfejlesztö és - hasznositó Korlátolt Felelösségü Társaság	HUN	Budapest	0.00	100.00	F	0.00	100.00	F	HUF
UBM Projektmanagement Korlátolt Felegösségü Társaság	HUN	Budapest	100.00	100.00	F	100.00	100.00	F	HUF
UBM Holding NL B.V.	NLD	Amsterdam	100.00	100.00	F	100.00	100.00	F	€
UBM Hotel Zuidas B.V.	NLD	Amsterdam	0.00	100.00	F	0.00	100.00	F	€
UBM Spinoza B.V.	NLD	Amsterdam	0.00	100.00	F	0.00	100.00	F	€

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"GF Ramba" Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	50.00	E	PLN
"UBM Polska" Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	100.00	100.00	F	100.00	100.00	F	PLN
"UBM Residence Park Zakopianka" Spólka z ograniczona odpowiedzialnoscia	POL	Krakow	100.00	100.00	F	100.00	100.00	F	PLN
"UBM-HPG" Spólka z ograniczona odpowiedzialnoscia	POL	Krakow	0.00	100.00	F	0.00	100.00	F	PLN
Bartycka Real Estate Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
FMZ Gdynia Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	70.30	100.00	F	70.30	100.00	F	PLN
FMZ Lublin Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	70.00	F	0.00	70.00	F	PLN
FMZ Sosnowiec Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	55.00	F	0.00	55.00	F	PLN
Ligustria 12 Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
Oaza Kampinos Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
PBP IT-Services spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	50.00	E	PLN
Poleczki Development Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	50.00	E	PLN
Poleczki Lisbon Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	50.00	E	PLN
Poleczki Madrid Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	99.00	F				PLN
Poplar Company spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
POPLAR COMPANY Spólka z ograniczona odpowiedzialnoscia Spólka Komandytowa	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
PORREAL Polska Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	0.00		100.00	100.00	F	PLN
UBM GREEN DEVELOPMENT SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POL	Warsaw	100.00	100.00	F	100.00	100.00	F	PLN
UBM Hotel Granary Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	99.00		PLN
UBM Kotlarska Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Mogilska Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Nowy Targ Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	99.00		PLN
UBM Riwiera 2 Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Riwiera 2 Spólka z ograniczona odpowiedzialnoscia BIS Spólka komandytowa	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Riwiera 2 Spólka z ograniczona odpowiedzialnoscia Spólka komandytowa	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Rumba Spólka z ograniczona odpowiedzialnoscia w likwidacji	POL	Warsaw	0.00	0.00		1.96	100.00	F	PLN
UBM Twarda Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	100.00	F	0.00	100.00	F	PLN
UBM Zielone Tarasy Spólka z ograniczona odpowiedzialnoscia	POL	Krakow	100.00	100.00	F	100.00	100.00	F	PLN
Yavin Spólka z ograniczona odpowiedzialnoscia	POL	Poznan	0.00	100.00	F	0.00	100.00	F	PLN
Lamda Imobiliare SRL	ROM	Bucharest	0.00	100.00	F	0.00	100.00	F	RON

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M Logistic Distribution S.R.L.	ROM	Bucharest	100.00	100.00	F	100.00	100.00	F	RON
UBM DEVELOPMENT S.R.L.	ROM	Bucharest	99.15	100.00	F	99.15	100.00	F	RON
Yipsilon Imobiliare SRL	ROM	Bucharest	0.00	100.00	F	0.00	100.00	F	RON
Gesellschaft mit beschränkter Haftung "UBM development doo"	RUS	St. Petersburg	0.00	0.00		100.00	100.00	F	RUB
UBM Koliba s.r.o.	SVK	Bratislava	100.00	100.00	F	100.00	100.00	F	€
UBM Slovakia s.r.o. v likvidácii	SVK	Bratislava	100.00	100.00	F	100.00	100.00	F	€
Tovarystvo z obmezhenoju vidpovidalnistu "UBM Ukraine"	UKR	Kiev	100.00	100.00	N	100.00	100.00	N	UAH
COMPANIES RECOGNISED UNDER THE EQUITY METHOD									
"IQ" Immobilien GmbH in Liqu.	AUT	Pasching	0.00	50.00	N	0.00	50.00	N	€
ASA - Projektentwicklung - GmbH	AUT	Vienna	0.00	49.35	E/A				€
CCG Immobilien GmbH	AUT	Werndorf	0.00	24.90	E/A	0.00	24.90	E	€
Ehrenhausen Bauträger GmbH	AUT	Bad Gleichenberg	0.00	30.00	E/A	0.00	30.00	E	€
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG	AUT	Vienna	0.00	26.67	E/A	0.00	26.67	E	€
hospitals Projektentwicklungsges.m.b.H.	AUT	Graz	0.00	0.00		25.00	74.00	E	€
"hospitals" Projektentwicklungsges.m.b.H.	AUT	Vienna	0.00	0.00		21.78	65.34	E	€
LiSciV Muthgasse GmbH & Co KG	AUT	Vienna	0.00	26.67	E/A	0.00	26.67	E	€
Palais Hansen Immobilienentwicklung GmbH	AUT	Vienna	0.00	33.57	E/A	0.00	33.57	E	€
Soleta Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	26.67	N	0.00	26.67	N	€
CAMG Zollhafen HI IV V GmbH & Co. KG	DEU	Grünwald, Lk Munich	0.00	49.90	E/A				€
CAMG Zollhafen HI IV V Verwaltungs GmbH	DEU	Grünwald, Lk Munich	0.00	49.90	N				€
German Hotel Verwaltungs GmbH	DEU	Grünwald	0.00	47.00	N	0.00	47.00	N	€
CCG Nord Projektentwicklung GmbH	AUT	Werndorf	0.00	50.00	N	0.00	50.00	N	€
CCG Nord Projektentwicklung GmbH & Co KG	AUT	Werndorf	0.00	50.00	E/J	0.00	50.00	E	€
FWUBM Management GmbH	AUT	Vienna	50.00	50.00	E/J				€
Hessenplatz Hotel- und Immobilienentwicklung GmbH	AUT	Vienna	50.00	50.00	E/J	50.00	50.00	E	€
Jochberg Hotelprojektentwicklungs- und Beteiligungsverwaltungs GmbH	AUT	Jochberg	0.00	50.00	N	0.00	50.00	N	€
Jochberg Hotelprojektentwicklungs- und Beteiligungsverwaltungs GmbH & Co KG	AUT	Jochberg	0.00	50.00	E/J	0.00	50.00	E	€
Jochberg Kitzbüheler Straße Errichtungs und Beteiligungsverwaltungs GmbH & Co KG	AUT	Vienna	0.00	50.00	E/J	0.00	50.00	E	€
Jochberg Kitzbüheler Straße Errichtungs- und Beteiligungsverwaltungs GmbH	AUT	Vienna	0.00	50.00	N	0.00	50.00	N	€
Jochberg Kitzbüheler Straße Hotelbetriebs GmbH	AUT	Jochberg	0.00	50.00	E/J	0.00	50.00	E	€
KDS 98 Errichtungs GmbH	AUT	Klagenfurt am Wörthersee	0.00	33.30	E/J	0.00	33.30	E	€
Murgalerien Errichtungs- und Verwertungs-GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	50.00	E/J	0.00	50.00	E	€
Muthgasse Alpha Holding GmbH	AUT	Vienna	0.00	47.06	E/J	0.00	47.06	E	€
PEM Projektentwicklung Murgalerien GmbH	AUT	Unterpremstätten, pol. Gem. Premstätten	0.00	50.00	N	0.00	50.00	N	€
QBC Alpha SP Immomanagement GmbH	AUT	Vienna	0.00	65.00	E/J	0.00	65.00	E	€

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QBC Gamma SP Immomanagement GmbH	AUT	Vienna	0.00	65.00	E/J	0.00	65.00	E	€
QBC Immobilien GmbH	AUT	Vienna	0.00	78.98	E/J	0.00	78.98	E	€
QBC Immobilien GmbH & Co Alpha KG	AUT	Vienna	0.00	67.10	E/J	0.00	67.10	E	€
QBC Immobilien GmbH & Co Gamma KG	AUT	Vienna	0.00	67.10	E/J	0.00	67.10	E	€
QBC Immobilien GmbH & Co Zeta KG	AUT	Vienna	0.00	80.24	E/J	0.00	80.24	E	€
Rosenhügel Entwicklungs-, Errichtungs- und Verwertungsgesellschaft mbH & Co KG	AUT	Vienna	0.00	50.00	E/J	0.00	50.00	E	€
Rosenhügel Entwicklungs-, Errichtungs- und Verwertungsgesellschaft mbH	AUT	Vienna	0.00	50.00	N	0.00	50.00	N	€
Seeresidenz am Wolfgangsee Bauträger GmbH	AUT	Vienna	0.00	45.00	E/J	0.00	45.00	E	€
Seeresidenz am Wolfgangsee Beteiligungsverwaltung GmbH	AUT	Vienna	0.00	45.00	E/J	0.00	45.00	E	€
Seeresidenz am Wolfgangsee Projektentwicklungs- und Errichtungs GmbH	AUT	Vienna	0.00	45.00	N	0.00	45.00	N	€
Storchengrund GmbH	AUT	Vienna	0.00	50.00	N	0.00	50.00	N	€
W 3 Errichtungs- und Betriebs-Aktiengesellschaft	AUT	Vienna	26.67	80.00	E/J	26.67	80.00	E	€
Wohnanlage Andritz - Stattegger Straße 2 GmbH	AUT	Graz	0.00	51.00	E/J	0.00	51.00	E	€
Wohnanlage Geidorf - Kahngasse GmbH	AUT	Graz	50.00	50.00	E/J	50.00	50.00	E	€
DOCK V1, s.r.o.	CZE	Prague	0.00	50.00	E/J	0.00	50.00	E	CZK
UBX Plzen s.r.o.	CZE	Prague	50.00	50.00	E/J	50.00	50.00	E	CZK
ACC Berlin Konferenz Betriebs GmbH in Liqu.	DEU	Berlin	50.00	50.00	E/J	50.00	50.00	E	€
Anders Wohnen GmbH	DEU	Grünwald, Lk Munich	0.00	50.00	E/J	0.00	50.00	E	€
German Hotel Invest II GmbH & Co. KG	DEU	Grünwald	0.00	50.00	E/J				€
German Hotel II Verwaltungs GmbH	DEU	Grünwald	0.00	50.00	N				€
German Hotel III Verwaltungs GmbH	DEU	Grünwald, Lk Munich	0.00	50.00	N	0.00	50.00	N	€
German Hotel Invest I GmbH & Co. KG	DEU	Grünwald, Lk Munich	0.00	47.00	E/J	0.00	47.00	E	€
German Hotel Invest III GmbH & Co. KG	DEU	Grünwald, Lk Munich	0.00	50.00	E/J	0.00	50.00	E	€
German Hotel IV Verwaltungs GmbH	DEU	Grünwald, Lk Munich	0.00	50.00	N				€
German Hotel Invest IV GmbH & Co. KG	DEU	Grünwald, Lk Munich	0.00	50.00	E/J				€
Lilienthalstraße Wohnen GmbH Münchner Grund und Baywobau	DEU	Grünwald, Lk Munich	0.00	50.00	E/J	0.00	50.00	E	€
MGR Thulestraße GmbH & Co. KG	DEU	Berlin	0.00	50.00	E/J				€
Obersendlinger Grund Verwaltungs GmbH	DEU	Grünwald, Lk Munich	0.00	30.00	N	0.00	30.00	N	€
Obersendlinger Grund GmbH & Co. KG	DEU	Grünwald, Lk Munich	0.00	30.00	E/J	0.00	30.00	E	€
Top Office Munich GmbH	DEU	Grünwald, Lk Munich	0.00	50.00	E/J	0.00	50.00	E	€
UBX 1 Objekt Berlin GmbH	DEU	Munich	50.00	50.00	E/J	50.00	50.00	E	€
GALLIENI DEVELOPPEMENT SARL	FRA	Boulogne Billancourt	0.00	0.00		50.00	50.00	E	€
HOTEL PARIS II S.A.R.L.	FRA	Marne la Vallée	50.00	50.00	E/J	50.00	50.00	E	€
UBX Development (France) Societé par actions simplifiée	FRA	Magny le Hongre Cedex 4	50.00	50.00	E/J	50.00	50.00	E	€
Hotelinvestments (Luxembourg) S.à r.l.	LUX	Luxembourg	50.00	50.00	N	50.00	50.00	N	€
Emma Hotel C.V.	NLD	Amsterdam	0.00	45.24	E/J	0.00	45.24	E	€

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Sarphati 104 B.V.	NLD	Amsterdam	0.00	50.00	E/J	0.00	50.00	E	€
Styria B.V.	NLD	Amsterdam	0.00	50.00	E/J	0.00	50.00	E	€
"POLECZKI BUSINESS PARK" SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA W LIKWIDACJI	POL	Warsaw	50.00	50.00	E/J	50.00	50.00	E	PLN
"UBX Katowice" Spólka z ograniczona odpowiedzialnoscia	POL	Katowice	0.00	50.00	E/J	0.00	50.00	E	PLN
Berlin Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	74.00	E/J	0.00	50.00	E	PLN
Hotel Management Angelo Katowice Spólka z ograniczona odpowiedzialnoscia	POL	Katowice	0.00	50.00	E/J				PLN
Lanzarota Investments spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	34.00	50.00	E/J	34.00	50.00	E	PLN
Lanzarota Investments spólka z ograniczona odpowiedzialnoscia Sienna Hotel spólka komandytowo-akcyjna	POL	Warsaw	31.55	50.00	E/J	33.50	50.00	E	PLN
Ligustria 9 Spólka z ograniczona odpowiedzialnoscia	POL	Poznan	0.00	50.00	E/J				PLN
Poleczki Amsterdam Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	74.00	E/J	0.00	50.00	E	PLN
Poleczki Vienna Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	74.00	E/J	0.00	50.00	E	PLN
SOF DEBNIKI DEVELOPMENT SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	POL	Krakow	0.00	50.00	E/J	0.00	50.00	E	PLN
Warsaw Office Spólka z ograniczona odpowiedzialnoscia	POL	Warsaw	0.00	74.00	E/J	0.00	50.00	E	PLN
OTHER COMPANIES									
Clubhaus & Golfhotel Eichenheim Errichtungs-GmbH in Liqu.	AUT	Vienna	0.00	0.00		0.00	50.00	N	€
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	AUT	Vienna	10.00	10.00	N	10.00	10.00	N	€
VBV delta Anlagen Vermietung Gesellschaft m.b.H.	AUT	Vienna	0.00	0.00		0.00	20.00	N	€
"S1" Hotelerrichtungs AG	CH	Savognin	1.53	1.53	N	4.91	4.91	N	CHF
EKO-SBER BRNO, spol. s.r.o. - v likvidaci	CZE	Brno	0.00	0.00		0.00	20.00	N	CZK
STRAUSS & CO. Development GmbH	DEU	Berlin	0.00	6.00	N	0.00	6.00	N	€
Mlynska Development Spólka z ograniczona odpowiedzialnoscia	POL	Gdansk	0.00	0.00	N	0.00	40.00	N	PLN
ZAO "AVIELEN A.G."	RUS	St. Petersburg	0.00	10.00	N	0.00	10.00	N	RUB

Key:

F = fully consolidated company
E/A = associated company recognised under the equity method
E/J = joint venture recognised under the equity method
N = non-consolidated company

Auditor's Report

Report on the Consolidated Financial Statements

AUDIT OPINION

We have audited the consolidated financial statements of UBM Development AG, Vienna, and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Group equity and the consolidated cash flow statement for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 31 December 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with Austrian Generally Accepted Accounting Principles, particularly § 245a UGB.

BASIS FOR OPINION

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations 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 the Austrian General Accepted Accounting Principles and professional requirements and in accordance with IESBA Code of Ethics. 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.

The following describes the key audit matters which in our view are the most significant:
1. Valuation of real estate assets
2. Valuation of shareholdings in companies accounted for under the equity method and project financing

1. VALUATION OF REAL ESTATE ASSETS

Situation and reference to further information

The majority of assets of the group is invested in real estate in the balance sheet items PPE, investment property, inventories and non-current assets held for sale. These balance sheet items total a real estate value amounting to approximately €873 mn, which sums up to 71% of the balance sheet total. The valuations mostly depend on the fair value of the real estate on the reporting date. For investment property and assets held for sale in accordance with IFRS 5 the fair value model according to IAS 40 is used, whereas other assets in accordance with IAS 2 and IAS 16 use the fair value as a comparative amount for necessary adjustments of carrying amounts.

Due to the lack of available prices in active markets the fair value is determined by using valuation methods, particularly the Term and Reversion approach. For real estate under development in general the residual value method is used. The result of valuation depends to a large degree on estimations of material inputs that affect the value such as interest rates, expected rent and capital flows as well as completion costs and developer profits.

The risk for the consolidated financial statements is primarily the estimation of future cash flows and interest rates which are influenced by future market and economic developments. The valuation of real estate assets and the resulting gains and losses in the income statement are therefore subject to uncertainty.

Our audit response

The fair value is determined primarily by external appraisers, and partly also by internal valuations. As of 31 December 2016, real estate classified as investment property, inventory and PPE with a total carrying amount of €481 mn was valued by external appraisers. Concerning the appropriateness of the fair value for assets held for sale with a total carrying amount of €157 mn transaction and negotiation documents were also available.

Investment properties are generally determined by external appraisers when a minimum threshold is exceeded, whereas real estate classified as inventory and PPE are externally valuated when there are indicators for impairment. In the course of the audit, we have assessed the appropriateness of the criteria and critically evaluated the selection of external valuation.

We chose our sample of tested valuations based on quantitative and qualitative criteria, in which we especially paid attention to real estate with material appreciation or depreciation of the fair value. For these properties we performed detailed audit procedures. Other material qualitative criteria were the geographic location and the asset class of the property as well as properties with specific risk and uncertainty factors.

Real estate disposals and the resulting gains and losses were compared to the respective purchase contracts and values according to the latest financial statements. Moreover, purchase contracts containing earn-out clauses or similar were subject to a critical assessment.

The existing negotiation and transaction documents were reviewed for the properties qualifying as disposals in accordance with IFRS 5. The status and expectations of the further sales steps were discussed with the management, and management's positions were collected and critically assessed.

For our sample of tested valuations, our real estate experts performed the following audit procedures:

- Evaluation of the objectivity, independence and expertise of the external appraisers.

- Evaluation of the used valuation method and assessment whether it is in accordance with internationally accepted standards. For the residual value method of projects under development, we paid particular attention to the applicability of the material assumptions regarding expected development costs and expected real estate utilisation and whether these could be assessed with sufficient certainty and plausibility.

- Critical assessment of the discount rates and their change over time. The discount rates and yields were compared to transactions and valuations of similar asset classes and locations. Within the observed bandwidths, it was assessed whether changes in discount rates were justified due to market conditions or property-specific characteristics and whether they were consistently applied.

- Our real estate experts tested the plausibility of other material inputs such as rental income, occupancy rates and repair and maintenance costs by comparing them to similar market and experience rates. In addition, the data used was reconciled to underlying data of specific properties, such as, for example, the current lease status or lease payments, this was performed on a sampling basis. In the case of real estate in development, the expected construction costs used in the appraisals were compared to construction costs until completion of comparable objects. The developer profit used for the valuation was assessed through comparison with similar properties.

- In addition, the expectations, changes and conspicuities with respect to material inputs and the performance of individual properties were discussed with the management and the internal valuation team. These discussions were held both in advance of the assessment and after the assessment results were obtained. We challenged the valuations based on comparable transactions and knowledge of the market. Particular attention was paid to changes that differed from our preliminary expectations.

Reference to further information

Information on accounting and measurement methods for real estate assets can be found in chapter 4 (accounting and measurement methods) of the notes to the consolidated financial statements. Chapter 5 (key assumptions and key sources of estimation uncertainty) contains information on substantial estimation uncertainty. Furthermore, concerning investments properties and inventories the chapter refers to chapters 19 and 23 of the notes to the consolidated financial statements. Chapter 19 (investment property) contains a breakdown and movement schedule of investment property divided into asset classes as well as a table with significant inputs for the fair value determination. The section on inventories (23) includes information on carrying amounts of real estate carried at fair value and impairments. Performed appreciations and depreciations are reported in the income statement or in chapter 11 (other operating expenses) of the notes to the consolidated financial statements.

2. VALUATION OF SHAREHOLDINGS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD AND PROJECT FINANCING

Situation and reference to further information

Apart from real estate property in fully consolidated Group companies, the book values of shareholdings in companies accounted for under the equity method and therein bound project financing in associated companies and joint ventures form a major part of the Group assets. In total these assets account for about €197 mn as of 31 December 2016, which amounts to 16% of total assets.

These are mainly Austrian and foreign real estate project entities which use the provided funding by UBM for real estate acquisition and investment purposes. The measurement and recoverability of shares in companies accounted for under the equity method and project financing are mainly based on the fair value of real estate held by the project entities. Investment property held by companies accounted for under the equity method have to be recorded at fair value and the gains and losses thereof are carried forward in the Group share. Whereas for other real estate classes and project financing, the fair value is used as a comparative amount for the evaluation of the recoverability of the carrying amount.

In the process of preparing consolidated financial statements, the fair value of the properties held in the joint ventures and associated companies is determined. The fair value is determined primarily by means of the discounted cash flow model, in particular through the Term and Reversion method. In general, the residual value method is applied for real estate development. The results of the valuations are highly dependent on the estimation of the main inputs influencing the value of interest such as interest rates, expected rental and capital flows, construction costs up to completion and developer profits.

The risk for the consolidated financial statements is primarily the estimation of the future cash flows and interest rates which are influenced by future market and economic developments. The valuation of shareholdings in companies accounted for under the equity method and project financing and the resulting gains and losses in the income statement are therefore subject to uncertainty.

Our audit response

The fair value of the real estate held in joint ventures and associated companies is determined in the same manner as the valuation of the real estate that is directly held by the group. It is therefore primarily carried out by assigning external appraisers, whereby external valuations are generally carried out when a certain threshold is exceeded or if there are indications for an impairment. In the course of the audit, we examined the appropriateness of the criteria and the actual selection of the external appraisals.

Similar to the audit procedures performed on real estate held directly by the group, we selected a sample for the review of the valuations. This sample was selected based on quantitative and qualitative criteria. For this sample, our real estate appraisal specialists carried out auditing procedures similar to the auditing procedures for real estate held directly by the Group.

In addition, we have tested whether the gains and losses resulting from the fair value movement of investment properties were accurately accounted for in the equity of the joint ventures and associated companies. Also, we have tested the evaluation of the net equity of the project companies and the resulting impairment and reversal of impair-ment of shareholdings and project financing by comparison with the carrying amounts. Thereby, the recoverability of shareholdings and project financing have been evaluated and reviewed together per project company.

Reference to further information

Chapter 4 (accounting and measurement methods) of the notes to the consolidated financial statements provides information on the accounting and measurement methods for shareholdings in companies accounted for under the equity method and project financing. In chapter 20 (shares in companies accounted for under the equity method) the carrying values and the comprehensive income originating from associated companies and joint ventures is disclosed as well as further information about the financial position, financial performance and cash flows of the significant entities. Chapters 21 and 44 contain information regarding the carrying values, impairment and their development of project financing.

RESPONSIBILITIES OF MANAGEMENT AND OF THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with Austrian Generally Accepted Accounting Principles, particularly § 245a UGB, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are 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 in accordance with Austrian Standards on Auditing 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 Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism 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 risk 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 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 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 GROUP

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion
In our opinion, the management report for the group was prepared in accordance with the valid legal requirements, contains information in accordance with § 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 thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

OTHER INFORMATIONS
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 Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 and, in doing so, to 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT
The engagement partner on the audit resulting in this independent auditor's report is Mr. Klemens Eiter, Certified Public Accountant.

Vienna, 30 March 2017

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Klemens Eiter
Certified Public Accountant

Gerhard Fremgen
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.

Appropriation of Profits

UBM Development AG ended the 2016 fiscal year with a retained profit of €11,997,061.51. The Managing Board proposes a dividend of €1.60 per share, which with 7,472,180 shares totals a payout of €11,955,488.00, with the remainder of the profits totalling €41,573.51 to be carried forward to new account.

Upon approval by the Annual General Meeting on this proposal for the appropriation of profits, the payout of a dividend of €1.60 per share shall ensue from 1 July 2017 through the custodian bank, subject to tax law regulations. The main paying agent is Erste Group Bank AG.

Vienna, 29 March 2017
The Managing Board

Thomas G. Winkler
Chairman

Martin Löcker **Claus Stadler** **Michael Wurzinger**

Responsibility Statement

Pursuant to Article 82 Section 4 Stock Exchange Act – consolidated financial statements

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the company and management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Vienna, 29 March 2017
The Managing Board

Thomas G. Winkler
Chairman

Martin Löcker **Claus Stadler** **Michael Wurzinger**

Glossary

ATX	Austrian Traded Index, leading index of Vienna Stock Exchange
Dividend yield	Dividends per share in relation to the share price
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBT	Earnings Before Taxes
Equity ratio	Equity recognised as of the reporting date in relation to total assets
EURO STOXX 50	Stock index that consists of the 50 largest listed companies in the eurozone
IAS	International Accounting Standards
IATX	Immobilien Austrian Traded Index; real estate index that contains the most important real estate companies listed on the Vienna Stock Exchange
IFRS	International Financial Reporting Standards
Impairment test	In accordance with IAS 36 an evaluation of asset values shall be carried out by means of a regular test, which will establish any reduction in values of the asset and which may lead, if required, to the recording of corresponding adjustments.
Market capitalisation	Share price multiplied by the number of shares in issue
Net debt	Non-current and current bonds plus non-current and current financial liabilities minus cash and cash equivalents
P/E ratio	Price-earnings ratio, the share price in relation to earnings per share
Profit for the period	EBT after income taxes
Return on Assets (ROA)	EBT plus interest on borrowings in relation to total capital
Return on Equity (ROE)	EBT in relation to equity
Sales proceeds	The share of revenue/Total Output generated by the sale of property projects
Total Output	Total Output corresponds to the revenue of fully consolidated companies and those consolidated under the equity method, as well as sales proceeds from share deals, in proportion to the stake held by UBM.

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